Fostering Textiles & Clothing Value Chains in South Asia

The textiles and clothing (T&C) sector is one of the leading manufacturing sectors and holds a dominant position in terms of its contribution to employment, industrial growth and exports in South Asia. In South Asia, it employs over 55 million people directly and nearly 90 million indirectly. Not only that it is highly labour intensive but also and more importantly, it employs a large number of women workforce – 71 per cent in Sri Lanka, 35 per cent in India and 34 per cent in Bangladesh. The greater participation of female workforce in the T&C sector enables them to engage more vigorously in the social and economic transformation of their families.

The T&C sector holds tremendous potential in creating employment opportunities especially for young female workforce through greater cross border trade and investment thereby uplifting millions of people living in poverty and reducing regional disparities among the South Asian countries.

The intra-regional trade in the T&C sector was 5.7 per cent in 2007 and increased to 8.1 per cent in 2014. At the same time, intra-regional trade in all products was 3.5 per cent in 2007 and remained so in 2014. Higher growth in intra-regional trade in T&C as compared to all products underpins the importance of inherent comparative advantage and trade complementarities. For instance, India and Pakistan are traditionally strong in the production of textile yarn and fabrics as they are leading producers of cotton. On the other hand, Bangladesh and Sri Lanka are key players in readymade garments and high value added manufacturing including designs.

Thus, the existing nature of intra-regional trade and trade complementarities in different segments make a strong case for South Asian countries to develop regional T&C value chain. This is because it demonstrates some key characteristics of value chains such as “networks of production, distribution and marketing of particular products or groups of products”.

However, the germination of regional T&C value chain is undermined by various factors. First, despite the existence of the agreement on South Asian Free Trade Area, there exist tariff barriers. Tariffs are relatively high on intermediate T&C inputs and directly hit at the very root of value addition and proved to be detrimental to explore forward linkages. Furthermore, the prevalence of non-tariff measures such as technical barriers to trade are creating major impediments to the formation of regional T&C value chain. Given the dispersed and fragmented nature of the T&C sector, any restriction due to technical barriers and related complexities increase trade transaction costs and affect the efficiency of value chain.

Secondly, the growth and development of regional T&C value chain is hindered by a lack of credible financial system. The South Asian region has to create a credible ‘financial supply chain’ – that is the flow of financial information and money that takes place among the actors of T&C value chains. The cost associated with inefficiencies in financial supply chain is counter-productive and affect the efficient operation of the entire value chain. For instance, Bangladeshi garment manufactures face difficulties in opening Letter of Credit (L/C) to their Indian textile suppliers unless they have order from lead buyers.

Thirdly, South Asian countries lag effective trade and transport facilitation. This poses a major challenge for nurturing T&C value chain in the region. Frequent delays at ports for...
custom clearance work as a restraining force, especially in making supply chains effective where intermediate products cross many borders while reaching their final market. High trade transaction cost due to transport and transit delays increase the cost of imported T&C inputs, thereby affect the cost competitiveness of readymade garments.

In view of the above, it is, therefore, important for South Asian countries to shed their tunnelled vision towards overarching reforms in key areas of trade, investment and trade facilitation, and formulate a new framework that embraces a holistic approach.

South Asian countries require a strong political will among its leaders and political buy-in from its trade-related stakeholders to carry forward the promise of redrawing the geography of its T&C value chain. That will help reaping the dividends of socio-economic and demographic transition through intra-regional trade.

SAARC-TPN’S ACTIVITIES

Fostering Regional Value Chain for SMEs

The 9th Coordination Meeting (CM-9) of the Working Group Small and Medium Enterprises (WG-SME) was held in New Delhi, on July 29-30, 2016 to review the recently concluded Regional Value Chain (RVC) project and set out the direction for the WG’s future activities.

The outcomes and the challenges of the RVC project were assessed in the meeting. However, challenges with regards to processing for food quality certification for the juices sector and stringent visa regimes and custom border access for the textiles sector have posed major challenges in taking trade engagement forward. Currently, steps are being taken by the WG to forward the agenda of Mutual Recognition Agreements for laboratories from Bhutan, Sri Lanka and Nepal for the Indian Market in the juices sector.

As future course of action, proposition to organise matchmaking events for the SMEs to further strengthen their business outreach was deliberated during the CM. The need to work on further strengthening the technical capacities of the SME-based organisations to act as trade facilitators was considered to be a crucial aspect for SME trade development.

