

Bangladesh: Interim Poverty Reduction Strategy Paper

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BANGLADESH

A National Strategy for Economic Growth, Poverty Reduction and Social Development

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
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ABBREVIATIONS

ADB	Asian Development Bank
ADP	Annual Development Program
BBS	Bangladesh Bureau of Statistics
BEPZA	Bangladesh Export Processing Zones Authority
BIDS	Bangladesh Institute of Development Studies
BMI	Body Mass Index
BOP	Balance of Payments
BRAC	Bangladesh Rural Advancement Committee
BSCIC	Bangladesh Small and Cottage Industries Corporation
C&AG	Comptroller and Auditor General
CBO	Community Based Organisation
CBR	Crude Birth Rate
CDR	Crude Death Rate
CHT	Chittagong Hill Tracts
CHC	Community Health Clinic
CPD	Center for Policy Dialogue
CSO	Civil Society Organisation
DFI	Development Financial Institution
DHS	Demographic and Health Survey
EPZ	Export Processing Zone
ERD	Economic Relations Division
ESP	Essential Service Package
FCDI	Flood Control Drainage and Irrigation
FDI	Foreign Direct Investment
FFE	Food for Education
FFW	Food for Works
GDP	Gross Domestic Product
GOB	Government of Bangladesh
GO	Government Organisation
HDI	Human Development Index
HDS	Health and Demographic Survey
HKI	Helen Keller International
HPI	Human Poverty Index
HYVs	High yielding Varieties
IAS	International Accounting Standard
ICTs	Information and Communication Technologies
IMED	Implementation, Monitoring and Evaluation Division
IPR	International Property Right
I-PRSP	Interim-Poverty Reduction Strategy Paper
IT	Information Technology
LDC	Least Developed Country
LFS	Labor Force Survey
MDGs	Millennium Development Goals
MFA	Multi-Fiber Arrangement
MFI	Micro- Finance Institution
MIMAP	Micro Impacts of Macroeconomic and Adjustment Policies
MMR	Maternal Mortality Rate

MTMF	Medium Term Macro-economic Framework
NAM	Non-Aligned Movement
NCB	Nationalized Commercial Bank
NCD	Non-Communicable Disease
NGO	Non-Government Organization
NEMAP	National Environmental Management Plan
NNP	National Nutrition Program
NPRC	National Poverty Reduction Council
NSP	Nutritional Surveillance Project
NWMP	National Water Management Plan
PAPR	Partnership Agreement on Poverty Reduction
PARC	Public Administration Reforms Commission
PKSF	Palli Karma Shahayak Foundation
PMS	Poverty Monitoring Survey
POA	Plan of Action
PPA	Participatory Poverty Assessment
PRSP	Poverty Reduction Strategy Paper
RH	Reproductive Health
RIBEC	Reform in Budget and Expenditure Control
RMG	Readymade Garment
RMP	Rural Maintenance Program
SDF	Social Development Foundation
SMC	School Management Committee
SME	Small and Medium Enterprise
TFR	Total Fertility Rate
THC	Thana Health Complex
TYRP	Three Year Rolling Plan
UHFWC	Union Health and Family Welfare Center
UNDP	United Nations Development Program
VAT	Value Added Tax
VGD	Vulnerable Group Development
WHO	World Health Organisation
WTO	World Trade Organisation

Executive Summary

Bangladesh has one of the most vulnerable economies, characterized by extremely high population density, low resource base, and high incidence of natural disasters. These have adverse implications for long-term savings, investment, and growth. Such defining features impart certain uniqueness to the formulation of the poverty reduction strategy.

I. Need for Strategic Rethinking

The present strategy addresses three key tasks facing the nation. The first one focuses on the need for consolidating past economic and social successes (the task of sustaining the positive gains). The second one pertains to the compulsions of avoiding the pitfalls of past development experiences (the task of overcoming the negative tendencies). The third one draws attention to the new challenges that the nation has to confront in the context of globalization as well as new problems that arise from the present phase of domestic development (the task of addressing new challenges). The success of the strategy of poverty reduction and attainment of Millennium Development Goals (MDGs) would depend on the extent to which the above three tasks are addressed in the coming decade.

Consolidating the Success

The importance of consolidation of the past success can hardly be overemphasized. Economic success once achieved cannot be assumed away, let alone sustained, without constant vigilance. Past trends in social and economic indicators cannot be extrapolated into the future. This is one of the enduring ideas of development.

That Bangladesh, once dubbed as “the test case of development”, could achieve a wide range of social and economic successes seemed remarkable to many observers of development. The present strategy paper draws attention to the often forgotten lesson from the country’s recent economic history underscoring the point that development is possible even in the most trying of circumstances. Although the gains are modest in relation to the magnitude of the overall problem, they defy the gloomy predictions and pessimistic apprehensions that dominated the global discourse about the country’s long-term prospects till recently. The record of achievements includes acceleration in per capita income growth, reduction in population growth, decrease in child mortality, improvements in child nutrition, expansion of primary and secondary education, reduction of gender inequality in education, overcoming the shadow of famine with substantial reduction in chronic food shortage and insecurity, enhanced capacity for disaster management, and sustained trends of decline in income-poverty. However, most of the above-mentioned successes run the risk of slippage.

The strategy paper notes that many of these successes cannot be sustained through the replication of the business-as-usual approach. The case of agricultural and export growth illustrates the nature of the problem. The relatively high agricultural growth recorded in recent years was mainly achieved through the expansion of rice production. Given the declining profitability of rice farming, it is obvious that high agricultural growth cannot be maintained in the next decade only by relying on the expansion of HYV rice technology. The

same applies to the sustainability of the export growth given its current near-exclusive reliance on the ready-made garments, especially in the context of post-MFA. In short, sustainability and consolidation require identification of the new sources of economic growth, poverty reduction and social development, which have not been tapped so far.

Avoiding the Pitfalls

Combating the negative tendencies unfolded over the past decade poses an additional strategic consideration. The concerns cover the problem of law and order; deteriorating investment climate; economic misgovernance leading to persistent wastage, mistargeting, inequities, “system loss” and leakage; policy inconsistency and lack of coordination among the development agencies; poor quality of education, health and public services; and adverse consequences of polarized politics. Overcoming these economic and social ills will be a priority task.

Facing the New Challenges

There are also emergent concerns over managing the risks and uncertainties. These are associated with the changing global economic environment especially with respect to market access, trade, aid, and investment as well as growing urbanization, deteriorating environment, and new public health concerns and security threats. Preparation for meeting these new challenges is inadequate and demands far-reaching institutional reform, capacity building, and considerable rethinking.

II. Outlining a Development Vision

Long-Term Social Targets

The vision in the present strategy embraces a comprehensive approach premised on a rights-based framework, that highlights the need of *progressive realization of rights in the shortest possible time*. For this, poverty reduction (with special focus on the removal of hunger and chronic poverty) and accelerating the pace of social development (with particular emphasis on empowering the poor and achieving gender equality) have been made the overarching strategic goals. Adopting a comprehensive approach and taking into account the country’s past international commitments (such as the MDGs) and evolving national realities, the strategy envisions that, by the year 2015, Bangladesh would achieve the following targets:

- (i) Remove the ‘ugly faces’ of poverty by eradicating hunger, chronic food-insecurity, and extreme destitution;
- (ii) Reduce the number of people living below the poverty line by 50 per cent;
- (iii) Attain universal primary education for all girls and boys of primary school age;
- (iv) Eliminate gender disparity in primary and secondary education;
- (v) Reduce infant and under five mortality rates by 65 per cent, and eliminate gender disparity in child mortality;
- (vi) Reduce the proportion of malnourished children under five by 50 per cent and eliminate gender disparity in child malnutrition;
- (vii) Reduce maternal mortality rate by 75 per cent;

- (viii) Ensure access of reproductive health services to all;
- (ix) Reduce substantially, if not eliminate totally, social violence against the poor and the disadvantaged groups, especially violence against women and children; and
- (x) Ensure disaster management and prevent environmental degradation for overcoming the persistence of deprivation.

Feasibility of Target Attainment

Reaching the above targets would not be easy. The goal of reducing the income-poverty level by half by 2015, for instance, will require significant additional efforts. For this, Bangladesh needs accelerate the pace of poverty reduction from 1.5 per cent per year observed in the 1990s to 3.3 per cent for the period 2000-15. The calculations show that *if the past trends of income inequality persist in the next decade, Bangladesh will have to sustain a GDP growth rate of about 7 per cent per year over the next 15 years* for reaching the income poverty reduction target.

For other indicators, the task appears less daunting. The projected reduction rate for child mortality and child malnutrition is slightly higher than the average progress recorded in the nineties. With renewed emphasis on population control, primary health care, National Nutrition Program (NNP), investments in girl's education and rising social awareness about public health, targets in child mortality and malnutrition are within the feasible range of attainment. The target for extreme poverty reduction is statistically less demanding but more socially challenging given the need for re-orientating the allocation of resources towards the most needy poor.

III. Elements of New Thinking

All Routes Matter

With many roots and multidimensional characteristics, all routes matter for the poverty reduction strategy. These will combine measures to address underlying causes and practical interventions to mitigate poverty. The strategic elements of anti-poverty policies and institutions will cover five broad avenues. The first set of policies would accelerate and expand the scope for *pro-poor economic growth* for increasing income and employment of the poor. The second set would foster *human development of the poor* for raising their capability through education, health, nutrition, employment-oriented skill training and social interventions. The third set of policies would support *women's advancement and closing of gender gaps* in development. The fourth set of policies would provide *social protection to the poor* against anticipated and unanticipated income/consumption shocks and vulnerabilities to disasters through targeted and other efforts. The fifth set would favorably influence *participatory governance*, enhance the voice of the poor, and improve non-material dimensions of well-being including security, power and social inclusion by improving the performance of anti-poverty and disaster preparedness and mitigation institutions and removing institutional hurdles to social mobility. In all these efforts, policies would be taken to strike a realistic balance between the livelihood requirements of the people and sound environmental management that can ensure sustainability.

The above interventions will have maximum impact on poverty, especially in minimizing the severity of poverty, when these are targeted to the poor regions with special focus on the needs of the most disadvantaged populations and ethnic groups. Policies and institutional actions delineated under the strategy will be designed to reach out to the poorest and the remote rural areas, which are vulnerable to adverse ecological processes (including coastal regions, *chars* and river erosion affected areas) and those with high concentrations of socially disadvantaged and marginal ethnic groups. Special attention will be given to the development problems of the hill people of CHT and tribal population residing in other parts of the country.

While the strategy adopts a comprehensive approach covering all routes, the important task would be to spell out *appropriate prioritization and sequencing of actions* needed to replace the business-as-usual scenario with a changed agenda so as to ensure accelerated poverty reduction and achieve the proposed targets. Within the five broad avenues, the present document spells out several policy and sectoral/subsectoral concerns based on the priorities identified by the poor during the consultations and existing analysis of the issues. This medium term agenda would be further elaborated while preparing the more specific mix of macroeconomic, sectoral and governance policies and programs through participatory interactions with the poor and other stakeholders during the process of formulating the full-blown strategy.

Major Thrust Areas

Within the rubric of pro-poor economic growth, priority would be given to the promotion of small and medium industries, especially agro-processing, information technology and exports. In agriculture, emphasis would be given to diversification by providing support to non-rice crops, livestock and fishery sub-sectors. The quality of primary education, enrollment at secondary level and expansion and qualitative improvement of technical and vocational education including ICT will constitute the central focus within the education sector. The health sector development strategy will be re-designed to focus on new areas not covered in the earlier phase such as urban primary health, emergency health care, major public health problems such as dengue and arsenic, broadening of the net of curative health care services for the poor, and enabling broad-based access to reproductive health services. Within the area of disaster management, the focus will shift from relief and rehabilitation to vulnerability management approach. A balanced emphasis will be given to economic, social and political empowerment issues in promoting the cause of women's advancement and closing of gender gaps in the next phase of development. Measures would be taken to strengthen the pro-poor growth and equity impact of central government expenditures. The new phase of development will also emphasize the need of decentralization, local government, and community mobilization for creating maximum effects on poverty reduction and social development. Adequate measures would be taken to ensure effective macroeconomic management as a key determinant of the well-being of the poor as well as for creating growth-enhancing investment climate.

Medium Term Macroeconomic Framework

For implementing the strategy, a medium term macroeconomic framework has been specified covering the period FY04 and FY06. The framework envisages a stable macroeconomic environment for which the key macroeconomic variables have been

specified within a consistent framework. The macroeconomic framework has been supported by detailed budgetary and monetary frameworks indicating the public resource envelope and expenditure pattern required to achieve the desired growth, poverty reduction and social development targets. The framework will be updated and adjusted periodically on the basis of actual changes and developments.

Monitoring and Evaluation

For ensuring success, a systematic approach to monitoring and evaluating the progress in implementing the strategy has been worked out. A *Poverty Focal Point* with strong institutional linkages and technical capacity will be set up in the General Economics Division (GED) of the Planning Commission for effective poverty monitoring and tracking the progress in implementing anti-poverty policies and programs. For this, a list of core indicators required to track the progress in implementation has been specified. The Focal Point will act as the key agency in the preparation of the full-blown strategy and periodic revision of the medium-term agenda of the macroeconomic framework.

Building New Development Coalitions

The emerging challenges demand a new outlook and indeed a fresh new approach towards coalition building at the level of actors (central government, local government, NGOs/ CSOs/ CBOs, private sector). It also anticipates a new mix of policy instruments striking a balance between private initiatives, public action, and community mobilization.

In all these areas, *the state machinery will play the pivotal role as the coalition builder, pace setter, strategy formulator and driver of reform and renewal.* For this, an enhanced and reinvented role of the state will be ensured with emphasis on increasing *state capacities* and orchestrating and balancing all social initiatives and actions towards meeting the national development goals.

Given the widespread implementation failure, attainment of good governance, transparency and accountability remains the preconditions for the success of the strategy. Without an accountable implementing machinery and a strategy that moves towards more equitable growth and social development, the task of reaching the MDGs consistent with the national priorities would remain as elusive as ever. This demands broad-based institutional reform in the planning and economic decision making apparatus of the government. The focal point with strong inter-sectoral and inter-ministerial linkages, will play a pivotal role in enhancing the effectiveness of policy and programmatic actions induced by the strategy. These actions will be further strengthened by democratizing the development agencies (including the state machinery and NGOs/ CSOs), enhancing the voice, influence and empowerment of the poor, reforming and deepening the political institutions for pro-poor governance with a general thrust on the progressive realization of rights in the shortest possible time. Independent civic monitoring of the strategy outcomes and competitive pressure group building around the reform agenda would also be taken as critical to the success of the strategy.

Chapter 1

Introduction

A. Process of Policy Ownership

1.1 The process of policy ownership, as has been adopted in Bangladesh, aims at providing a well-prioritized national strategy for economic growth, poverty reduction, and social development. Social development captures inter-related issues of human development, gender equality, social deprivations and environmental sustainability. For this, the process has combined policymaking and broad-based consultations with different stakeholders. Moreover, the strategy has been worked out based on the rich experience of existing poverty research and participatory poverty assessments, impact and outcomes of past strategies and policies, and assessment of development and reform issues.

1.2 The planning and policy-making agencies of the Government, including the Planning Commission and the relevant Ministries, have been involved in the process. Along with using structured proforma, detailed interaction with Government functionaries was used to get their perception on cross-cutting and sectoral needs and issues, factors behind past successes and failures, and views and suggestions on how the situation can be improved. An Inter-Ministerial Task Force was formed to ensure close interaction and coordination. For operational purposes, the strategy paper will form the core of the Three-Year Rolling Plan (TYRP) providing the basis for the annual budget which will help maintain consistency between the development strategy and the Plan, on the one hand, and between the Plan and the Annual Development Program (ADP) on the other. The Three-Year Rolling Plan would be formulated within the framework of a long-term Perspective Plan.

