

FROM CHALLENGED BEGINNINGS TO STANDING TALL

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26

Revitalising Bangladesh's agriculture sector



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Agriculture has consistently been the largest sector in Bangladesh, as in several other developing economies. About 50 percent of the population are employed in this sector and about 70 percent people overall depend on agriculture for their livelihood. A significant proportion of the poor relies on agriculture as the key source of income and employment. Indirect dependence on agriculture is reflected through employment in agro-based services and rural enterprises. However, for the past three decades the average growth of the agriculture sector has hovered around 3.2 percent—as compared to manufacturing 7.5 percent and the services sector 6.2 percent. For the past two decades, overall average employment in agriculture remained at around 70 percent—as compared to manufacturing 12.4 percent and



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services 23.5 percent. The average share of agriculture as a proportion of GDP growth for the past decade ranged from 17.5 percent (2009) to 12.68 percent (2019). In comparison, the share of the

manufacturing sector steadily rose from 25.3 percent (2009) to 29.65 percent (2019), while the share of the services sector remained almost constant—53.2 percent in 2009 and 58.8 percent in 2019.

60 percent of overall agricultural output comes from the crops sub-sector, followed by fisheries and livestock. A similar trend is evidenced as regards to the contribution of the agriculture sector to GDP in most developing countries during the transition from less developed or developing to upper middle-income

status. This scenario also indicates that despite slow or steady pace of growth of agriculture sector per se, and lower share of agriculture in GDP, this sector has the potential to significantly impact the rural income, employment and overall reduction of poverty.

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Keeping in view the perspective to ensure sustainability of the agriculture sector and its potential to contribute to overall growth, there is a need to expand productivity on the one hand, and to assess its multiplier effect on the economy, on the other. Despite limitations in size, scale and magnitude, agriculture continues to support GDP growth through increasing rural income and employment, stimulus to small and medium enterprises (SMEs) including agro-based industries, and an efficient

blend of labour-intensive and limited capital-intensive manufacturing. Higher farming yield and productivity can generate additional resources that would enable expansion of agro-supportive services. To ensure sustainable and efficient contribution of agriculture to growth, there is a need to prioritise addressing the critical challenges and constraints that this sector faces.

Agriculture is constrained by increased pressure on arable land, unfair prices, middlemen interventions, inadequate access to inputs and resources, and environmental challenges and climate change risks. Studies reveal Total Factor Productivity (TFP) that reflects impact of investments in rural infrastructure grew at a modest rate of 0.6 percent to 1.0 percent (from 1950 to 2000). TFP can be improved through expanding farm size, promoting crop diversification and advanced benefits through research and development. Current focus on enhancing TFP is centred on developing agriculture to effectively respond to market signals and increasing overall share of agriculture to GDP. Overall productivity and sustainability can be promoted through commercialisation and farm mechanisation, diversification for high-value crops, promoting agro-processing, conservation of forest resources and environmental sustainability. Constraints relate to structural and functional inadequacies

CONTINUED ON PAGE 27

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