Policy Advocacy Group established in Pakistan

The preliminary meeting of the recently established Policy Advocacy Group (PAG) in Pakistan was held at the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) in Karachi, Pakistan on July 12, 2016. With this meeting, the PAG in Pakistan was officially launched.

Abdul Rauf Alam, President FPCCI chaired the first meeting. Alam stressed that the volume of regional trade could be increased by 250 per cent immediately if barriers like custom procedures, differing national prohibition to specific products or port restrictions were removed. Therefore, a need was felt more than ever before, to form a PAG in order to strengthen collaboration, coordination and to bring about essential interactions aimed at addressing the issues of trade facilitation in a more comprehensive manner.

The PAG was established as per the recommendation of the Policy Advocacy Strategy initiated by the SAARC-TPN and Working Group Regional Trade Facilitation (WG-RTF). The main objective is to advocate for the reduction of NTBs/NTMs hampering intra-regional trade in South Asia. NTM desks of Nepal, Bhutan, and Bangladesh have also facilitated the establishment and operation of such groups in their respective countries earlier.

Bridging borders through trade

The concept of RVCs has not been deeply explored in South Asia. The work of the SAARC-TPN in piloting the RVC project has brought to light the immense prospects and challenges in improving the trade scenario within the region. Deriving from the learning of the project, a publication is being created to present a case for regional value chains as possible driver for developing regional trade in South Asia. The publication will encapsulate the process, success factors, case studies and lessons learnt from the RVC project.
**Afghanistan to Raise Exports to Russia**

Afghanistan Chamber of Commerce and Industries (ACCI) said that the country will export nearly 300,000 tonnes of fresh fruits and vegetables to Russia as Moscow has applied customs duty exemption on Afghan products.

The ACCI said Afghan businessmen are trying to use the opportunity and raise their exports to Russia. A number of experts meanwhile urged Afghan government to boost its fruits, vegetables and other goods’ exports to Russia and other international markets.

“There are some main issues, including transit, process and marketing for Afghan products. If government pays attention to these issues and work through a professional process, we can export our goods to Russia and from Russian markets to other countries,” said Nabi Sadat, Economic Affairs Analyst.


**BBIN Expo Begins**

A three-day business exposition of Bangladesh-Bhutan-India-Nepal (BBIN) began from July 15 at Siliguri in India, a day after the launching of the forum in Kolkata.

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) President Abdul Matlub Ahmed marking the expo said “The businessmen of the four countries will exhibit their goods under the same roof.”

FBCCI and Indian Chamber of Commerce (ICC) jointly organised the exhibition. Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and Bhutan Chamber of Commerce and Industry (BCCI) participated in the expo.

A total of 55-member business delegation of Bangladesh led by FBCCI participated in the expo, Matlub Ahmed said.

On the sidelines of the expo, different seminars were held for enhancing the inter-trade of the region, he added. ([www.bsscnews.net/newsDetails.php?cat=0&id=585923&date=2016-06-27](http://www.bsscnews.net/newsDetails.php?cat=0&id=585923&date=2016-06-27))

**7th Bhutan Construction Expo**

As an annual event, the Bhutan Chamber of Commerce & Industry (BCCI) hosted 7th Bhutan Construction Expo 2016 at Chamlingmirthang Stadium Parking during June 10-13, 2016. Various construction accessories and equipments were displayed during the expo. Participants from Bhutan, International and SAARC region participated in this event.

The objectives of this expo was to increase the awareness of latest available products and technologies for the construction sectors; create a value chain between the construction industries and the manufactures; encourage new and innovative construction industry through introduction of latest products and technologies; and become a showcase for largest assemblage of products, services and expertise of local and international market place. ([www.bcci.org.bt/blog/portfolio/7th-bhutan-construction-expo](http://www.bcci.org.bt/blog/portfolio/7th-bhutan-construction-expo))

**South Asia: Shaping the New Paradigm for Growth**

The SAARC Chamber of Commerce and Industry (SCCI) held a conference on ‘South Asia: Shaping the New Paradigm for Growth’, at Sri Lanka on June 03, 2016.

It was organised in collaboration with Federation of Chamber of Commerce and Industry of Sri Lanka (FCCISL) and in partnership with Friedrich Naumann Foundation for Freedom (FNF) Regional office, New Delhi and US Agency for International Development-South Asia Regional Initiative (USAID-SARI) Project.