1.3 In addition, while formulating the strategies, past achievements and failures in specific areas of both income poverty and human poverty were considered in combination with future imperatives like achieving the Millennium Development Goals (MDGs) and the targets set in the Partnership Agreement on Poverty Reduction (PAPR) with the Asian Development Bank (ADB). Additional inputs for preparing the strategy paper were gathered through commissioning a number of studies in key poverty related areas such as economic, social, and infrastructure development; public expenditure analysis; poverty diagnostics; and governance issues.

1.4 Consultations with different stakeholders has been a key element for ensuring right priorities on competing claims based on needs and demands of the poor and reaching a broad-based consensus for establishing national ownership of the poverty reduction agenda. The process of consultations was conceived in two stages and separately for different stakeholders.

1.5 At the first stage, twenty-one preparatory consultations have been conducted at upazila, division and national levels. In each division of the country, consultations were organized at the upazila level with the poor including women and men, members of non government organizations (NGOs), and various occupational groups. Similar consultations were also organized with field-level functionaries of the Government Ministries and Agencies, NGOs, women's groups, local and religious leaders, local government representatives, and cross-section of the civil society. This was followed by consultations at the divisional level with Government officials, representatives of the civil society, professional and women's groups and NGOs. A separate consultation with the urban poor in

Dhaka city was also organized. Finally, three separate consultations were held at the national level involving the Government officials, representatives of professional groups and the civil society, and the development partners. Along with the expectations of different stakeholders, the consultations provided important platforms to share ground realities, assess deficiencies of past efforts and factors behind slow achievements, and measures needed to achieve faster poverty reduction and social development. The consultations were organized and facilitated by the Bangladesh Rural Advancement Committee (BRAC), a leading NGO of the country.

1.6 At the second stage, after the preparation of the draft strategy paper in April 2002, twelve mid-term consultations with a wider cross-section of stakeholders were organized to solicit their views, incorporate suggested changes, and validate the proposed strategy. A major focus at this stage was to achieve and deepen the 'ownership of the strategy by the development machinery' of the Government, involving all line Ministries. Written comments and suggestions on the draft were received from virtually all the Ministries following which extensive consultations, dialogues, and exchange of views were organized. In addition, separate stakeholder dialogues were organized with specific civil society groups such as activists from the women organizations and advocacy groups, representatives from NGOs and civil society organizations (CSOs), business leaders from the various Chambers of Commerce and Industry, economists and social scientists, and social leaders and key development practitioners. The dialogue process reviewed both diagnostic and prescriptive aspects of the poverty reduction efforts proposed in the draft document. These dialogues helped identify the specific policies in different sectors as well as in bringing out to the forefront the available strategic options needed to implement the poverty reduction agenda. The consistency among the poverty reduction strategy, the medium-term policy framework, and the social targets was closely examined during the dialogue process. The importance of the strategy dialogue process goes beyond the current exercise.

1.7 The Government would like to make such consultations a part of the planning process of the country and continue efforts for fuller participation of the stakeholders in formulation, implementation, and monitoring and evaluation of the poverty reduction agenda both at the level of sectoral and sub-sectoral policy and in the screening of development projects and programs. Apart from being a planning tool, consultations with different stakeholders including the poor, women, and socially disadvantaged groups would be used as a diagnostic tool, i.e., for monitoring social weather and gathering storms, pin-pointing the burning issues, devising social response mechanisms to crisis-points, and deploying rapid action initiatives to combat negative tendencies in development and preventing social atrophies.

B. Silent Ascent

1.8 On many counts, Bangladesh's performance has been better than the initial anticipations after the country's political independence. The predominant theme at the time was one of negative images. The account of progress achieved by the country, however, shows rapid improvements in many indicators.

1.9 *First*, Bangladesh has achieved impressive success in the area of population control. Total fertility rate (TFR) declined from 6.3 in 1975 to 3.3 in 1997-99. Accordingly, the population growth rate has come down from 2.9 per cent per annum in the mid-seventies to

1.5 per cent in the late-nineties. The remarkable feature of this rapid decline was that it had been achieved not only at a low level of income but also at a low level of literacy.

1.10 *Second*, mortality is often considered as the criterion for judging economic success and failure of nations. Bangladesh has displayed considerable success in this respect, especially in reducing infant and child mortality. The infant mortality rate also declined from 153 deaths per thousand live births in 1975 to 94 deaths in 1990, dropping further to 66 in 2000. The pace of progress in infant and under-five mortality reduction during the nineties was among the fastest in the developing world.¹

1.11 *Third*, Bangladesh witnessed significant success in disaster preparedness and in overcoming the phenomena of mass starvation and the threat of famine syndrome in the backdrop of endemic vulnerability to natural disasters. At the aggregate level, the country has achieved the desirable objective of near self-sufficiency in rice production with a declining cultivated area.² The production of cereals increased at a trend growth rate of 2.4 per cent per year between the early eighties and the late nineties. This was mainly achieved through the expansion of rice areas under high-yielding varieties (HYVs). Although the overall issue of food security remains the next decade's challenge, increased disaster preparedness combined with expanded capacity to implement lean-season targeted wage-employment and transfer programs have played an important role in ensuring minimum food entitlements for the poorest during the times of crisis.

1.12 *Fourth*, Bangladesh has made impressive gains in reducing child malnutrition rates during the last 15 years. According to Bangladesh Bureau of Statistics (BBS) data, the rate of stunting for children in the age group of 6-71 months which was 69 per cent in 1985/86 dropped to 49 per cent in 2000. The proportion of underweight children has gone down from 72 per cent in 1985/86 to 51 per cent in 2000. The Demographic and Health Survey (DHS) data available for the second half of the nineties show a faster decline. The rate of stunting for the age group of 0-59 months has gone down from 55 to 45 per cent during 1996-2000 and, that for underweight, from 56 to 48 per cent during the same period.

1.13 *Fifth*, Bangladesh has achieved considerable success in mainstreaming women into the development process. Bangladeshi women have played an important role in the success of microcredit, ready-made garment exports, reducing population growth, increasing child nutrition, and in the spread of primary education. The country has achieved gender parity in primary education and nearly removed gender gap in secondary education. Recent evidence also suggests that the country is close to achieving parity in life expectancy at birth as well. While significant gender gaps still persist, the role of women in all walks of life has become increasingly visible and would be instrumental in bringing about wider social and economic changes in future.

1.14 *Sixth*, low-income countries are typically marked not only by 'weak' state, but also weak civic and grass-roots movements and activism. Bangladesh was an instructive outlier in this regard. The advances made by the NGOs and CSOs as alternative delivery mechanisms

¹ These and other social results have been cited from *Fighting Human Poverty: Bangladesh Human Development Report 2000*, Bangladesh Institute of Development Studies (BIDS), a report carried out for the Planning Commission, Dhaka, 2001. The achievements did not pass unnoticed in the recent literature. See, for instance, N.H. Stern, *The Investment Climate, Governance, and Inclusion in Bangladesh*, 2002.

² The 1996 Agricultural Census showed that the land area operated by rural households declined from 9.2 million hectares in 1983/84 to 8.2 million hectares in 1996, indicating that 82,000 hectares went out of agriculture every year because of expansion of urban areas, increase in homestead land and development of rural infrastructure.

as well as vocal civic institutions have played a significant role in the reversal of fortunes. The emergence of these actors played a partially compensatory role in the backdrop of weak state and market institutions. *Social entrepreneurialism* through catalyzing the developmental roles of the *organizations of the poor* such as community based organizations (CBOs) and *organizations for the poor* (NGOs and CSOs) has been an important strategic element in the poverty reduction strategy. These social enterprises will continue to play an important role in developing a pro-poor development agenda in Bangladesh.

1.15 *Seventh*, Bangladesh has achieved significant progress towards a viable democratic transition. Ensuring free and fair elections through non-partisan caretaker government has been a noteworthy political innovation in the backdrop of weak democratic institutions in the country. There have also been important gains in terms of increased political and electoral participation of women, enhanced press freedom, and increasingly active civic movements. Although the process of democratization is yet to take deeper roots, the success achieved so far was not inconsequential prompting many observers to term Bangladesh's experience as a role model of "moderate Muslim democracy".³

C. Progress in Cross-Country Perspectives

1.16 Bangladesh's progress also stands out in cross-country comparisons. This supports the proposition that higher social/ human development outcomes can be achieved even at a lower level of per capita national income. Bangladesh's growth performance was relatively modest with a per capita GDP growth of about 2 per cent per annum (Annex Table 1). The growth performance started to improve only in the nineties. Similarly, the pace of income-poverty reduction was very slow. During the period between early eighties and early nineties, the incidence of income-poverty declined by 0.8 per cent per year in Bangladesh compared with 1.9 per cent for India, 1.4 per cent in Pakistan and 3.6 per cent in Sri Lanka.⁴

1.17 Notwithstanding the relatively slow income growth and modest pace of income poverty reduction, Bangladesh's achievements in the broad area of human development were faster and, in some respects, remarkable.⁵ Although the level of social deprivations in Bangladesh is still high, the pace of improvement has been encouraging. Indeed, the pace of progress in reducing TFR, bringing down the level of under-five mortality, and lowering the

³ There are a number of other positive areas though less remarkable than the aspects of social success mentioned above. In the area of economic growth, there have been sustained gains, as the per capita GDP growth accelerated considerably in recent years. The pace of income poverty reduction accelerated in the nineties, but the overall progress in the area of economic growth and income poverty reduction was relatively modest, demanding major rethinking.

⁴ Even if one takes into account the recent performance, the pace of income-poverty reduction over the period between 1983/84 and 2000 did not exceed 1.4 per cent per year.

⁵ The incidence of income-poverty captures the proportion of population living below the 'poverty line'. The latter corresponds to the income (consumption expenditure) equivalent to intake of the normative standard of 2122 kcal per person per day. The terms income-poverty and consumption-poverty are used interchangeably in this paper. The concept of human development follows the definition adopted in the Human Development Report of UNDP and has three dimensions, namely, income, longevity and knowledge. The human development index (HDI) represents a synthetic expression of aggregate affluence of the nation measured in all three dimensions. The term human poverty index (HPI) is related to HDI in the same way as income-poverty is related to economic growth. The HPI measures *deprivations* in all three dimensions of human development.

prevalence of child malnutrition is not only higher than the average progress recorded in LDCs, but also stands out in the overall context of South Asia.⁶

1.18 The relatively higher social progress at a low level of income is also vindicated by the comparison of predicted (for a given level of per capita income) with the actual values of social indicators achieved by the country (Table 1). Compared with the predicted values, the actual progress recorded has been higher for the contraceptive prevalence rate, lower for population growth rate as well as for TFR and CBR, higher for life expectancy at birth and child immunization coverage, and lower for IMR. While there has been considerable progress in the expansion of literacy, the pace needs to be accelerated.⁷

Table 1
Social Development in Bangladesh: Predicted vs. Actual Values

Indicators	Predicted values	Actual values
1. Population growth rate (annual %)	2.45	1.59
2. Total fertility rate (TFR) (births per women)	4.68	3.20
3. Contraceptive prevalence rate (% of women aged 15-49)	23.16	53.00
4. Crude birth rate (CBR)	35.26	23.40
5. Crude death rate (CDR)	11.49	8.40
6. Infant mortality rate (IMR) (per 1000 live births)	70.78	66.00
7. Life expectancy at birth, female (years)	59.50	60.8
8. Life expectancy at birth, male (years)	56.19	60.4

Note: The term 'predicted value' is an estimated value for the present (benchmark) level of national income. The figure is derived from the implied functional relationship between the indicators of interest (as given in the Table) and the level of per capita national income, the parameters of the relationship being estimated from the cross-country data.

Source: Based on available data of 163 countries out of 210 obtained from 'World Development Indicators, 1999' published by the World Bank.

1.19 The notable success achieved by the country at a relatively low level of income is, however, not a source of self-complacency for setting out the agenda for the poverty reduction strategy. For years, the country suffered from an overblown negative image. Bangladesh's growth potential was assessed at best as modest with little scope for modernization and structural change. A brief account of the successes at the beginning will help restore some balance in the distorted self-negating perception about our history conditioned partly by an aid discourse characterized by dependence and influence. This is also necessary to draw attention to the realm of the possibilities amidst conceivable odds and adversities, that all is not lost, that a break-through is achievable even in the most trying of circumstances.

⁶ For a cross-country comparison of progress in social indicators, see Annex Tables 1 and 2.

⁷ Depending on the definition of literacy adopted, the estimate of literacy rate varies considerably among various sources of data. Even the most optimistic estimate of 64 per cent carried out by the Primary and Mass Education Division—as opposed to the rather conservative estimate of 45 per cent provided by Household Income and Expenditure Survey (HIES) 2000 data—must be considered modest against suitable international comparison. The quality of literacy is another area where more investigations are necessary, but there is a widely shared concern about the quality of mass and primary education in the country largely offsetting the success achieved in the quantitative spread of basic education.

D. Structure of the Paper

1.20 The paper is divided into seven chapters, each addressing a lead question. The first chapter addresses the question as to “what are the broad lessons from the past development experience”. It captures the salient features of social progress notwithstanding the challenging odds facing the country. The second chapter addresses the question as to “where we stand now in terms of poverty and social indicators”. It reviews the trends of poverty to set the benchmark for the subsequent discussion on poverty targets as well as anti-poverty policy and institutional actions necessary to achieve the targets. The third chapter addresses the question as to “what do the voices of the citizens suggest”. It discusses the key messages and concerns—focusing on the progressive gains and regressive moments emerging from the broad-based consultations with various stakeholders. The fourth chapter addresses the question as to “where we would like to go by the year 2015”. It sets the major targets and goal posts sketching a transition path for Bangladesh. The fifth chapter addresses the question as to “how we are going to reach the social targets”. It highlights major policies and institutional measures required to achieve the long-term poverty reduction and social development objectives. The sixth chapter addresses the question as to “what would be the macroeconomic framework for poverty reduction strategy in the medium-term”. It proposes a financing plan, outlines the broad parameters of the macroeconomy, sets the fiscal targets, and projects the growth parameters consistent with the long-term goal of poverty reduction and social progress. The seventh and final chapter addresses the question as to “how do we know that we are reaching our targets”. It presents an institutional framework for monitoring and evaluating the poverty reduction targets and social development goals.

E. Summary Points

1.21 Bangladesh had adverse initial conditions at the start of its journey three decades ago. With one of the most vulnerable economies of the world characterized by extremely high population density, low resource base, high incidence of natural disasters, and extremely adverse initial circumstances associated with the inheritance of a war-ravaged economy, the implications for long-term savings, investment, and growth were deemed extremely bleak. Notwithstanding the early negative predictions, Bangladesh has achieved considerable success in several spheres such as population control, reduction in child mortality and child malnutrition, disaster mitigation, mainstreaming women into the development process, catalyzing grass-roots activism through NGOs and CBOs, and in making democratic transition. The growth performance and income-poverty reduction have also improved in the decade of the nineties compared with the previous decades, though much leaves to be desired in these areas. These successes show the importance of undertaking public action (through the Government and non-government sectors) at low-income level to realize higher social possibilities. These signs of improvement indicate that development is possible even in the most trying of circumstances. Bangladesh which was once termed ‘the test case of development’ may indeed represent a learning site for keeping the hopes alive for other equally less fortunate post-colonial societies with adverse initial conditions. This would be especially important in the context of overcoming the persistent economic pessimism and hopelessness—‘Afro-pessimism’ is a case in point—that is often cited in relation to the most disadvantaged parts of the developing world.

Chapter 2

Poverty State of the Nation

2.1 In this chapter, we review the poverty situation of the country. Poverty, as is known, has manifold expressions, many dimensions and, indeed, many roots. Given the multidimensionality, it is not difficult to see why all routes, income and non-income, matter for combating poverty in the country. Poverty, seen in this context, cannot be conceived as something reducible or summarily expressible in terms of quantitative indicators alone. What is critical is to recognize the heterogeneity of voices and perspectives expressed in economic as well as socio-cultural terms such as class, gender, caste, ethnicity, and community. Any meaningful poverty reduction strategy for Bangladesh needs to be based on a multidimensional approach with due weights given to all relevant dimensions (where the “weights” are determined by the voices of the poor themselves).