The regional partners as ACCI, FBCCI, BCCI, Federation of Indian Chambers of Commerce and Industry (FICCI), Confederation of Indian Industries (CII), FNCCI, Federation of Pakistan Chambers of Commerce and industry (FPCCI) also contributed as knowledge partners in the conference.

The conference concluded with three sessions including the inaugural and followed by two technical ones. The first technical session entitled ‘Securing South Asia’s Energy Future’ aimed at discussing ways and means that how the Public-Private Partnership in South Asia can help attain self-sufficiency in the energy and invest in transmission and distribution, infrastructure development to promote cross border trade and investment.

Call for Promotion of Cottage Industry

The FPCCI demanded additional steps from promotion of cottage industry to reduce poverty and bailout country from the economic problems it is facing. Cottage industry, small traders and women entrepreneurs should be given more attention to ensure rapid development of the country, said Syeda Saeeda Bano, Chairman FPCCI Standing Committee on Small Traders and Cottage Industry.

In a joint statement with the Senior Vice Chairman of the Committee Raja Hassan Akhtar, she said that a cluster for cottage industry must be established on China-Pakistan Economic Corridor after every 300 kms to boost the economy. She said that over 96 businesses fall in the category of cottage industry and small businesses but this sector is neglected.

How Pakistan can become a success when cottage industry, small traders and women feel side-lined, she said, adding that government should revisit some policies. At the occasion, Raja Hassan Akhtar said that there are 1.5 billion poor in Asia in which 660 million are very poor; majority of world’s poor lives in SAARC region who can be lifted out of poverty by policy intervention.

He said that reasons behind poverty among women are unfriendly attitude of policymakers, gender inequality, lack of education, absence of credit facilities, and apathy towards SMEs etc.

Experts to Discuss PPPs

The ‘Sri Lanka Economic Summit 2016,’ organised by the Ceylon Chamber of Commerce (CCC) lined up a top panel of experts from both the public and the private sector to discuss opportunities existing for Public Private Partnerships (PPPs) in the country.

The panel discussion, entitled ‘Private Public Partnerships – Getting Them Done, Getting Them Right,’ was conducted at the session 02 of the Summit held at Colombo on August 02-03, 2016.

The session on PPPs was held in the backdrop of rising public spending of Sri Lanka, amidst low tax revenue. Experts opine that PPPs are the best solution and the Sri Lankan government can adopt to meet infrastructure and other needs. PPPs are now recognised for their ability meet public policy challenges with private sector solutions.

Electricity Rate Hike Criticised

The Confederation of Nepalese Industries (CNI) has condemned the decision of Electricity Tariff Fixation Commission (ETFC) to hike per unit rate of electricity by 19 per cent starting mid-July.

Issuing a press statement, the Confederation said the decision will hamper Nepal’s ambition to graduate to the league of developing nations by 2022 and transform into prosperous middle-income country by 2030. Stating the rolling blackouts have long since affected social life and entire economy, CNI has said the ETFC’s decision will further reduce the competitiveness of local industries.

ABP-FISME Organises INFOCOM 2016

The 15th edition of INFOCOM India’s leading business, technology and leadership conference was organised by ABP group in partnership with Federation of Indian Micro and Small & Medium Enterprises (FISME) at New Delhi, on July 07, 2016.


Anil Bhardwaj, Secretary General of FISME, who chaired another session, said, “As organisations become large, customisation becomes difficult for them. Mass production is what they are grilled up for. In case of SMEs, it is a different thing, they are good in customisation and they can respond very fast but they lack economy of scale. This is the technology interestingly that on one hand it allows the large industries to act as a SME and it allows an SME to act as a large industry.”

A special session with Piyush Goyal, Minister of State with Independent Charge for Power, Coal, New and Renewable Energy, was another highlight of the event.

A view of the cottage industry in Pakistan

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The South Asian region is one of the fastest growing regions in the world with a favourable demographic profile and strong economic and trade potentiality. At the same time, the region is home to 40 per cent of the world’s poor and it is considered as one of the poorest sub-continent of the world. This dichotomy reflects the prevailing asymmetries in terms of social, economic and human development of the region. It underpins the importance of massive public investment to build basic infrastructure and address fundamental challenges of poverty and inequalities.