A. Broad Trends over Last Decades

2.2 In this section, poverty trends are reviewed in terms of income-poverty and human-poverty.

Trends in Income-Poverty

2.3 Bangladesh made notable progress in income-poverty reduction since Independence.¹ The income-poverty trends since the early nineties based on the unit-record data of the Household Income and Expenditure Survey (HIES) show the following pattern. Between 1991/92 and 2000, the incidence of national poverty declined from 58.8 to 49.8 per cent, indicating a modest reduction rate of 1 percentage point per year. The declining trend remains valid for other poverty measures as well (Table 2). The results further show that progress on reducing the head-count index of poverty was better in urban areas. However, rural areas displayed better progress in reducing the depth and severity of poverty, as captured by trends in poverty gap and squared poverty gap, respectively.

2.4 Additional evidence from the Bangladesh poverty literature based on HIES grouped distribution data maps the progress in poverty reduction since the early eighties (see Annex Tables 3 and 4). The results broadly indicate that the progress was faster during the nineties compared with the eighties. The faster pace of poverty reduction in the nineties is attributable to the accelerated growth in consumption expenditure (income).² The comparative progress was uneven between rural and urban areas. The pace of rural poverty reduction was slow in the eighties, but became faster in the nineties. The reverse is true for the urban areas.

2.5 Poverty trends are influenced by the contemporaneous changes in inequality. Inter-decade contrasts are noticeable in this respect as well. Thus, the level of inequality, as measured by consumption expenditure distribution, showed very little change during the eighties (Annex Table 4). The picture changed during the nineties as the Gini coefficient rose

¹ The consumption expenditure data have been used to estimate trends in income-poverty since consumption is considered to be a better indicator of permanent income status in a country like Bangladesh.

² Thus, the annual per capita HIES consumption expenditure growth at national level, which was just 0.6 per cent during the period between 1983/84 and 1991/92, rose to 2.7 per cent between 1991/92 and 2000. It may be noted that the annual growth in per capita GDP was around 1.5 per cent during the eighties, but nearly doubled during the nineties.

considerably, with urban inequality rising much more than rural inequality. Thus, during the period between 1991/92 and 2000, the level of consumption expenditure inequality increased from 30.7 to 36.8 per cent in urban areas, and from 24.3 to 27.1 per cent in rural areas (Table 2). The rising trends in inequality is possibly one important reason as to why the poverty reducing effects of accelerated growth were not translated in full in the nineties. The analysis based on the 'growth incidence curve' shows that growth in rural areas was broad-based while urban growth mainly benefited the relatively affluent.³ Even though average growth in mean per capita expenditures over the nineties was lower in rural areas than urban areas (1.7 per cent vs. 2.3 per cent per year), it was more evenly distributed across different expenditure groups. In contrast to the rural areas, the difference in growth rates across the income distribution in urban areas is striking: the average growth rate for the bottom 20 per cent was less than one-third the rate for the top 20 per cent of the urban population (0.8 per cent vs. 2.9 per cent per year). The sources of rising inequality are linked with the uneven spread of economic and social opportunities, unequal distribution of assets especially in respect of human capital and financial capital, growing disparity between urban and rural areas as well as between developed and underdeveloped areas.⁴

2.6 In addition to sectoral variation, considerable regional variation in poverty is noticeable. Dhaka and Khulna (including Barisal) divisions have much lower incidence of poverty than Rajshahi. Progress in poverty reduction over the nineties has been unequal across regions, with rapid progress in Dhaka division and very little change in Chittagong (including Sylhet) division. There is considerable district-level variation in poverty, as suggested by the district level agricultural wage data as well as various indicators of social deprivations such as illiteracy and child mortality. Regional variation in poverty is also influenced by the incidence of natural hazards and tends to be higher in disaster-prone areas. The level of poverty is typically higher for the landless, especially those who have agricultural wage labor as their principal occupation, and for those who are engaged in marginal occupations and skills. Poverty and social deprivations tend to be higher in case of the hill people of the Chittagong Hill Tracts (CHT) and for tribal population residing in other parts of the country.

2.7 Income (consumption) differentials between the poor and the poorest are important aspects of the poverty reality in Bangladesh. The estimate can vary depending on the definition of 'extreme poverty' used.⁵ Whatever the definition adopted, it appears that at least

³ See, World Bank 2002, *Poverty in Bangladesh: Building on Progress*, Report No. 24299-BD, World Bank, Washington D.C., June 2002.

⁴ As a result, income sources associated with human capital (such as services) and financial capital intensive activities (such as trade and many non-farm activities requiring considerable injection of capital) as well as remittances were found disequalizing in both urban and rural areas (see, Khan, A.R. and B. Sen, 'Inequality and Its Sources in Bangladesh: 1991/92 to 1995/96. An Analysis Based on Household Expenditure Surveys', *Bangladesh Development Studies*, March 2001). A way out from this situation lies not in undermining the growth of these activities, but in ensuring that the poor people can effectively participate in these facilitating upward mobility. This requires prioritizing the access of the poor (including women), especially chronic poor, to human and financial capital, and other forms of assets. Bridging household capability, on the one hand, and policy and market opportunity, on the other, would be a central part of the strategic thinking in operationalizing the idea of 'pro-poor economic growth'. More analytical work need to be carried out on this issue in the context of preparing a full-blown strategy and TYRP.

⁵ About 45 per cent of the poor in 2000 lived in 'hardcore poverty' (defined as consuming less than 1800 kcal as per the direct calorie measure); the matched proportion would rise to 68 per cent if one defines 'very poor' as per the 'lower poverty line' adopted by the World Bank.

about 45 per cent of the poor population of Bangladesh currently subsist in extreme poverty. The progress in tackling the incidence of extreme poverty has not been satisfactory and needs to be taken up as a priority area within the context of the proposed strategy. Several layers of economic and social deprivations can be identified under the broad rubric of extreme poverty, including the persistence of specific chronic poverty groups. The latter includes a heterogeneous mix of identities, including elderly poor, disabled people, the shelterless, the child-headed households, the female destitutes, socially marginalised ethnic groups, deprived castes, and those engaged in dying occupational groups, to name a few. There is a considerable interface between the persistence of chronic poverty and unfavorable agricultural environments (e.g. salinity-prone, flood-prone, river-erosion prone, drought-prone areas). Multiple and overlapping vulnerabilities such as the longer duration in poverty often spanning generations, adverse interplay between vulnerable ecology and chronic social disadvantages, and very high level of consumption short-falls and high food insecurity (with frequent exposure to starvation) make a compelling case for giving priority to the extreme poor in designing social policy agenda under the proposed strategy.

2.8 Significant gender disparity also exists in income-poverty. This is evidenced by several indicators.⁶ First, the incidence of extreme poverty (however defined) is generally higher for the female-headed, female-managed, and female-supported households. Second, both Labor Force Survey (LFS) and micro-level household surveys point out that female workers earn considerably less than the male workers. Third, lower average consumption for females is also evident from the persistent gender inequality in severe malnutrition, mortality, and morbidity.

Table 2
Trends in Poverty and Inequality in the Nineties

	1991/92	2000	Change per year (%)
Headcount Rate			
National	58.8	49.8	-1.8
Urban	44.9	36.6	-2.2
Rural	61.2	53.0	-1.6
Poverty Gap			
National	17.2	12.9	-2.9
Urban	12.0	9.5	-2.5
Rural	18.1	13.8	-2.8
Squared Poverty Gap			
National	6.8	4.6	-3.8
Urban	4.4	3.4	-2.7
Rural	7.2	4.9	-3.8
Gini Index of Inequality			
National	0.259	0.306	2.1
Urban	0.307	0.368	2.3
Rural	0.243	0.271	1.4

Source: BBS, *Preliminary Report of Household Income and Expenditure Survey 2000*, Dhaka, 2001 and World Bank, *op. cit.*

⁶ See, BHDR 2001 and World Bank 2002, *op.cit.* for a range of evidence.

Trends in Human-Poverty

2.9 Human-poverty trends also show considerable improvement. The human poverty index which stood at 61 per cent in the early eighties (1981/83) has declined to 47 per cent in the early nineties (1993/94) dropping further to 35 per cent in the late nineties (1998/00).⁷ The index of human poverty declined by 2.54 per cent per year compared with 1.45 per cent in the national head-count ratio for income-poverty over the last two decades.

B. Trends in Rural Poverty

2.10 Available evidence indicates faster progress in rural poverty reduction in the nineties compared with the eighties. According to HIES data, the incidence of rural poverty, which declined by only 0.9 percentage point between 1983/84 and 1991/92, has gone down by 9.3 percentage points between 1991/92 and 2000 (Annex Table 3). The higher progress in the nineties is also indicated by alternative source of data such as the 62-village panel data generated by BIDS. Thus, the incidence of rural poverty marginally increased from 57.5 per cent in 1987/88 to 59.3 per cent in 1989/90; poverty situation improved in the subsequent period as the rural head-count declined to 51.7 per cent in 1994. Even though the pace of poverty reduction has accelerated in the nineties, the overall pace of reduction has been modest. This modest poverty reduction rate has been expressed as being restricted to about “1 percentage point decline per year”. This is borne out by virtually all survey data for the nineties, including HIES and micro-level panel surveys. A recent update of the BIDS panel survey available for a sub-set of 16 villages shows a decline in the incidence of rural poverty from 64.8 per cent in 1987/88 to 53.9 per cent in 1999/00.⁸ Data collected from the Poverty Monitoring Survey (PMS) carried out by BBS with support from the MIMAP-Bangladesh Project also show similar modest rate of rural poverty reduction: from 47.9 per cent in 1996 to 44.9 per cent in 1999.⁹

2.11 The immediate question that springs up is-- what explains the relatively modest progress in rural poverty reduction in the nineties? The slow progress in rural poverty reduction is especially intriguing in the backdrop of higher agricultural growth witnessed during the second half of the nineties. One possible explanation is that much of the agricultural growth came from the expansion of HYV rice production, especially during the winter season. The increase in productivity in rice cultivation has, however, not been translated into higher farm incomes due to slower increase in paddy prices compared to the wage rate and fertilizer prices. The nominal wage rate increased almost at par with the consumer price index, but because of the slow increase in the nominal price of paddy, the entitlement of staple food for the land-poor households improved substantially. It is possible that increase in rice production benefited the land-poor labor-selling households more through the effects of low staple prices than the rice farmer households because of the

⁷ BIDS 2001, *op. cit.*

⁸ For evidence on 1987-94, see Hossain M. et al (2000), ‘Growth and Distribution of Rural Income in Bangladesh’, *Economic and Political Weekly*, Vol. 35, Nos. 52-53. For evidence on 1987-00, see Hossain M. et al (2002), *Changes in Agriculture and Economy in the Flood-Prone Environment in Bangladesh, 1988 to 2000: Insights from a Repeat Survey of 16 Villages*, mimeo, IRR.

⁹ Trends in agricultural real wages for casual daily laborers also support this conclusion. Thus, the nominal daily agricultural wage rate has increased from Taka 42 in 1991/92 to Taka 51 in 1995/96, rising further to Taka 64 by 2000. However, the real gains to agricultural laborers appear modest when deflated by the cost-of-living index for the poor, as proxied by the rural poverty line. The extent of increase in real agricultural wages was only about 13 per cent during the nineties.

relatively small farm size in the country and the unfavorable terms of trade of rice. Thus, the improvement in rice technology can make only a modest contribution to increase in household income and hence, the rate of reduction of income-poverty in rural areas. It appears, therefore, that while agricultural growth will continue to play a major role in rural poverty reduction process, its quantitative impact on poverty reduction would be contingent on diversifying to high-value added crops as well as non-crop agriculture such as poultry, livestock and fishery sectors. The same applies to the prospects for non-farm economy in rural poverty reduction where the key challenge would be to link the poor producers with high value-added non-farm activities.

C. Trends in Urban Poverty

2.12 The head-count index of urban poverty declined from 34 per cent in 1991/92 to 26 per cent in 2000. According to HIES data, the entire decrease in urban poverty during the nineties have taken place during the first half of the nineties while the second half experienced deterioration in urban poverty situation. The worsening of urban poverty situation during the second half of the nineties was almost entirely driven by negative growth in per capita real consumption.

Box 1: Simulating National Poverty with Macro Growth Data

A comparison between the rate of change in per capita consumption expenditure between HIES and National Accounts series shows considerable discrepancy. The rate of per capita consumption expenditure growth as per HIES was considerably higher than the matched figure obtained from National Accounts during the first half of the nineties while the reverse is true of the second half of the nineties. Thus, during the period between 1991/92 and 1995/96 the growth in *nominal terms* in per capita consumption expenditure for the national sample was assessed at 8.7 per cent nominal per year as per HIES data compared with only 6.1 per cent per year as per national accounts. Note that per capita GDP grew at a rate of 7.2 per cent per year during the period. In contrast, the corresponding annual growth in consumption expenditure between 1995/96 and 2000 was estimated to be only 4.2 per cent as per HIES compared with 6.3 per cent according to National Accounts. The per capita annual GDP growth in nominal terms was considerably higher during this period (7.1 per cent). What are the implications of these differing growth rates on the level and trends in national poverty? A simple sensitivity test has been done to check the robustness of the conclusions regarding poverty trends based on HIES. Using the distribution of national consumption expenditure data with the alternative survey mean consistent with the rate of growth suggested by the series of National Accounts on per capita private consumption and per capita GDP one can derive two alternative series of equally plausible poverty estimates. The results indicate a complete reversal of national poverty trends between the sub-periods. If one uses the growth rate as implied by National Accounts private consumption, then the incidence of national poverty would show a marginal increase by 2 percentage points in the first half of the nineties, while decreasing impressively by 10 percentage points in the second half of the nineties. If one uses instead the growth rate as implied by per capita GDP, then the incidence of national poverty would display a slight drop by less than 1 percentage point during the first half, while registering an impressive decline of about 11 percentage points during the second half.

Which of the two—the HIES or the National Accounts—gives the correct picture of rate of progress over the two halves of the nineties? While the debate on the growth trends continue, two routes may be followed for poverty assessments. *First*, when it comes to using the HIES data, it is, perhaps, desirable to focus on the broad trends in income-poverty (or consumption-poverty) over the entire decade rather than on sub-period fluctuations. Looking at other sources of data such as micro or panel survey available from non-HIES sources one may try to fill in the gaps in income-poverty information. *Second*, apart from income-dimensions of poverty more extensive use of measures reflecting non-income dimensions of poverty would be desirable from the discourse-broadening point of view as well as from the premise of assessing overall progress. This is not to suggest that statistics on non-income dimensions of poverty are free from controversies, but the degree of divergence in assessing trends is much less apparent in these respects.

2.13 Available information from other sources, however, provides conflicting evidence. The national accounts data for the period show that real per capita *national* private consumption increased by about 14 per cent between 1995/96 and 2000 and it is more likely that per capita urban private consumption growth was higher compared with that for rural areas.

2.14 The PMS indicates that, between April 1996 and May 1999, the urban poverty gap index—a distributionally sensitive measure of poverty—declined from 14.2 per cent to 11.2 per cent. The squared poverty gap index for urban areas also declined from 6.1 to 4.2 per cent indicating improvement in the conditions of the poorest of the poor in urban areas. The incidence of urban head-count shows a very small decrease—from 44.4 to 43.3 per cent.

2.15 The evidence from the Nutritional Surveillance Project (NSP) of Helen Keller International (HKI) in urban slums of Dhaka, Chittagong, and Khulna shows that there has been an overall improvement in the nutritional status of under-five children residing in urban slums in all three cities between 1996 and 2000.

2.16 In short, these alternative evidence casts some doubt on negative per capita real consumption expenditure growth in urban areas during the late nineties as indicated by the HIES 2000. This suggests that the HIES has possibly overestimated growth in urban per capita consumption expenditure between 1991/92 and 1995/96 and underestimated similar growth between 1995/96 and 2000.

D. Dimensions of Human Poverty

2.17 Three broad dimensions of human poverty are considered: (a) deprivation in health, (b) deprivation in education, and (c) deprivation in nutrition (including food insecurity).

Deprivation in Health

2.18 Infant mortality rate (IMR) stood at 153 deaths per 1000 live births in mid-seventies. The recent estimate provided by the DHS for 2000 puts the figure at 62. The under-five mortality rate was over 250 deaths per 1000 births during the early seventies which, according to DHS, declined to 83 in 2000. Notwithstanding these improvements, significant gender discrimination continues to persist. In the 1-4 age group, female mortality is about *one-third higher* than male mortality and *the difference has remained nearly unchanged* between the DHS surveys of 1993/94 and 1999/00. The rural-urban gap in infant and child mortality has declined: in 1993/94 DHS, the gap was 26.8 per cent which declined to 8.3 per cent in 1999/00 DHS. Similarly, the gap for under-five mortality dropped from 34 to 16 per cent between the two surveys.

2.19 There exist considerable socioeconomic differentials in mortality. Infant mortality is about 70 per cent higher for the poorest quintile than for the richest group. The gap for under-five mortality is higher (about 86 per cent). In terms of gender, the poor/rich ratio is higher for male in case of infant mortality, but higher for female in case of under-five mortality. The higher level of under-five mortality for female suggests that female disadvantage is an independent consideration in equity over and above the traditional poor/rich divide requiring additional gender focus in designing pro-poor health programs.

2.20 Both fertility and mortality situations in Bangladesh raise concerns for poverty reduction. The TFR has plateaued at 3.3 since mid 1990s. The maternal mortality rate (MMR) is an important indicator of well-being. The Bangladesh Maternal Mortality Survey 2001 indicates a mortality rate of 320 deaths per 100,000 live births in the period 1998 to 2001 using the method based on household deaths with a verbal autopsy identification of maternal deaths. Clearly, access to choice and reproductive health (RH) care continue to remain a major weakness in the health care system in Bangladesh and this affects women's status and their empowerment. RH is a social development objective in itself and has critical linkages with other poverty reduction programs. Provision of quality RH services continues to be limited to rural areas only and targeting the urban poor remains a daunting problem. Moreover, significant socio-economic differentials persist in maternal health care. Thus, 69 per cent of the households belonging to the lowest wealth quintile do not access any antenatal care compared with 22 per cent in the richest quintile.

2.21 Available evidence suggests a high degree of morbidity in Bangladesh. The prevalence of morbidity has been assessed at 188 per 1000 population in the HDS of BBS in 2000. Diseases for which comparable inter-temporal data are available show that there has been a considerable compositional shift in the prevalence of morbidity with some improvement for diseases such as diarrhoea, malaria, tuberculosis, anemia, filariasis, goitre, kala-zar, whooping cough, polio, and diphtheria. Although comparable data are not available, indications are there that the share of non-communicable diseases such as hypertension/cardiac ailments, diabetes, injuries due to road accidents and physical violence, mental health problems has gone up. There is also the menacing emergence of major public health problems such as dengue fever and arsenicosis. The other formidable challenge is to limit the prevalence of HIV/AIDS in Bangladesh. The HDS 2000 shows considerable sex differential in case of morbidity. The prevalence rate is about 11 per cent higher for female than male. The poor are more prone to illness and disease than the non-poor and this cuts across various classification of social position. Moreover, the diseases of the poor represent a much wider band of vulnerability than the current coverage under the Essential Service Package. These diseases of the poor provide one important basis for rethinking the current strategy.

Deprivations in Education

2.22 Impressive progress has been achieved in expanding basic and elementary education in the nineties, at least judged by the pace of quantitative expansion. Underlying the progress in basic education is the rapid expansion of school enrollment at the primary level. Thus, the gross enrollment in primary schools increased from 59 per cent in 1982 to 96 per cent in 1999. The gender gap in education is closing at an impressive pace. Both DHS and HIES data point out a clear female edge over male at primary and junior secondary (VI-VIII) levels. There is, however, considerable gender gap in enrollment in age group 16-20, which becomes especially pronounced after 21. While one cannot undercut the success already achieved in promoting gender equality at primary and junior secondary level, Bangladesh needs to make a major effort to achieve gender equality at higher secondary and tertiary levels. There is also the problem of considerable drop-out from the system, especially among the extreme poor, which needs to be seen as linked with the problem of deteriorating quality of education affecting the apparent lack of incentive to learn (and to teach well), over and above the problem of poverty as barrier to universal primary and secondary education. This entails a huge loss of human potential to the future of the nation. Besides, the content of education needs to be thoroughly modernized responding to the needs of the 'age of globalization', made consistent with national priorities,

rendered socially more relevant and responsive to evolving market opportunities. Social education especially gender sensitive education needs to play an important role in the curricula at appropriate levels. For example, population education programs may help in raising awareness and need to emphasize RH of youth and adolescents, especially to contain prevalence of STD and RTI infections.

Trends in Child and Maternal Malnutrition

2.23 The nutritional situation started improving since the mid-eighties. According to BBS data, the rate of stunting for children in the age group of 6-71 months which was 68.7 per cent in 1985/86 dropped to 49 per cent in 1999/00. The proportion of underweight children in the similar age group has gone down from 72 per cent in 1985/86 to 51 per cent in 1999/00. The DHS data, available for the second half of the nineties, show that the rate of stunting for the age group of 0-59 months reduced from 55 to 45 per cent. Similarly, the rate of underweight declined from 56 to 48 per cent between 1996/97 and 1999/00. The NSP data collected by HKI also confirms the trend of improvement in the child nutritional situation in the nineties in both rural and urban slums. Notwithstanding these improvements, the overall level of child malnutrition in Bangladesh remains one of the highest in the developing world, representing one of the most pressing concerns under the poverty reduction strategy.

Inequality in Malnutrition

2.24 Socioeconomic inequalities in malnutrition--as measured by standard anthropometric measures--appear to be much higher than in case of mortality. While the poor/rich ratio was 1.76-1.85 for infant and child mortality, it was 2.15 for stunting and underweight. This is especially true in case of child malnutrition as high initial malnutrition adversely affects child health, child schooling performance, and child's likelihood of getting high productivity jobs, having implications for the future productivity of the nation.

Table 3

Rates of Child Malnutrition among Under-five Children

Nutrition Status Indicator	DHS*		CNS**		HKI Rural ***			HKI Slum ***		
	1996-97	1999-00	1992	2000	1992	1996	2000	1992	1996	2000
<u>Underweight (weight-for-age)</u>										
Moderate or severe	56	48	68	48	71	65	59	78	67	60
<u>Stunting (height-for-age)</u>										
Moderate or severe	55	45	64	45	69	60	52	76	65	60
<u>Wasting (weight-for-age)</u>										
Moderate or severe	18	10	17	10	15.1	14.6	14.5	16.9	12.7	13.2

Note : * 0-59 months, ** 6-71 months, *** 6-59 months.

2.25 Notwithstanding the general improvement in the child nutritional status over the nineties, *the female disadvantage in malnutrition continues not only to persist, but has also increased over the period.* The DHS for 1996/97 and 1999/00 show that girls are more likely to be stunted and underweight than boys. The female-male gap for the severely stunted (percentage below -3 SD) increased from 10 per cent in 1996/97 to 16 per cent in 1999/00. Similarly, the gap for the severely underweight (percentage below -3 SD) increased from 19 per cent to 26 per cent over the same period. *The gender inequality is sharper in case of severe malnutrition compared with moderate malnutrition*—a striking similarity to what has been observed with respect to greater feminization of extreme poverty. As expected, child malnutrition is considerably higher in rural areas than in urban areas. The 1999/00 DHS shows 47 per cent of rural children as stunted and 49 per cent as underweight compared with the urban figures of 35 per cent as stunted and 40 per cent as underweight.

2.26 Maternal malnutrition, as proxied by body-mass index (BMI) less than the critical value of 18.5, turns out to be very high in Bangladesh. Applying this criterion, DHS estimates the proportion of malnourished mothers at 45 per cent in 1999/00, showing some improvement over 52 per cent estimated for 1996/97. The rural-urban gap in maternal malnutrition, as measured by BMI, has increased during the period—from 50 to 63 per cent. The high rate of malnourished mothers in the poor households has adverse implications for poverty reduction. A high priority needs to be assigned to reducing maternal malnutrition in the country. Such programs should give priority to mothers from the poor households due to existing high degree of inequality in maternal nutrition.

E. Summary Points

- Bangladesh has achieved considerable progress in reducing income-poverty and human-poverty since Independence. The progress on human poverty reduction front was faster than in case of income-poverty.
- The rate of income-poverty reduction was slower in the eighties compared to the nineties. However, the overall pace of decline in income-poverty has been modest, being restricted to the reduction rate of 1 percentage point per year.
- The rising trends in income (consumption) inequality in both rural and urban areas are disturbing and need to be tackled as an independent area of policy and institutional concerns.
- Considerable regional variation in income-poverty and social indicators is noticeable.
- Significant gaps exist between the poor and the poorest, making the case of the 'extreme poor' as a priority issue in the social policy agenda.
- Even though the pace of improvement in social indicators has been impressive, this has not often accompanied by gender equality. A significant gender disparity persists in both income and human poverty, especially at the lower end of the income distribution. The female disadvantage in child mortality (1-4 years) has remained persistent, while the female-male gap in acute malnutrition (as represented by severe stunting and wasting) has increased.

Chapter 3

Participatory Consultations on Poverty Reduction Strategy: Emerging Lessons

3.1 The past decade has been both a time of hope and a time of despair. The consultations with the poor held in both rural and urban areas as well as with the civil society confirmed several positive trends as well as negative concerns.¹

A. Positive Achievements

3.2 The grass-roots consultations point to general improvement in several quantitative indicators. These include: increase in educational and health facilities, increase in enrollment at primary and secondary levels, reduction in gender inequality in education, better access to preventive health care, greater awareness about diseases and environmental health, and improvement in child nutrition status. The consultations indicate the general favorable effects of government-supported targeted cash/food programs such as old-age pension schemes, vulnerable group development (VGD), food-for-education (FFE), and food-for-works (FFW). The consultations also reveal the potentials for further improvement in each area both in terms of equity and efficiency through ensuring closer monitoring, coordination and accountability of relevant development agencies at the field level.

3.3 The grass-roots consultations indicate important changes in market arrangements having implications for the livelihoods of the poor. Considerable labor market dynamism has been noted with pronounced role for seasonal migration, tightening of the labor market and discernible shift from casual to contract labor, and generally rising agricultural wages. The consultations suggest the growing role of remittances, and faster expansion of non-crop (especially, poultry and fishery) and non-farm (especially, transport, trade, and services) activities. A perceptible increase in employment opportunities both within and outside of agriculture in the rural areas has been noted with rising share of peri-urban employment and seasonal migration. The consultations also indicate considerable change in the tenancy market, with gradual shift from share-cropping to fixed cash tenancy in case of HYV cultivation during the winter (*boro*) season. Remarkable change has been noted in the credit market, with a generally declining importance of the role of traditional moneylenders and attendant extra-economic coercion. The credit access on the part of land-poor—especially for emergency purposes—appears to have increased, with women playing an increasingly important role both as small savers and small lenders.

3.4 On the well-being dimensions, acute deprivations measured in terms of food and income entitlements seem to have improved. Enhanced access of the poor can be noted in terms of some basic non-income dimensions of poverty such as schooling and health care and access to water supply and sanitation. Visibility and voice of women in intra-household and extra-household contexts have also increased. Perhaps, the singular idea that emerges from the participatory consultations at all levels relates to the deep sense of awareness relating to

¹ The materials used in this section are drawn from the Poverty Reduction Strategy Consultation Report of BRAC (2002) prepared in connection with the formulation of the present strategy. Additional materials have been used from previous consultations carried out as part of the preparation of *Citizen Task Force Report on Poverty* (CPD 2001), *Voices of the Poor* Study for the World Development Report 2001 (Proshika 2000), and consultations carried out by the People's Empowerment Trust (Action Aid 2002).

under-performance relative to potentials in every respect. There seems to exist a general agreement that through improved governance and better coordination among the government, the private sector and the civil society, the major development impasses facing the country can be overcome.

B. Areas of Key Concerns

3.5 The grass-roots consultations have also revealed several key concerns that represent powerful negative tendencies in the development experience of the nineties.² As one participant—a day laborer in Rupsha thana -- puts it, “positive developments in our lives have been precariously counterbalanced by equally powerful negative tendencies”.

Law and Order and Economic and Social Violence

3.6 Law and order has been identified as a critical concern. This has been attributed to weakening of governance, criminalization of politics, corruption, violation of citizen rights, break-down of traditional moral order, and intolerant political culture. The law and order situation is marked by insecurity and violence, having negative implications for poverty reduction. This also reveals several interlocking aspects of vulnerability and the often-neglected psychological aspects of poverty.

3.7 The consultations point out the need for democratizing the state institutions operating at the local level including reform in the police system. The identified objectives of reforms include accountability of the law-enforcing agencies to the civil administration, greater sensitivity to issues of human rights, increased transparency and enhanced effectiveness. The growing violence against women both in public places and at home has been identified as a major social concern in urban as well as rural areas. This represents a serious constraint on the physical mobility of women, acts as a hindrance to women’s participation in market activities especially in the labor market and restricts their pursuit of education beyond the primary level and access to health services. The emergence of *mastanocracy* (local terrorism) imposing considerable “transaction costs” on normal economic activity has been singled out as a major barrier to private investment and socially secure life. The emerging picture is strikingly uniform in this respect—from *Rupsha* of Khulna and *Sadar Upazilla* of Barisal to *Mirsharai* in Chittagong and *Poba Upazilla* in Rajshahi, from *Sadar Upazilla* of Sylhet to *Savar* in Dhaka. Patron-client politics, rising educated unemployment, criminalization of economic and political activities, and lack of adequately effective state machinery reflected in the declining enforcement capability have been cited as the major triggers of organized crime and violence and principal causes of persistent law and order problems and widely shared feeling of citizen insecurity in the country.³

3.8 The grass-roots consultations have provided important insights regarding the social background of the local terrorists as well. While there exists considerable social heterogeneity, the terrorists are mostly high school or college dropouts, suggesting the

² This has been mirrored by several micro-level repeat village studies. See Siddiqui, K. (2000) *Jagatpur: 1977-97. Poverty and Social Change in Rural Bangladesh*, University Press Limited, Dhaka and Westergaard, K. and A. Hossain (2000), ‘Boringram Revisited: How to Live Better on Less Land’ in R. Jahan (ed) *Bangladesh: Promise and Performance*, University Press Limited, Dhaka.

³ As one participant in the consultation in Savar has put it, “Bangladesh has become contaminated with three evils--organized crime and terrorism, phensydyll drug, and arsenic.”

possibility of interface between educated unemployment and terrorism. The political patronage was mentioned as one of the important concerns. The consultations at the divisional level have stressed the need for setting up of an independent judiciary, an independent anti-corruption body, a powerful office of the Ombudsman, and highlighted the role of a free press and active media. Many grass-roots participants have advocated the setting up of separate TV channels for the poor, which would be focused on development issues as well as programs that promote awareness about citizen rights and civil liberties. Many participants also supported recruitment of women police in large numbers, including the idea of hiring of female sub-inspectors for each thana; this was seen as an instrument of socially empowering women at the community level as well as facilitating more effective access to justice.

Effective Local Government and Decentralization

3.9 The consultations reveal the importance of local government as one of the most desired institution for improved governance, accelerated economic growth, and faster poverty reduction. Attention was drawn to the fact that Bangladesh has the highest population density in the world (excluding the city-states) and it is difficult to govern such a vast mass of population from “one centre”. Thus decentralization and devolution of power has been suggested as a technical necessity for good governance rather than a matter of political choice. A broad-based suggestion emerged in favor of creating a multi-tier ensemble of effective local government bodies at union, thana, and district levels. The consensus view was that public action can have maximum impact on poverty only with the support of a strong (with adequate financial and administrative power) and popular (elected with people’s mandate) local government. Without having effective structures of local governance at union and thana levels, the issues of improving quality and enhancing accountability of public services at local level cannot be effectively addressed.