In view of this, South Asian countries created a SAARC Development Fund (SDF) in 1996, which is headquartered in Thimphu, Bhutan. The SDF is a regional funding institution with authorised capital of US$1.5bn and focuses on regional integration through project funding and collaborations with relevant institutions of SAARC (South Asian Association of Regional Cooperation) countries to address poverty and related development concerns.

The SDF works on three thematic areas/windows, viz. social, economic and infrastructure, with a mandate to promote welfare of the people of the SAARC region, improve the quality of life, and accelerate economic growth, social progress and poverty alleviation in the SAARC region. Social window primarily funds projects on poverty alleviation and social development.

The economic window will extend funding to projects related to trade and industrial development, agriculture, service sectors, science and technology, and in other non-infrastructure areas. On the other hand, the infrastructure window will primarily fund projects in areas such as energy, power, transportation, telecommunications, environment, tourism and other infrastructure areas.

All three windows can be used in the form of grants, concessional loans, non-concessional loans, returnable grants and co-funding, and can be accessed by government bodies, municipal corporations, special purpose entities and private sector bodies. It can also be utilised for identifying, studying, developing and/or sponsoring commercially viable programmes of regional priority.

At present it is only the social window that has been operationalised. The SDF is currently implementing ten regional projects in partnership with 62 implementing agencies covering all the eight member states of SAARC. As of date, it has committed US$70.27mn for projects under social window, out of which US$38.38mn has been disbursed.

Some of the major projects have been on:

- Strengthening the livelihood initiative for home-based workers in SAARC region
- Strengthening maternal and child health including immunisation
- Scaling up of ‘Zero Energy Cold Storage’ technology for the horticultural commodities in the high hills of SAARC countries
- South Asia initiative to end violence against children
- Post-harvest management and value addition of fruits in production catchments in SAARC countries
- Toll-free helplines for women and children in SAARC countries
- Strengthening of ‘Water, Sanitation and Hygiene’ (WASH) services in selected areas of SAARC countries

While positives steps forward have been taken, the SDF has also come under scrutiny for lacking adequate funding and restricting the scope of fund granted by mandating the need to have regional focus. With revisions to the charter of SDF, member countries can now have their own projects. Earlier only the projects of common importance run simultaneously by at least three member countries were qualified for the grant. This is one of the reasons why while this facility is in existence since 1996 only one window was operational.

With one eye now for the SAARC at creating an economic union focus also needs to shift beyond just the social window and some projects under the economic window are already in the pipeline. One of them, which will be in partnership with the Small Industries Development Bank of India, aims for the growth and strengthening of micro, small and medium enterprises in the SAARC region. Another one will be on developing regional value chains in primary and basic secondary products, which will be implemented in partnership with the United Nations Development Programme.

Therefore, it is important for South Asian countries to identify key critical areas, where this fund can be utilised more effectively, for enhancing regional integration through connectivity and other economic and infrastructural development programmes. Areas such as energy, power, transportation, telecommunications, environment and tourism among others can be seen as areas of great importance for South Asia. This will help bridging social, economic and infrastructural gaps among all countries of the region, which are experiencing varying levels of development and will be crucial for promoting inclusive and sustainable growth in the region.
Negotiations on ETCA on the Anvil

Sri Lanka and India have agreed to start negotiations on an expedited track for an early conclusion of the proposed Economic and Technology Co-operation Agreement (ETCA).

Sri Lanka’s Minister of Development Strategies and International Trade Malik Samarawickrama during his two day visit to India met with Indian Commerce and Industry Minister Nirmala Sitharaman for bilateral discussions in New Delhi on July 04-05, 2016.

Both the leaders expressed satisfaction on the level of engagement between the two countries, encompassing the spheres of trade and investment. (www.colombopage.com/archive_16B/Jun28_1467125375CH.php)

Improving Trade Relations

Extension of the closing time at the Samdrupjongkhar border gate and up-gradation of the immigration system were among the many points raised by the Indian business community at the two-day Bhutan-India workshop in Samdrupjongkhar.

Members of the Bhutan-India Friendship Association (BIFA) from Assam said that the closing time of the border gate in Samdrupjongkhar and Nganglam dungkhag should be extended. Currently, the gates close at 5pm, restricting the movement of both people and vehicles. Many Bhutanese go to the Indian town of Daranga for shopping.