3.10 The consultations indicated broad areas where local government can and must play a critical role. One such area is the management and coordination of many nation-wide programs such as targeted food or cash assisted programs designed for the poor. Similarly, the consultations strongly favored local government’s involvement (with active support from the community) in the management of schools, community clinics, union-level family planning and health centres, and thana health complexes. A strong and effective local government was also considered necessary for coordinating various government and non-government programs in an area thereby reducing wastage and duplication, and facilitating greater synergies. The consultations strongly recommended the development of local-level democracy through the promotion of grass-roots organizations as well as fostering community activities that encourage greater social solidarity. The consultations have broadly suggested the need for ensuring effective women’s participation in local government affairs by addressing both representational and functional aspects. The developmental role of the elected women representatives needs to be strengthened further.

3.11 The consultations suggested that the local bodies should be given adequate budget allocations on a matching grant basis keeping in view the poverty ranking of the area. While decentralizing without capacity building at the local level would not produce the desired results, it was argued that this should not be used as an argument against devolution of power. The support for an effective local government and decentralization at various levels has been

very strong throughout the consultations irrespective of administrative divisions and socio-economic backgrounds of the participants.

Quality of Education, Health, and Public Services

3.12 The grass-roots consultations pointed out many weaknesses in the current pattern of delivery of education, health and public services. Many rural participants expressed concerns over teacher absenteeism, hidden costs in getting admission at the primary level, leakage in food-for-education (FFE) and in stipend schemes for girls attending secondary schools, low quality of education, and rising costs for meeting private tuition expenses. Poor quality of teachers and inadequate learning materials were cited as major weaknesses.

3.13 Participants in general voiced negative assessments about the effectiveness of food-based assistance schemes and suggested the need for effective cash-based delivery systems. The food-transfer was advocated only in the context of emergencies and very poor areas. The abolition of the financing of food-assisted programs through GOB procurement beyond the critical minimum need for maintaining overall food stock at the national level was advocated. These measures were seen as instruments for improving efficiency in the targeted programs and reducing wastage and corruption.

3.14 In both rural and urban consultations, a critical concern among the poor was the widening of the “education divide” between the rich and the poor. The poor were not able to provide their children with quality education. Consultations suggested a multidimensional action program involving the provision of uniform curricula at the primary and secondary levels, increased teacher-student contact hours, lowering the size of the student-classroom ratio, ensuring supply of trained Science, Mathematics, and English language teachers, periodic teachers training and quality inspection, adequate lab facilities, playground and extra-curricular activities, accountability to the local community and to parents. A particularly recurrent theme in these consultations was the issue of inappropriate functioning of the School Management Committees (SMCs).

3.15 Most participants voiced serious dissatisfaction over the quality of health services available at upazilla and district hospitals. Doctor absenteeism, inadequate nursing services, poor quality pathological tests, lack of adequate diagnostic facility, overcrowding, lack of maintenance and unclean environment, lack of attention to the patients, lack of sensitivity to women patients, rising hidden costs involved in availing public services were some of the problems mentioned during the consultations. The consultations stressed the need for greater utilisation of the existing *Union Health and Family Welfare Centre (UHFWC)* and *Thana Health Complex (THC)* as the most urgent imperative. The consultations recommended that every union should have a functioning UHFWC and every thana an effective THC for greater impact on curative health of the rural population. Strengthened preventive public health measures such as improved and safe water supply and hygienic sanitation were also seen important in reducing disease transmission and relieving burden on curative health services.

3.16 The general view of both pre-and post-draft consultations was in favor of an effective local government playing a critical role in the delivery of both public education and health programs at the community level. Accordingly, the consultations advocated the *inclusion and mainstreaming* of the local government responsibility in a major way in the future policies of

the Government on public health and education, bringing it to the center stage of decentralized development.

3.17 Bangladesh's health program is enriched by the contributions made by NGOs. The discussion in general envisaged a greater role for NGOs as provider of educational and health services in rural and peri-urban areas both as sources of alternative finance and as mobilizing agents. An enhanced role for NGOs as provider of primary and secondary education--beyond their traditional focus on non-formal primary education—was suggested during consultations with the poor. Similarly, the consultations rated positively the delivery of curative health care services by the NGOs at secondary and tertiary levels, i.e., beyond its traditional role as provider of primary health care. Thus, suggestions were made that the relatively successful experience of Family Health Clinic providing curative services may be extended to all thanas. The NGOs were also seen as important players in the implementation of the Community Health Clinic (CHC) program, community empowerment projects, VGD, advocacy programs and women's empowerment through employment.

3.18 In general, the grass-roots consultations advocated higher allocations to education and health for financing quality services, on the one hand, and indicated the need for greater involvement of the local government in the overall supervision and management of these sectors.

3.19 The concerns expressed over the quality of public services were not restricted to education and health sectors. The urban consultations revealed equally serious concerns regarding other basic social services such as poor housing and sanitation, deteriorating quality of water, irregular power supply, poorly maintained roads and culverts, long waiting period as well as poor quality of telephone services, cumbersome billing facilities, and rising hidden costs in getting access to basic public services. Municipal services were rated very poor. In rural consultations an additional concern related to poor quality of agricultural extension services, especially with respect to promoting new production technology and marketing skills in the area of vegetable cultivation, poultry and livestock rearing, and fish cultivation.

Coordination among Development Agencies and Institutions

3.20 The consultations revealed the need for forging greater coordination among diverse stakeholders functioning at the local level such as various government agencies and departments, NGOs and CBOs. The potential areas of development cooperation encompass the entire spectrum of service delivery involving agriculture, livestock, fishery, education, health, nutrition, disaster mitigation, social safety net, microcredit, and social mobilization. A particularly disturbing aspect has been the lack of coordination of development activities among the NGOs themselves, leading to fragmentation of efforts, duplication and wastage, and lack of synergies.

Remunerative Employment and Economic Opportunities

3.21 A considerable part of consultations was devoted to ways and means to accelerate the pace of income-poverty reduction. The discussion pointed out the beneficial effects of rice-based new technology and stressed the importance of developing such technology for unfavorable environments. The consultations noted the impressive growth of poultry and fishery sub-sectors. Within non-agriculture, the development of road and marketing linkages

and the attendant growth of transport, trading, and service sector employment were highlighted. The need for developing employment-generating sectors such as agro-processing and information-technology (IT) related industry for both domestic economy and export markets was emphasized. The role of information technology was viewed as important for generating employment for the graduates in both rural and urban areas.

3.22 The consultations at the divisional headquarters further identified the need for exploring the full potentials of sub-regional and regional cooperation. The participants emphasized the need for greater access to the regional and sub-regional markets and suggested a pro-active policy for developing trade-related infrastructure, pressing in international and regional fora for removal of non-trade barriers, and greater trade creations.

Physical Infrastructure

3.23 The consultations strongly emphasized the role of physical infrastructure in accelerating the rate of poverty reduction, especially in rural areas. The package includes eleven important elements: road, bridge, railway, waterway, safe water supply and sanitation, electricity, gas, storage, port, telecommunication, and information. The consultations underscored the need for expanding further the network of all-weather feeder roads in rural areas and drew attention to the problem of maintenance. The neglected areas of railways and waterways received particular attention, especially from the viewpoint of environment-friendliness of these modes of transport. The growth impact of electricity through its cost-reducing effects on use of irrigation equipment was emphasized. In addition, its direct impact on modernization of rural industry, contribution to longer working hours for commercial enterprises, along with favorable influence on social development was mentioned. The consultations stressed the importance of developing adequate storage facilities at the thana level, especially in promoting increasing commercialization of agriculture (vegetables, poultry, and fishery products). The critical importance of developing adequate and efficient port facilities figured prominently in consultations at divisional headquarters. The consultations strongly emphasized the need for extending telephone networks to rural areas and advocated greater competition and privatization in this area. Telecommunication would help in regional market integration and increase the effectiveness of the early-warning system for preventing disasters. Availability of information technology at the local level was advocated from the perspective of improving the overall system of governance as well. The post-draft consultations especially drew attention to the need for sensitiveness to the gender dimension in planning and designing infrastructure projects. Examples range from women and disabled-friendly transport system, installation of toilets for women in bus and railway stations, childcare facilities in workplaces, and similar measures. Building codes should also be designed to address the needs of the disabled.

Other Issues

3.24 The grass-roots consultations pointed out several issues, which demand additional attention. Thus, broad concern was expressed over the tendency of *regionally unbalanced development*, highlighting the widening gaps between infrastructurally advantaged and disadvantaged areas. The problems of environmentally fragile settings such as hill areas, char areas, river-erosion areas, salinity and flood-prone areas received particular attentions in this regard. An important area of concern was the *lack of adequate participation* of diverse categories of socially vulnerable groups such as those residing in ecologically vulnerable

areas, such as cyclone-prone coastal areas and char and river-bank erosion areas, the tribal and the hill people, specific social categories such the disabled, women-headed households, and those engaged in marginal occupations. Another important issue was the need for *developing social solidarity* at the community level. While a plethora of poor people's organizations such as micro-finance groups and *samities* had emerged at the local level, the extent of cooperation across the poor communities and groups (the bonding and bridging aspect) was considered low undermining a potential important source of faster poverty reduction and social development. The consultations also pointed to the persistent *problem of polarized politics*, lack of cooperation, mutual respect and trust among major political parties, lack of democratization of the political parties and processes acting as serious constraints on economic and social progress. A particular concern was expressed over the continued expression of 'social poverty' indicating in some areas and contexts the still continuing presence of general obscurantism, attitude of conformism and fatalism, ignorance and prejudices, and the persistence of a mindset against change.

C. Summary Points

3.25 Broad-based consultations around the issue of poverty reduction strategy have confirmed several aspects of progressive gains in the broad sphere of poverty reduction and social development over the past two decades. However, these have also indicated the fragility of the past success, suggested the points of worrying slippage and underscored the salient moments of regress. The latter relates to the following areas of citizen concerns: lack of physical infrastructure; law and order situation amidst incidence of organized crimes, extortion and economic violence; lack of effective local government and decentralization; poor quality of education, health, safe water supply and environmental sanitation, and other social services; lack of coordination among development agencies and institutions operating at the local level; lack of remunerative employment and economic opportunities; lack of social capital at the community level resulting in low-level of collective action; and lack of democratization of political processes.

Chapter 4

Major Milestones: Poverty Targets and Key Social Development Goals

A. The Vision

4.1 With the Constitutional obligation of developing and sustaining a society in which the basic needs of all people are met and every person can prosper in freedom and cherish the ideals and values of a free society, the vision of Bangladesh's poverty reduction strategy is to substantially reduce poverty within the next generation. For this, poverty reduction (with special focus on the removal of hunger and chronic poverty) and social development (with particular emphasis on gender equality) have been made the overarching independent strategic goals. The vision proposed here adopts a comprehensive approach premised on a rights-based framework, which highlights the need for *progressive realization of rights in the shortest possible time*. It also takes into consideration Bangladesh's previous official commitment to achieve the MDGs as well as social targets set in the PAPR with the ADB. Through adopting a comprehensive approach and by taking into account the country's past international commitments and evolving national realities, the Strategy visualizes that, by the year 2015, Bangladesh would achieve the following **goals/targets**:

- (i) Remove the 'ugly faces' of poverty by eradicating hunger, chronic food-insecurity, and extreme destitution;
- (ii) Reduce the proportion of people living below the poverty line by 50 per cent;
- (iii) Attain universal primary education for all girls and boys of primary school age;
- (iv) Eliminate gender disparity in primary and secondary education;
- (v) Reduce infant and under five mortality rates by 65 per cent, and eliminate gender disparity in child mortality;
- (vi) Reduce the proportion of malnourished children under five by 50 per cent and eliminate gender disparity in child malnutrition;
- (vii) Reduce maternal mortality rate by 75 per cent;
- (viii) Ensure access of reproductive health services to all;
- (ix) Reduce substantially, if not eliminate totally, social violence against the poor and the disadvantaged groups, especially violence against women and children; and
- (x) Ensure comprehensive disaster risk management, environmental sustainability and mainstreaming of these concerns into the national development process.

B. Feasibility of Target Attainment

4.2 The poverty targets and social development goals are presented in Table 4. Given the pattern of economic growth, which is accompanied by rising inequality, the growth elasticity of poverty reduction for rural areas is estimated at -0.73, while the figure for urban areas is -0.64.¹ Using these elasticities, the results, as presented in Annex Table 6, show that the 2015 only if the per capita rural consumption expenditure grows at a rate of at least 4 per cent per year. The calculations show that if the goal of reducing the incidence of national poverty prevailing the year 2000 by half is to be achieved by 2015 then Bangladesh needs to sustain a GDP growth rate of about 7 per cent per year over the next 15 years.² It may be noted that the MDGs have been set within a time-frame of 25-year period with 1990 as the benchmark. This implies that Bangladesh can adopt a more feasible target setting in the light of MDGs by using 1990 as the benchmark year (as shown in Annex Table 7). However, the Government has made a conscious choice in favor of an accelerated development strategy for attaining poverty and social development goals in the shortest possible time. Major goal posts worked out in Table 4 by taking the 2000 figures as the benchmark estimates are premised on this vision. The question is: are these targets realistic?

4.3 A comparison of the projected targets with the actual pace of progress achieved during the nineties shows that for some indicators, while being higher than the historical trends, these are not far off the mark. Thus, the projected reduction rate for child mortality and child malnutrition is only slightly higher than the average progress recorded in the nineties. Given the renewed emphasis on population control, primary health care, and National Nutrition Program (NNP) and the possible added synergies expected from the incremental social benefits from greater investments in girl's education and in general rising social awareness about public health, these targets in the area of child mortality and malnutrition are within the feasible range of attainment. The only possible exception is the target of lowering the overall incidence of income-poverty by half, which requires that Bangladesh accelerates the pace of reduction from 1.5 per cent per year observed for the 1990s to 3.3 per cent for the period 2000-15. Again, this is not a tall order given the past record of accelerating progress in reducing poverty in the nineties compared with the eighties. The target for extreme poverty reduction is statistically less daunting, but may be more socially challenging given the need for re-orienting the allocation of resources towards the most needy poor.

¹ These elasticities are lower than the estimates derived under the distribution-neutral growth. The paper follows Ravallion and Sen (1996) to calculate *growth elasticity of poverty reduction under inequitable growth*. The latter represents elasticities implied by the actual changes in poverty measures and the mean relative to the poverty line, as observed over the period 1991/92 to 2000 reflecting the effects of rising inequality over the period.

² The required GDP growth reflects the income and population growth during the period in order to sustain the consumption expenditure to achieve the target. It may, however, be noted that the target setting done in Table 4 reflects the goal of reduction of income poverty by half from the benchmark of 2000 rather than from 1990 (which would have been, strictly speaking, more in line with the accepted procedure of setting MDGs). By taking the 1990 benchmark Bangladesh could afford to attain the MDGs at a lower growth rate of about 6 per cent. The reason for this substantive deviation relates ultimately to the issue of social choice (or 'social will') as to whether or not a society wants to tread the challenging path of achieving the targets within the shortest possible time by mobilizing all its public, private, NGO, community and individual resources and commitments. If at the end Bangladesh fails to achieve the proposed targets, but can still come closer to attaining them by being a distant second or third, it would still be a higher degree attainment compared to the projected levels based on the more conservative 1990 benchmark. The major thrust of the consultations on this score was cautious, but inspiring, inviting the Government to take on the challenge to depart from the 'business as usual' path and build the vision on the spirit of the social successes of the nineties discussed in Chapter 1.

Table 4
Major Goal Posts in Poverty and Social Indicators under an Accelerated Social Development Strategy with 2000 as the Benchmark Year for Target Setting

Indicators	1990	2000 (Bench- mark data)	Annual progress over 1990-00 (%)	2004	2006	2010	2015	Annual progress over 2000-15 (%)
Income-Poverty	59	50	-1.5	45	43	35	25	-3.3
Extreme Poverty	28	19	-3.2	15	13	9	5	-4.9
Adult Literacy	35	56	6.0	64	69	79	90	4.0
Primary Enrollment	56	75	3.4	81	84	92	100	2.2
Secondary Enrollment	28	65	13.2	71	80	85	95	3.1
Infant Mortality Rate (IMR)	94	66	-3.0	56	48	37	22	-4.4
Under-Five Mortality Rate	108	94	-1.3	80	70	52	31	-4.5
Maternal Mortality Rate (MMR)	480	320	-3.3	295	275	240	147	-3.6
Life Expectancy	56	61	0.9	64	66	69	73	1.3
Population Growth	2.1	1.6	..	1.5	1.5	1.4	1.3	..
% Children Underweight	67	51	-2.4	48	42	34	26	-3.3

Reduction in Gender

Disparity:

Female (7+) Literacy (% of Male)	80	Eradicate by 2010-2015
Female Enrollment at Tertiary Level (% of Male)	33	
Female Underweight Moderate or Severe, <5 Years (% of Male)	8	
Female Underweight Severe, <5 Years (% of Male)	26	
Female Mortality, 1-4 Years (% of Male)	133	

Source of Benchmark Data: Income-Poverty (Table 2); Adult Literacy (BHDR 2000); Primary Enrollment (HIES 2000); Secondary Enrollment (HIES 2000); Tertiary Enrollment (HIES 2000); IMR (BDHS 1999/00); Under-Five Mortality (BDHS 1999/00); MMR (NIPORT/ Macro International); Life Expectancy (BHDR 2000); Population growth (BBS); Children Underweight (CNS 2000).

Source of 1990 Data: Income-Poverty (Table 2); Adult Literacy (Population Census 1991); Primary Enrollment (APT 1990); Secondary Enrollment (APT 1990); IMR (SYB of BBS); Under-Five Mortality (SYB of BBS); MMR (SYB of BBS); Life Expectancy (SYB of BBS); Population growth (SYB of BBS); Children Underweight (BBS 1989/90).

Note to the Table:

- The data for 2000 have been considered as the benchmark for making projections for the subsequent period in the light of MDG goals as well as development experience of the recent decade. The projections are based on the premise of 'progressive realization of rights' in the shortest possible time. A more modest projection based on 1990 as the benchmark data is given in the Annex Table 8.
- Primary and secondary enrollment rates are age-specific (net) enrollment rates as estimated from the survey data. Accordingly, they differ from gross enrollment rates estimated from secondary data showing higher level of educational attainment (official estimate being over 90 per cent).
- The estimate of literacy rate is not uncontroversial as it can vary depending on how literacy is defined. Accordingly, the benchmark estimate for literacy varies from 45 per cent (can both read and write letter) to 64 per cent (as defined under the 'total literacy movement'). Ideally, the Census 2001 results can provide a definitive light on the issue.
- The estimate of children underweight for 1999 refers to the Child Nutrition Survey carried out by BBS in 1989/90 and refers to children aged 6-71 months. The recent estimates are available from two sources, namely, CNS 2000 and the DHS 1999/00. The DHS figure relates to children aged 0-59 months, while that for CNS refers to children aged 6-71 months. The draft strategy report in April 2002 used the DHS figure. However, for the sake of comparison with the 1990 survey, we have switched to the CNS data to represent the benchmark figure.
- Extreme poverty corresponds to population consuming less than 1800 kcal/person/day as per direct calorie method. Note that the incidence of so-called 'very poor' estimated by the World Bank method of setting 'lower poverty line' gives a much higher figure than the direct calorie method (34 vs. 20 per cent nationally in 2000). Given the large divergence, we have used the direct calorie measure, especially in the context of wider concern over the incidence of "hungry poor".

4.4 As regards other indicators, the likelihood of target attainment is higher given the encouraging performance of the nineties in reducing child mortality and child malnutrition as well as success in removing gender inequality at primary and secondary schooling. The available evidence also suggests that the MDG target of halving malnutrition rates by 2015 is not likely to be met through economic growth alone. More effective public actions than in the past will be necessary in attaining the social goals described in Table 4.³ This is especially true of the goal of halving the present level child malnutrition. This would also require the exploitation of important synergies between income and non-income indicators. Many of the social indicators included under the MDGs are influenced by economic growth through the channels of income-poverty reduction and public expenditures on social sectors. As the level of income-poverty gets reduced and private spending on social sectors increases, progress in attaining social development goals will be further stimulated. Better governance of social expenditures along with higher allocations through government and non-government channels, as emphasized under the strategy, would provide additional momentum to the process of social development.

C. Summary Points

4.5 Attainment of the target of poverty reduction by half will require significant additional efforts given the past growth performance. If the goal of reducing the incidence of national poverty by half is to be achieved by 2015, Bangladesh needs to sustain a GDP growth rate of about 7 per cent per year over the next 15 years. As regards other indicators, the likelihood of target attainment is higher given the encouraging performance of the nineties in reducing child mortality and child malnutrition as well as success in removing gender inequality at primary and secondary schooling. However, these targets will not be met through economic growth alone. Pro-active public actions will play a significant role in attaining the national targets set in the light of MDGs and national priorities.

³ Detailed resource costing consistent with the poverty and social development targets would be carried out in the context of the full-blown strategy and TYRP.

Chapter 5

The Poverty Reduction Strategy

A. The Strategy: All Routes Matter

5.1 Bangladesh faces three strategic challenges. First, consolidation of the past successes witnessed during the nineties, as described in Chapters 1 and 2, will not be an easy task. These included improvements in child nutrition, expansion in primary and secondary education, reduction of gender inequality in education, decrease in chronic food shortage and insecurity, enhanced capacity for disaster management, and declining trends in income-poverty. Consolidation of the past efforts would be critical in the attainment of the MDGs consistent with the national priorities, as set in Chapter 4. Second, combating the negative tendencies unfolded over the past decade, as indicated in the participatory consultations discussed in Chapter 3, poses an additional strategic concern. Issues range from the problem of law and order, deteriorating investment climate, economic misgovernance such as persistent “system loss” and avoidable leakages, policy inconsistency and lack of coordination among the development agencies, poor quality of education, health and public services, ill-consequences of polarized politics to name a few. Attacking these economic and social ills will be a priority though admittedly a very difficult task. Third, there are also emerging concerns over managing the risks and uncertainties posed by the changing global economic environment especially with respect to trade, aid, and investment, confronting the new tensions in the wake of MFA withdrawal, growing urbanization, deteriorating environment, and new public health concerns and security threats. Sustaining the past positive trends over the next decade while overcoming the accumulated negative trends and facing up to the new agenda posed by globalization would be the central task of the poverty reduction strategy. This task would dictate new ways of managing the development process, demanding a new mix of poverty reduction strategies and policy priorities, and inviting a new ensemble of change-agents both within and outside the government. This would require taking initiatives on all fronts.

5.2 With many roots and multidimensional characteristics, all routes matter for the poverty reduction strategy. These routes will combine measures to address underlying causes and practical interventions to mitigate poverty. The strategic elements of anti-poverty policies and institutions will cover five broad avenues. The first set of policies would accelerate and expand the scope for *pro-poor economic growth* for increasing income and employment of the poor. The second set would foster *human development* of the poor for raising their capability through education, health, nutrition, employment-oriented skill training and social interventions. The third set of policies would support *women’s advancement and closing of gender gaps* in development. The fourth set of policies would provide *social protection* to the poor against anticipated and unanticipated income/consumption shocks and vulnerabilities to disasters through targeted and other efforts. Environmental sustainability will be a key factor here as a cross-cutting issue. The fifth set would favorably influence *participatory governance*, enhance the *voice* of the poor, and improve *non-material dimensions* of well-being including security, power and social inclusion by improving the performance of anti-poverty and disaster preparedness and mitigation institutions and removing institutional hurdles to social mobility.

5.3 The above interventions will have maximum impact on poverty, especially in minimizing the severity of poverty, when these are targeted to the poor regions and with special focus on the needs of the most disadvantaged population and ethnic groups. Policies

and institutional actions delineated under the poverty reduction strategy will be designed to reach out to the poorest and the remote rural areas, which are vulnerable to adverse ecological processes (including cyclone-prone coastal regions, *chars* and river erosion affected areas) and those with high concentrations of socially disadvantaged and marginal ethnic groups. Special attention will be given to the development problems of the hill people of CHT and tribal population residing in other parts of the country.

5.4 While the strategy adopts a comprehensive approach covering all routes, the important task would be to spell out *appropriate prioritization and sequencing of actions* needed to replace the business-as-usual scenario with a changed agenda so as to ensure accelerated poverty reduction and achieve the proposed targets. Within the five broad avenues, the present document spells out several policy and sectoral/subsectoral concerns *based on the priorities identified by the poor during the consultations* and available analysis of the issues. This medium term agenda would be further elaborated while preparing the more specific mix of macroeconomic, sectoral and governance policies and programs through participatory interactions with the poor and other stakeholders during the process of formulating the full-blown strategy.

Emphasis on Employment Generation

5.5 Along with integrating economic and social policies, the strategy aims at expanding decent employment opportunities through both wage and self-employment. For this, an integrated approach would be followed to create an employment-expanding macroeconomic framework through (i) adjusting public expenditure, ensuring monetary and fiscal prudence, and promoting employment friendly private investments; (ii) addressing sectoral employment concerns with appropriate investment and trade policies and promoting ‘lead’ sectoral and sub-sectoral activities; (iii) strengthening special and targeted employment programs for the vulnerable poor; and (iv) implementing measures for skills upgradation of the labor force on the basis of demand-oriented skills mapping. In view of the importance of congenial labor relations and an efficient and equitable regulatory framework in attracting domestic and foreign investments, the strategy would broaden the social dialogue on labor policies to include dispute settlements along with issues related to skills development, social protection, productivity, gender discrimination, and child labor.¹

5.6 For maximizing direct and indirect employment multipliers, both vertical and horizontal linkages and macro and micro-level interactions will be emphasized. With the dominance of the informal sector in overall employment, thrust will be given on raising productivity, dynamic informal activities and expansion of women’s productive employment. The emphasis will be on promoting entrepreneurial skills, creating information channels on appropriate technology and better organization of production; strengthening rural-urban and external linkages and marketing chains; ensuring necessary infrastructure support; providing credit facilities, business advisory and development services; and ensuring conducive investment and policy regimes. Along with self-employment generation and micro-enterprise development through government and NGO interventions, public works and other labor-based infrastructure and social capital development programs will be stressed to increase employment and income earning opportunities for the poor. Carefully designed credit and support services will be provided for establishing productive enterprises to address the problem of unemployed educated youth and for promoting women entrepreneurs. Special efforts will be given to avail the opportunities of exporting skilled manpower to meet the

¹ For major policy issues relating to employment and labor market see Annex 2.

demands in developed (e.g. OECD) countries over the medium term through adequate training and skill-developing measures for the youth.

B. Accelerating Pro-poor Economic Growth

5.7 Accelerating pro-poor economic growth will be one of the key elements in achieving success of the Strategy. The sources of increased growth would involve several areas: (i) higher private investment in all sectors and increased inflow of foreign direct investments (FDIs) through ensuring good governance and installing measures to reduce transaction costs and promote investment-friendly environment; (ii) increased efficiency and technological progress across the economy including promotion of information and communication technologies (ICTs) and biotechnology; (iii) expanded growth of industry (particularly small and medium enterprises) and service sectors; (iv) diversification in crop production and nonfarm (e.g. livestock) sector growth; and (v) expansion and diversification of the export sector. The aim would be to increase GDP growth to around 7 per cent per year, on an average, during the next decade along with a rapid expansion of the rural economy. For ensuring such growth, priorities, sequencing and interrelationships of macro and sector policies would be taken into account. Within the medium term framework, priorities would be given to ensure the following: (i) stable macroeconomic balances; (ii) strong institutions and improved governance; (iii) private sector-led and outward oriented growth; (iv) Government-private sector (including NGOs) partnership; and (v) gender sensitive macro and policy framework and the national budget. The priorities of sectoral and sub-sectoral activities will be worked out in such a way that the growth elasticity of poverty reduction can be increased. For the purpose, emphasis will be given to the activities that contribute to a lowering of the incremental capital-output ratio across the economy. Such a strategy would favor more labor-intensive sectors and sub-sectors, which would simultaneously contribute to higher GDP growth and higher employment elasticity of growth leading to higher growth elasticity of poverty reduction.

5.8 Accelerating growth and bringing a pro-poor orientation in the growth process with special emphasis on the most disadvantaged social groups including women would be achieved through emphasizing four priority areas: (i) accelerated growth in rural areas and development of agriculture and non-farm economic activities; (ii) small and medium manufacturing enterprises; (iii) rural electrification, roads, water supply and sanitation, and supportive infrastructure including measures to reduce natural and human induced shocks; and (iv) information and communication technologies. The rural growth strategy would be driven by policies to intensify rice production and spur crop diversification and nonfarm production requiring more effective water management, improved rural infrastructure and institutions, strengthened research and development efforts, enhanced credit access, and expanded domestic/export marketing and distribution channels. To catalyze growth of non-farm activities and small enterprises, expansion of infrastructure facilities and supportive policies would be given priority. The rural growth policies would address environmental problems ranging from widespread resource depletion and ecological degradation, arsenic contamination of water, and vulnerability to natural disasters to ensure sustainability of the outcomes. The development of ICTs would be used as an expanding source of growth of the economy. For the purpose, appropriate strategies would be adopted to harness the employment generation and welfare-enhancement potential of ICTs by creating an enabling environment for comprehensive technology acquisition and its diffusion through developing required infrastructure, creating legislative and policy framework, supporting entrepreneurial activities, facilitating and fostering community initiatives, and developing partnerships among public-private institutions. In all these efforts, the private sector would play a key

role. To facilitate the process, a strong and competitive private sector would be fostered, infrastructure capacity (especially power, telecommunications, roads and ports) would be expanded, financial markets would be strengthened, environment for foreign investment would be improved, quality of the labor force would be raised, administrative and legal systems would be reformed, law and order situation would be improved, and public transparency and accountability would be increased. Similarly, the potentials of tourism will be exploited for employment generation and poverty reduction following the guidelines suggested in the National Tourism Policy 1992.

B1. Ensuring Macroeconomic Balances

5.9 The recent developments indicated strains in several macroeconomic indicators.² The fiscal and external imbalances were aggravated, pressure on foreign exchange reserves mounted, export earnings and industrial production slowed down, and overall growth rate of the economy declined in 2001/02. In addition to domestic imbalances, a weakened global economy fueled the events. Nonetheless, the per capita GDP grew by about 3 per cent during FY02 which was no small achievement for Bangladesh in a turbulent year.

5.10 The Government implemented several measures to improve the macroeconomic situation during FY02. The monetary policy was made more accommodating: lending rate was lowered for exports of RMG items, frozen food, and agro-industrial products; refinance facility was provided for lending for RMG exports; bank rate was lowered which led to reduction of lending rates by commercial banks. Efforts to contain fiscal pressures included lowering of interest rates on savings certificates; containing public expenditure by rationalizing ADP spending, introducing hiring freeze in public sector employment, reviewing some contracts under suppliers' credit, and canceling the Non Aligned Movement (NAM) summit in Dhaka; introducing measures to increase revenue collection; and increasing fuel, power and gas prices. For improving external balance and mitigating foreign reserve losses, the exchange rate was refixed, regulatory duty on import of several non-essential products was imposed and several administrative measures were effected e.g. enhanced enforcement of foreign exchange regulations, discouraging the use of *hundi* system for remittances through enactment of Money Laundering Prevention Act 2002 and by improving bank services and opening more exchange houses abroad, and increasing L/C margins on imports on selected non-essential and luxury goods.