“When the gate closes at 5pm then there will be no customers and most of the shopkeepers do not have anything to do after that,” an Indian businessman said. (www.kuenselonline.com/improving-trade-relations/)

50th in Human Capital Index

Sri Lanka was ranked at 50th position globally on the Human Capital Index, which quantifies how 130 countries are developing and deploying their human capital, and tracks progress over time.

The index seeks to serve as a tool for capturing the complexity of education, employment and workforce dynamics so that various stakeholders are able to make better-informed decisions.

The report says Sri Lanka, with an overall score of 71.69, is the bright spot for the South Asia region. The country benefits from strong educational enrolment and basic education completion rates as well as positive perceptions of the quality of its primary schools and education system overall (23rd on both). (www.colombopage.com/archive_16B/Jul05_1467725700CH.php)

Gaining from Regional Power Trade

Regional trade in electricity can spare India from investing in 35,000 MW coal-fired capacities (at estimated US$26bn) over the next 25 years, according to a World Bank study covering all SAARC nations except the Maldives.

Larger benefits will accrue through reduction in fuel cost and 6.5 per cent cut in greenhouse gas emission. The savings should come through replacement of thermal power with hydro-electricity to be sourced mostly from Nepal, followed by Bhutan and Afghanistan.

The study by World Bank economists Michael Toman and Govinda Timilsina expects Nepal to add 52.1 GW (giga-watt) in 2040, over and above the existing 1 GW. Bhutan will add 9.1 GW and Afghanistan 3.6 GW. (www.thehindubusinessline.com/news/india-can-gain-hugely-from-regional-power-trade-says-world-bank-study/article8784541.ece)

Step towards Expanding Ties

Prime Minister Narendra Modi visited Afghanistan on June 04, 2016 and along with Afghan President Ashraf Ghani, he inaugurated the much awaited Salma Dam located on the Hari River in the Herat Province in western Afghanistan.

The hydroelectric and irrigation dam, which has now been renamed the Afghan-India Friendship Dam is a US$290mn project that is one of the largest developmental projects India has undertaken in Afghanistan, in its plan to rebuild the country.

Water from this dam will help improve economic opportunities in a region that has been devastated by a 15-year drought by irrigating 75,000 hectares of land and generating 42 MW of power. (http://usiblog.in/2016/06/the-salma-dam-step-towards-expanding-indo-afghan-ties)

Expedition of Pending Projects

Amid reports that India-funded projects in Nepal are not making satisfactory progress, visiting Nepali lawmakers have requested the Indian side to speed up the construction of pending projects to enhance an environment of trust between the two countries.

At a programme organised by the Research and Information System for Developing Countries and the Indian Council for International Cooperation, the visiting members of Development Committee of Parliament urged the Indian side to take measures to complete development projects.

Pancheshwar, Hulaki Road and Kathmandu-Nijgadh Fast Track, among other projects were on top of the agenda at an interaction between the Nepali lawmakers and Indian officials. The discussion was focussed on ways to enhance cooperation between the two countries in the development sector. (http://kathmandupost.ekantipur.com/news/2016-07-11/mps-urge-india-to-expedite-projects.html)
Establishment of SAARC Industrial Park

The initiative taken by the SCCI to establish a SAARC industrial park in each member nation has been gaining momentum as some of the member states have designated areas for the proposed SAARC industrial park.

The governments of Bangladesh, Pakistan and India have already decided to provide land for the industrial parks. Pakistan has provided 250 acres of land in Faisalabad city, Bangladesh government has announced that it will establish the park in Chittagong and the Indian government has pledged to establish SAARC garment industrial park in Gujarat.

Industrial parks will begin a new era of intra-regional trade investment relation among SAARC member nations to establish a deeper economic cooperation from the current status of least-integrated region.

New Transit Protocol on Cards

A consignment of 1005 tonnes of steel rods arrived in Tripura from West Bengal through Bangladesh as part of revised ‘Inland Water Transit and Trade Protocol’ between the two countries. The protocol was signed during Prime Minister Narendra Modi’s visit to Dhaka in June 2015.

The revised Inland Water Transit and Trade Protocol also give India and Bangladesh the right to use each other’s territory for transiting goods to third countries. Bangladesh can thus use Indian territory to transit goods to Nepal and Bhutan while India can access Myanmar via Bangladesh.