5.11 The Government's priority would be to improve external and domestic imbalances expeditiously to pave the way for implementing the comprehensive medium term stabilization and reform measures under the poverty reduction strategy. Within the program, fiscal measures would be taken to contain fiscal deficit; limit deficit financing and domestic borrowing; mobilize domestic resources (tax and non-tax) through better compliance, collect arrears, reduce exemptions, extend the VAT net, and improve tax and customs administration; rationalize public expenditure and ensure gender equality and equity through improving quality, reducing subsidies to SOEs, implementing non-productive expenditure control measures, and improving procurement and financial accountability. The monetary and exchange rate policies would undertake a strict credit program to reduce pressure on foreign exchange market and, if necessary, employ market based instruments to achieve inflation and reserve objectives; and take measures to move towards more flexible exchange rate management. Several structural measures e.g. improved performance of nationalized commercial banks (NCBs) and development financial institutions (DFIs), better enforcement

² For a brief review of the trends and major issues in the macroeconomy see Annex 3.

and elimination of loopholes in the Bankruptcy Act, privatization or liquidation and reforms of the SOEs to contain their demand on budgetary and bank resources would be implemented to support the stabilization policies in the short term. Several measures along these lines have already been proposed in the budget of FY03.

5.12 While the above measures would contribute to re-establishing the macroeconomic stability, the Government would remain vigilant against the potential threat to price and exchange rate instability, adverse effects on resource allocation, credibility of its policies and restoring confidence. In the medium term, a strategy for moving forward would be adopted covering two elements: (i) developing a medium term macroeconomic framework including a coherent set of policy measures to guide future efforts; and (ii) establishing an early warning and effective economic information system to guard against possible slippage and prevent any deterioration of the macroeconomic environment that would undermine growth and poverty reduction. The approach would ensure that the underlying macro-framework is moving in the right direction which is essential for successful implementation of the poverty reduction strategy.

5.13 A stable macroeconomic framework e.g. low and stable inflation, low budget deficits, and sustainable external debt would be critical for implementing the poverty reduction strategy. This would create an enabling environment for higher growth with greater scope for poverty reduction. Within the medium term, four areas would be emphasized: (i) increased domestic resource mobilization; (ii) rationalized and improved quality of public expenditure; (iii) a prudent monetary policy; and (iv) improved foreign sector management. The task of macroeconomic management will be extended beyond the core concern of stability to create favorable impact of various instruments like taxes, tariffs, exchange rates, and interest rates for employment and poverty reducing outcomes in the economy.

5.14 For effective resource management, the Government would limit the use of non-concessional loans, broaden the tax base and enhance the efficiency of the tax system, and rationalize the SOEs (Box 2). The Government has already set up a Public Expenditure Review Commission and a Commission on Reforming the Public Revenue System for reviewing expenditure and revenue decisions, respectively. A similar review mechanism has already been institutionalized as an ongoing internal activity of the Ministry of Finance. The budgeting process would be made more transparent through increased pre-budget consultations and creating institutional mechanisms for participation of various groups and the civil society. The Parliamentary oversight of the budget will be strengthened through ensuring more effective roles of the Public Accounts Committee, Public Estimates Committee, Public Undertakings Committee and the thirty-five Parliamentary Standing Committees on individual Ministries.

Box 2: Reforming State-Owned Enterprises

Given the large fiscal drain by the SOEs and their overall inefficiency, a key ingredient of the Government's deficit reduction strategy would be to bring a balance in their financial accounts. The Government would implement a comprehensive program aimed at privatization and downsizing of the state-owned sector. For the purpose, a sequenced approach would be followed beginning with privatizing or liquidating the manufacturing enterprises. Until FY2001, 502 public enterprises out of 586 have been sold or disinvested and another 40 have been selected for sale. The Adamjee Jute Mill has been closed down. A time bound action plan has been taken up to stop losses of the remaining SOEs and make them profitable. The process of privatization will continue in a phased manner. In the case of utilities and services (e.g. gas, power, water, railways, shipping and telecommunications), appropriate modes would be adopted like outsourcing, divestiture, public-private partnerships and others. While liquidation of non-viable enterprises and privatization of manufacturing SOEs would be the priority agenda to ease the administrative and financial burden in the short run, remaining SOEs would be given operational autonomy and allowed to operate along commercial lines under hard resource constraints. In case any SOE is required to pursue non-commercial objectives, the costs of such constraints would be calculated and compensated through the budget in a transparent manner. For ensuring a successful privatization program, the priority would be to create the basic environment for attracting private investment so that the enterprises can be sold at fair prices. For this, the regulatory and policy environment will be rationalized so that public monopolies do not turn into private monopolies, and attention will be given to creating the non-distortive environment for the private sector to function in a level-playing field. In such cases, the interim strategy would be to allow private entry and competition in industries where such SOEs exist and take time-bound and concrete steps for privatization. The cross-sectoral linkages of SOE reform would also be considered.

For those SOEs which would be retained in the public domain, clear guidelines would be specified. These would be corporatized and required to operate under hard budget constraints. Such enterprises would access financing from the banks on their own financial strength along with mobilizing funds from the capital market.

5.15 Several reforms would be considered for improving budget preparation and implementation and increasing its effectiveness and pro-poor orientation. The budget will be made gender sensitive in order to ensure that the benefits are distributed in an equal and equitable manner. In addition to adopting a medium-term framework, the quality of budgeting would be improved through using strict criteria for project selection, instituting strategic planning through budget committees in ministries/agencies, streamlining financial management and procurement procedures, and strengthening internal control and audit systems. The process of adopting a modern accounting system, initiated under the Reform in Budget and Expenditure Control (RIBEC) project, would be geared towards providing an effective management information system for expenditure control and rationalization. The capacity of the Implementation Monitoring and Evaluation Division (IMED) would be enhanced to undertake effective performance audits and evaluation along with follow up actions to improve quality of projects. For making public expenditure more pro-poor, the Government would reallocate budgets more towards basic services emphasizing quality of service delivery and ensuring improved targeting. An integrated budget framework will be adopted that effectively incorporates the fiscal, monetary and external sectors.

Leveraging Globalization

5.16 The move towards globalization, with its significant social and economic impact, has brought both challenges and opportunities. The strategy would be to pursue the process of globalization and seize the opportunities by effectively managing the process. This would require strengthening institutional capabilities, addressing structural weaknesses, and

improving the policy regimes. For managing the process in a successful manner, the measures will be appropriately sequenced to generate higher investments and productivity improvements needed for increased economic growth. This will be supported by sound policies in areas such as infrastructure, market facilitation and access and competitiveness particularly to meet the challenges of the post-MFA era. Measures will be taken to increase the supply response of the poor households and their ability to cope with risk and uncertainty through complementary public policies for developing SMEs and agro-based industries, improving access to the credit market, ensuring better asset distribution, increasing labor market flexibility, disseminating market and technical information and investing in human and skill development. The process would take account of the ability of the poor households to cushion themselves against the costs of adjustment and would be supported by appropriately targeted social protection measures for the affected poor and guided by institutional capacity to manage the transition period. For exploiting the globalization opportunities, the government would emphasize a sound investment climate, affordable access to ICTs, capacity building in trade and investment promoting services, and investments in human capital and skills to exploit new opportunities, market access, and regional collaboration for increasing global competitiveness.

5.17 Considering the significant role of the external sector, the Government has taken several measures including liberalization of import and export regimes and provision of incentive packages for export promotion since the early 1990s. In order to effectively steward the trade sector towards progressive expansion, specific strategies and concrete plans of action would be taken up in several areas including reforms in trade policy; diversification of the export base and increasing export competitiveness; strengthened system of standardization to ensure good export quality; development of food safety, plant and animal health services; development of Intellectual Property Rights (IPR) regime in conformity with the WTO standards; expansion of skilled manpower exports; strengthening trade support capacity to cope with emerging changes in the global trade environment; and increased and effective participation in regional blocks and the WTO negotiations.

Developing the Private Sector

5.18 Under the strategy, the private sector will be the engine of economic growth. The Government will create an investment-friendly environment and act as a facilitator through pursuing policies to create a stable macro economy, improve law and order, promote good governance, maintain competitiveness, remove infrastructure bottlenecks, ensure cost effective fiscal and financial services, and provide market information and support services. With increasing role of the private sector, competition and transparent rules would be framed for protecting consumer's rights and trust in the market, minimizing the cost of information and enhancing sustainable growth of the private sector. Women's participation in private sector activities will be effectively supported both as participants in the labor market and as entrepreneurs.

5.19 Under the 1999 Industrial Policy, restrictions on private sector participation in all sectors except defense, nuclear energy, printing of currency notes, and forest plantation and mechanized extraction in reserved forests, have been removed. The Government is aware of the constraints hindering the growth of the private sector and would implement effective measures to remove the hurdles through effective and coordinated policies and actions. The key areas would be: infrastructure development (e.g. power, telecommunications, roads and

ports), strengthened financial and capital markets, quality of the labor force, reduced costs of doing business by reforming institutional and regulatory framework, improved law and order condition, and better environment for foreign investment. Specific measures would be worked out in consultation with the private sector. For proper functioning of the private sector, physical improvements and management reforms in the basic infrastructure including power, water supply, port and telecommunications will be given priority along with private sector participation. The government would take effective measures to encourage the private sector to become gender sensitive, facilitate women's participation in private sector activities and create institutions like childcare centres to facilitate women's enhanced participation.

Financial Sector Management

5.20 For implementing the strategy, a sound and well-functioning financial system is required for ensuring growth and providing access to financial resources to the poor. The Government will address three major issues in the financial sector: (i) weak regulatory power of the Bangladesh Bank; (ii) poor governance of the public financial institutions; and (iii) deficiency of the legal framework. The Bangladesh Bank will be strengthened with adequate autonomy and accountability to function effectively. For this, relevant laws will be amended to provide operational autonomy and extend the operational authority over the banking system and reorganize its functions along with measures to rationalize staff and strengthen human and management capacity.

5.21 The poor governance of the nationalized and domestic commercial banks and specialized development banks has resulted in high share of classified loans, low loan recovery rates, lack of discipline and other symptoms limiting access to credit to genuine investors, raising interest rates and acting as a drag on economic growth. Along with necessary legal amendments, the Government would improve overall governance of financial institutions through several measures e.g. appointing suitable persons on the boards and in the top management of public financial institutions with adequate restructuring authority and autonomy, strengthening loan approval departments, and enforcing the requirement to regularly publish financial statements prepared in accordance with International Accounting Standard (IAS). A banking sector policy will be formulated which will define the role of the NCBs and suggest appropriate restructuring including an efficient regulatory framework for the microfinance institutions (MFIs). The government would establish strict financial discipline by encouraging all banks to use both legal and moral pressure on the defaulters to pay back their loans and would take steps for repayment of the overdue loans by the SOEs.

B2. Promoting Good Governance

5.22 A broad consensus on the need to improve governance exists along with the recognition that poor governance is a strong impediment to current poverty reduction efforts. Keeping a long-term vision, the strategy of improving governance will cover three major areas: (i) creating a competitive environment across all segments in the society along with unhindered flow of information; (ii) establishing and enforcing clear rules and regulations for public sector administration supported by separation of power among three branches of governance (the legislature, the executive and the judiciary) along with pragmatic oversight arrangements; and (iii) promoting voice and participation of the civil society, including women, the poor and disadvantaged groups, as a step towards a transparent and 'open' government. The mass media and information channels will be used in moulding public

opinion and creating awareness on issues of good governance and poverty reduction including population control, women's development and empowerment, reproductive health and gender, nutrition, literacy, arsenic mitigation, environment and pro-poor development issues.

5.23 The Parliament, being the apex institution for ensuring accountability, will be made more effective and women's effective representation in the Parliament will be promoted. The role of the Parliamentary Committees will be strengthened through providing research and logistic support so that these Committees can submit detailed reports. These reports will be discussed in the Parliament and the deliberations will be made open to the civil society and the media. The Government's action on the observations and recommendations will be similarly reported. The Parliamentary Committees would be encouraged to address gender issues.

5.24 The Government's commitment is to guarantee the constitutional rights of the citizens through an efficient legal system. To this end, a judicial reform program has been developed and the process of implementation has started. Measures to separate the judiciary from the executive, which is a constitutional requirement, have been taken on the basis of time-bound and specific directions of the Supreme Court. The process of establishing separate Judicial Service Commission and Judicial Pay Commission has started. The Government's priority is to take all necessary measures for ensuring a strong and independent judicial system.

5.25 With increasing concerns regarding law and order situation and violence against women, comprehensive and fundamental reform in the police service is a priority agenda for the Government. The measures will include review of the structure of incentives, training and modernization of the police force, steps to remove undue political and other interference in performance of duties, rapid action against negligence of duty and corruption, strict enforcement of existing laws relating to violence against women, and mechanisms to institutionalize civilian oversight. The Citizen's Charter enshrining the rights of individuals to access public services would be framed and advocated for the information of all. Initially such efforts will focus on the rights of the poor and the most disadvantaged in accessing the most essential services like primary health, education and RH.

5.26 For ensuring accountable management of public resources, the Government would undertake measures for establishing effective planning and budgeting system supported by timely accounting and auditing with feedback for corrective actions. Several changes are contemplated in the budget system e.g. framing the budget within a consistent macro-economic and medium-term expenditure framework, preparing a consolidated budget to better integrate the revenue budget and the development budget, improving the quality of projects, and enhancing the planning and oversight capacity of the ministries. A more effective and independent role of the Comptroller and Auditor General's (C&AG) office would be ensured. For this, the separation of accounting and auditing functions would be effected. The Public Accounts Committee of the Parliament will be made more effective within the chain of accountability.

5.27 Improvements in public purchase and procurement systems are closely linked to financial accountability. For improving efficiency, transparency and accountability, several measures will be adopted e.g. introduction of effective and well-specified public procurement rules and guidelines, standard bidding documents, procurement laws, public procurement

website and electronic bid processing, rationalization of procedures and approval process, framing of code of conduct and procurement auditing and monitoring indicators. For this a Central Procurement and Technical Unit in the IMED has been created. The management capacity will be improved through training and institutionalizing monitoring and evaluation of performance.

5.28 The Government would take steps to promote unhindered flow of information and enhance the role of the press and mass media as agents of accountability. Decentralization and developing effective local government institutions would be taken as a key element in improving accountability of public service delivery. The progressive building of networks of civil associations and social capital of the poor would be encouraged to ensure their equitable access to public services and strengthen ability to influence policy.

5.29 A competent and motivated public administration system is central to achieving the poverty reduction and development goals of the strategy. Along with providing adequate compensations and right incentives and promotion on the basis of merit and efficiency, a credible oversight system will be installed which is results-directed and regulations-driven rather than inputs-oriented. The Government would establish the office of the Ombudsman and establish an independent Anti-Corruption Commission along with measures to expedite investigation procedures to ensure better governance. The recommendations of the Public Administration Reforms Commission (PARC) would be implemented in phases starting with those that are critical to visibly improve efficiency, effectiveness, accountability and transparency in the short run e.g. rightsizing the Government, redesigning performance appraisal system, appointing competent persons from the private sector on contractual basis at senior policy levels, and transferring relevant government support services to the private sector on a contract basis.

5.30 The use of modern information and communication technologies (e.g. e-governance) has a significant scope in addressing weaknesses in governance. The Government's aim is to use informatics to improve governance in multiple ways e.g. as a tool to enhance productivity and improve service quality, institutionalize management systems to reduce the scope of rent-seeking opportunities, and strengthen information flows both across government agencies and with the private sector and the civil society, including the poor and women. Recognizing that good governance requires time to ensure, the Government would initiate time-bound action plans with clearly defined objectives, responsibilities and performance evaluation systems to measure progress.

B3. Agriculture

5.31 For rapid poverty reduction, the Government's priority is to develop the rural areas where most of the poor people live. This requires accelerated growth of agriculture and the rural nonfarm sector. A rapid agricultural growth will sustain high growth with better capacity to reduce poverty through enhancing rural wages, creating synergies for diversifying the rural economy, and enabling the supply of low-cost food to improve nutritional status and food security of the people.

5.32 Encouraging agricultural growth requires various policies ranging from new technology and extension services to credit for small farmers. The past growth in agriculture was helped by new HYV technology, particularly in rice, in which both the state and the

market played important roles. The Government would continue its pro-active role in key public goods in agriculture particularly in improving the ability of the farmers to adopt new technology and providing appropriate mix of incentives to pursue profitable operations. Efforts would be made to ensure the preservation of indigenous knowledge with respect to seeds, plants and herbs, where tapping the traditional knowledge base of both rural men and women would be important. Particular attention would be given to developing and adapting technologies and improved agricultural practices in ecologically vulnerable areas such as flood and drought prone locations.