The official said: “The protocol facilitates trade and development not only between India and Bangladesh but in the entire sub-region facilitating trade and development in the sub-region.”

Trade Ties a ‘Priority’

Economic Ministry said priority will be given to further enhance investor relations at the 3rd Maldives Investment Forum to be held at New Delhi in August 2016.

The objective of Maldives Investment Forum is to provide international investors information on investment opportunities in Maldives. The first Maldives Investment Forum was held in Singapore, followed by the second forum in Beijing, China.

Deputy Economic Minister Adam Thaufeeg said the forum for 2016 targeted all fields and that state-owned and private companies participated in the forum. He said that special activities to promote the country were also held during the forum.

Top Emerging Economy in South Asia

The Atlantic Media Company (AMC) of the US has deemed Pakistan as one of the top emerging economies from South Asia. The ranking has been based on the political stability and continuity of policies in the South Asian countries that include India, Sri Lanka, Pakistan, Bangladesh and Nepal.

According to the report published by the AMC, the Government of Pakistan has made significant investments in infrastructure and development projects that have led to an increase in the country’s GDP.

The report adds that Pakistan is emerging as a market leader from the South Asian region. The current economic corridor in Pakistan is attracting foreigners to invest in the country.

1st SAARC Tourism Summit

To boost tourism promotion opportunities in the country, the Ministry of External Affairs has chosen Aurangabad to host the first-ever SAARC Tourism Summit. Prime Minister Narendra Modi is likely to inaugurate the two-day summit in October 2016. It aims to tap foreign direct investment under the ‘Make in India’ and ‘Make in Maharashtra’ schemes.

Principal Secretary, State Tourism and Culture, Valsa Nair Singh, said: “The Ajanta-Ellora caves have always remained the biggest tourism attraction in the State. The historical silk route and connect of the place with the Buddhist circuit across world, including China, is significant. Ajanta also has one of the world’s best visitors’ centres with several life-size replicas of Padmapani.”
PUBLICATIONS

Thirty Years of SAARC: Society, Culture and Development

This book traces economic and political issues through SAARC’s 30-year journey. It provides a comprehensive assessment of SAARC and provides policy directives for the future. The book points out the issues and constraints that have hindered regional cooperation in South Asia. It establishes that despite being democracies, there has been little effort by member nations to promote regional cooperation in the public domain. It stresses that in view of the increased role that countries wish to play in globalisation, economic cooperation is the way forward. The book further argues that political will is the pivot on which the prospect of regional cooperation revolves.

Rethinking Perceptions
Agriculture, Water and Energy Scenario in South Asia

The study points out the need for regional value chains in agriculture, resolution of upper and lower riparian conflict issues in trans-boundary water sharing and adoption of renewable energy models in South Asia. The report is based on a perception survey in the domains of agriculture, water and energy conducted by CUTS International and its country partners in Bangladesh, Bhutan, India, Nepal and Pakistan under the Sustainable Development Investment Portfolio programme supported by Department of Foreign Affairs and Trade, Government of Australia.

Innovative Strategies in Higher Education for Accelerated Human Resource Development in South Asia: Sri Lanka

Sri Lanka is one of the fastest-growing economies in the world. The efficiency of the higher education system is vital for maintaining the country’s momentum and for the country’s move to the next stage of development. This report presents current arrangements and initiatives in the country’s skills development strategies. These are complemented by critical analyses to determine key issues, challenges, and opportunities for innovative strategies toward global competitiveness, increased productivity, and inclusive growth. It emphasises making skills training more relevant, efficient, and responsive to emerging domestic and international labour markets.

Beyond Ending Poverty
The Dynamics of Microfinance in Bangladesh

This book using household long panel survey of 1991-92 to 2010-11 from Bangladesh addresses some of criticisms – including whether pushing microfinance has made it redundant as a tool for poverty reduction – while investigating whether it still matters for the poor after two decades of extensive growth. The book’s findings confirm the positive effects of continued borrowing from a microfinance programme. Despite a manifold increase in microfinance borrowing, loan recovery has not declined and long-term borrowers are not trapped in poverty or debt. Interest rates charged by micro-finance institutions (MFIs) are not too high for realising returns on investment, although the MFIs have scope for lowering them.

Prepared by: CUTS International
Commissioned by: BMZ (Federal Ministry for Economic Cooperation and Development)