5.33 The recent growth of agriculture was greatly influenced by macroeconomic and sector specific policy changes. Reforms in trade and exchange rate policies created favorable incentive structures and dismantling of state interventions, market-oriented reforms and reduced regulations favored growth in agricultural production and productivity. The reforms led to faster growth in minor irrigation, increased the supply of fertilizer and seeds, helped in wider adoption of HYVs, and encouraged the farmers to go for more rational input use and production decisions. The Government's priority would be to intensify efforts such that positive achievements are expanded and the constraints limiting their potential are resolved.

5.34 The Government would create a policy environment that is (i) supportive of agriculture and rural nonfarm sectors; (ii) oriented towards small farmer development; (iii) capable of providing right incentives to adopt new technologies; (iv) conducive to higher investments in social and economic infrastructure in rural areas; and (v) adequate to ensure proper functioning of rural institutions and provide market access for rural products (see Annex 4 for detailed policies). For the purpose, the Government has taken up a Plan of Action (PoA) to implement the National Agricultural Policy 1999, which indicates specific areas where interventions would be needed. Forestry, fisheries and livestock sub-sectors have high potential to accelerate growth and create employment, including social development multipliers. In these areas, specific target-oriented policies and programs would be taken up. While a significant share of the participants in different sub-sectors of agriculture is women, their participation will be strengthened further particularly in non-field crop production and non-farm activities for which marketing, information, technology and extension services will be specifically directed towards women. Measures will be taken to recognize women's contribution to GDP, especially by way of homestead production.

5.35 The development of water resources including irrigation development, flood control, and drainage improvement has played significant roles in increasing agricultural production and food security. Following the vision of the National Water Management Plan (NWMP), policies would be undertaken to (i) promote rational management and optimal use of the country's water resources; (ii) improve the people's quality of life by ensuring equitable, safe and reliable access to water for production, health and hygiene; and (iii) ensure availability of clean water in sufficient quantities for multipurpose use and reservation of the aquatic and water dependent eco-systems. Along with facilitating the cultivation of HYVs of rice and other crops and increasing the yield levels of *boro* and *aman* crops, the interventions would contribute to saving properties and lives by controlling river erosion, monsoon flooding and saline water intrusion; and improving irrigation and drainage congestion and mitigating drought through re-excavation of khals and canals. Measures would also be taken to enhance the social impacts of flood control drainage and irrigation (FCDI) projects through rationalization of existing projects, and promoting stakeholder participation and multi-

purpose use of flood embankments. The National Water Policy and the National Water Management Plan will be periodically reviewed and revised to guide the management of the country's water resources.

5.36 The important aspect of the food security policy relating to access to food would require both increasing the purchasing power of food-insecure households and providing access to government food assistance programs. While the long run solution to food insecurity would require sustained increase in income of the poor households, greater efforts would be directed to address the short-term and transitory food insecurity of the poor households through increasing coordination across various food assisted programs at both national and local levels to ensure maximum efficiency and coverage; improving infrastructure to reduce price variability and marketing margins; strengthening disaster prevention and mitigation particularly in disaster-prone areas; maintaining quality foodgrain security reserve; and strengthening the development role of food-assisted programs.

Rural Non-farm Growth

5.37 Through rapid expansion of non-farm activities, the Government's strategy is to make the rural non-farm sector as the leading sector of Bangladesh's rural economy. Given the characteristics of the rural labor market and the structure of farm holdings dominated by small and marginal farmers, both farm and non-farm incomes would be increased along with incentives for movement of labor from farm to non-farm sector. This requires a steady growth in productivity in the non-farm sector. The access to non-farm income is critical in raising household income along with enhancing the capacity of the farmers to invest in agriculture. The non-farm activities would also serve as important safety-nets during post-calamity periods which experience large-scale damages to crop agriculture and loss of agricultural wage employment.

5.38 In the past, rural non-farm activities played an important role in generating new sources of employment in the rural area, but the productivity growth in the sector has been modest. The way-out from the situation requires some degree of upscaling with improved technology and marketing support. The process can be further stimulated by forging urban-rural links at design, production, and marketing stages and focusing more on selected dynamic activities within the non-farm sector. Three key elements will be emphasized: (i) education and skills; (ii) roads and communication network; and (iii) access to credit. For this, a decentralized industrial process will be pursued.

5.39 For accelerating rural non-farm growth, measures would be taken to strengthen both backward links e.g. agricultural equipment and repair services, marketing of fertilizer, seed and other inputs as well as forward links to agricultural activities like processing and marketing of agricultural products. Since increasing urbanization and higher incomes would increase the demand for processed food products links with urban and export markets would be used as a major factor in increasing the beneficial interactions. The role of women workers in the supply of processed food products will be emphasized. The thrust will be on rural non-farm activities in and around growth centres having high growth potential and in periurban fringes of major cities to take advantage of better transportation networks and urban spillover benefits. Specific measures would be taken to exploit the vast potential of rural growth through rural-based textile activities such as sericulture and silk industry, handloom and small power loom units. In order to make these products competitive in the local and export

markets, measures like technology dissemination through client-focused extension and training, product and market development, and other supportive infrastructure and policy measures would be emphasized.

5.40 Along with a trade regime that focuses on correcting the policy distortions that hurt rural non-farm activities and rationalizing tariffs on raw materials and inputs used by these industries, the Government would address infrastructural problems e.g. power, communication, information, transport facilities, roads, market places, ports and other facilities needed to improve their competitive edge and growth potential.

5.41 For ensuring product standardization, quality control and flow of information necessary for access to foreign markets, the Government would encourage formation of small enterprise associations to support respective activities. These would provide market information, quality guidelines, and link rural enterprises to large enterprises or export houses through contracting arrangements. The Government would devise mechanisms to access required levels of credit by the rural non-farm entrepreneurs from formal financial institutions. The NGOs will also be encouraged to expand their coverage of credit programs to include rural small and medium scale enterprises. Investments in education and skill training would be considered crucial in improving rural productivity and incomes. The efforts would also emphasize on promoting appropriate technology for year-round operation of non-farm enterprises particularly during critical periods of crop failures following disasters.

B4. Rural Development

5.42 The Government has formulated the National Rural Development Policy 2001 to guide the comprehensive development of the rural areas. The Policy attaches importance on creating efficient and effective local government institutions as the decentralized decision-making framework within a participatory mode. The Government would operationalize the integrated approach of the Policy to expand employment and decent income earning opportunities in rural areas along with measures to enhance the capacity and power of the rural poor to develop, protect and sustain their livelihoods.

5.43 For accelerating rural development, an integrated approach would be taken consisting of effective policies, institutional measures, and other policies to generate economic activities and strengthen administration and support services in rural areas. Along with increased flow of resources to the rural areas, several actions will be considered for accelerating rural growth including reorganization of existing government facilities at the local level with the union as an important focal point; encouraging rural industrialization through infrastructure investment, marketing and quality control facilities and effective incentive and credit mechanisms; introducing policy guidelines for rural housing to encourage rural cluster of houses and promote optimal use of agricultural land; encouraging agro-processing industries by small entrepreneurs in unused land in industrial estates; supporting women entrepreneurs; revamping the cooperative sector; improving local governance and creating platforms for ensuring participation and voice of the poor in local development; promoting the poor's empowerment through human resource and skill development; expanding information and communication technologies to the rural areas; and covering the deprived population of *char* areas, coastal and hard-to reach areas under special rural development programs through both government and NGO/CBO efforts. Area specific programs will be emphasized for

integrated development of the disadvantaged localities and population groups. A National Cooperative Policy will be framed keeping in view the dynamic changes in the rural economy.

B5. Manufacturing Growth

5.44 For sustained growth and poverty reduction, the Government would pursue a globally competitive industrialization strategy dictated by the dynamic comparative advantage of the country. This means an employment-intensive industrialization based on competitiveness with emphasis on small and medium enterprises (SMEs) and export-oriented industries. Manufacturing growth in the country still remains narrowly based with only a few industries (e.g. readymade garments) spearheading recent growth. While trade liberalization measures in the early 1990s provided easier access to imported raw materials particularly for small industries, several factors e.g. increased imports of competing products due to lowering of tariffs, illegal imports from India encouraged by unfavorable movement in Bangladesh's exchange rate vis-a-vis Indian rupee, dislocations caused by natural and manmade factors, and deterioration in the overall investment climate led to a slow and fluctuating manufacturing growth. Moreover, Bangladesh needs to take concrete steps to face the challenge of the RMG sector as the MFA is phased out and to move aggressively to encourage export-oriented labor intensive manufacturing to locate in the country.

5.45 The FDI flow into the manufacturing sector is small. Foreign investment in Export Processing Zones (EPZs) accounted for less than 10 per cent of total manufacturing investment in the 1990s. Bulk of the investments in the EPZs went into garments, textiles, footwear and other labor-intensive industries with little in high-tech industries. The FDI outside of the EPZs went mostly into gas and power sub-sectors. The limited size of the domestic market and lack of a facilitating environment discouraged the inflow of FDI into manufacturing industry outside the EPZs. For stimulating FDI flows, the role of the Board of Investment and the Bangladesh Export Processing Zones Authority (BEPZA) will be strengthened to increase employment, foster technology transfer and enhance foreign exchange earnings.

5.46 Slow manufacturing growth and the emergence of industrial sickness have many roots. The problems relate to deficiencies in industrial finance, slow pace of privatization of public sector enterprises, mixed impact of rapid trade liberalization, lack of a competitive exchange rate policy, discriminatory fiscal incentives, and the persistence of a legal and regulatory framework that is characterized by pervasive, archaic and unnecessary laws, vague and discretionary regulations, and flawed and weak enforcement. Infrastructure bottlenecks e.g. inadequate transport, power, telecommunications, ports and other facilities, lack of investment-friendly labor relations and procedural complexities make setting of viable industrial enterprises very costly in the country.

5.47 The Government's efforts to accelerate manufacturing growth and increase its poverty reduction role would emphasize several elements. The employment-oriented growth strategy for the manufacturing sector would emphasize a two-pronged approach: a primarily export-oriented segment consisting of labor intensive manufactures, and a domestic market-oriented segment with major contributions from medium, small and cottage industries. Specific

strategies for the broad-based growth of both segments would be worked out and policies formulated and implemented accordingly. While the private sector will be the principal actor, the government will act as a facilitator in creating the enabling industrial environment. The role of the Bangladesh Small and Cottage Industries Corporation (BSCIC) will be focused on promoting and supporting small, cottage and rural industries. For the privatization program, a firm timetable would be set to assert the Government's political will and send clear signals to those who oppose the program. The Industrial Policy 1999 will be appropriately revised to include future plan of action and strategic vision of different enterprises. Necessary measures would be taken to reduce social costs of labor adjustment through appropriate safety-nets and help retrenched workers to reintegrate into the labor market. The growth in the manufacturing sector will focus on creating jobs for women along with measures to address the issue of displaced women workers from the RMG sector. While emphasis on development of SMEs would be continued as a medium term measure, long term vision must be to achieve large scale industrialization. (see, Annex 5 for details on industrial policies).

B6. Infrastructure Development

5.48 The impact of roads and bridges on poverty is well documented in Bangladesh. Similarly, along with the spread of literacy, improvement in road network, and higher household savings through microcredit operations, the availability of electricity is important in promoting private investment in rural areas. In rural Bangladesh, a large part of the growth impact of electricity is realized through its cost-reducing effects on use of irrigation equipment. In addition, provision of electricity will directly impact on the modernization of rural industry, contribute to longer working hours for commercial enterprises, along with favorable influence on social development. The provision of infrastructure support (e.g. gas, electricity, water supply and sanitation facilities) to the household sector is also important for women to undertake income generating activities. In general, power sector investments would be given priority over other investments in physical infrastructure in the coming years along with reforms in the port sector for improving competitiveness and facilitating export-led growth. For ensuring effective and efficient infrastructure development, integrated national and regional plans will be taken up keeping in view the increasing importance of urban infrastructure development and access of the urban poor to basic services.

5.49 Telecommunication is the third critical element in the infrastructural package for pro-poor growth. The relative importance of telecommunication has increased manifold following the revolution in information technology. Telecommunication will help in regional market integration, increase the effectiveness of the early-warning system for prevention and preparedness for disasters, improve the system of governance and, serve as a useful means for public service delivery to the poor and poor areas (e.g. satellite learning, tele-medicine etc.). The policies will also support the development of ICT at all levels of education, including development of institutions on vocational and technical education and technology transfer.

5.50 The organizational restructuring of the Bangladesh Railways under the Organizational Reforms Project will be pursued with the aim of separating operations from the infrastructure, greater involvement of the private sector, manpower rationalization through job analysis, traffic costing and modernization of accounts. Similarly, the navigability of inland waterways will be improved to provide an integrated network in the rural areas served by the system to facilitate

movement of people, efficient marketing and distribution of agricultural inputs and outputs and products of agro-based industries. (see Annex 6 for detailed policies).

5.51 Improved and safe water supply and sanitation services will be emphasized for reducing health costs, improving malnutrition, and increasing productivity of labor. The problem of arsenicosis related with arsenic contamination of drinking water from tubewells, to which the poor are more vulnerable, will be addressed through effective measures and exploring alternative sources. This will also contribute to reducing the time spent by women and children in water collection and domestic chores resulting in more productive use of time and resources by the poor households. Following the National Water Supply and Sanitation Policy 1998, a development framework will be worked out to address the issues in a comprehensive manner.

B7. Technology Policy

5.52 A comprehensive technology policy (especially ICT and biotechnology) would be adopted for purposes of eradicating poverty in the country. New technology is critical in developing seeds of new varieties for agriculture and in their adoption in adverse agro-ecological environments. A Task Force, formed to recommend policies and steps needed to promote biotechnologies suitable to the climate and socio-economic conditions of the country, has submitted its report which will be implemented following the guidelines of the National Agricultural Policy. Development of information technology will be an important source of future economic growth and play a critical role in employment generation, fostering productivity enhancing human development (impacting on both knowledge as well as service delivery dimensions) and improved governance. It will also help linking hitherto disintegrated national and local markets with global markets.

5.53 The present institutional infrastructure for delivery and adoption of new technology, however, is inadequate. Enhancing technological capability in the public sector and removing barriers in the private sector remains the strategic challenge. Innovation and adoption of technology requires skills that depend on vocational and technical education, transfer of appropriate technology and more reliance on “learning by doing” in the globalized supply chains of production. It is also important to ensure that women benefit equally from the technological advancement in agriculture and from ICTs.

5.54 The scope of employment creation through ICTs, particularly for the young women and men, will be harnessed through providing them with opportunities to develop ICT literacy through the education system and ICT training facilities and providing affordable access to computers and the internet. The government would also provide credit and support services for exploiting opportunities of paid and self-employment and entrepreneurial activities offered by international and domestic-oriented ICT industries and deployment of ICT across different industry groups; promote greater use of ICT as tool for development and for ensuring greater voice and empowerment for all groups in collaboration with employer’s organizations, ICT service vendors, NGOs, youth and other organizations; take actions to bridge the ICT gender divide and maximize the potential of internet to women as a means of access to knowledge and information; create an enabling environment for ICT diffusion through infrastructure development and appropriate trade and fiscal policies and legislative framework; use ICT to improve the quality and efficiency of public service delivery systems by strengthening internal information flows, increasing accountability and transparency, and enhancing efficiency of

procurement systems; and foster community initiatives and partnerships between public and private institutions to bridge the digital divide between the rich and the poor. In addition to supporting training facilities on hardware maintenance and troubleshooting, several areas will be emphasized like electronic book/library, including cyber-cafe, cyber kiosks, call centres, telemedicine and other internet-based activities; electronic mail and web-site design; electronic journalism; on-line education; medical transcription; ICT in banking and health sectors; multimedia and web technology; and telework for self-employment. The long term vision of the technology policy would be to leap frog the development divide and transform the society from being the receiver of technology to one of producer of technology.

B8. Microcredit Policy

5.55 Microcredit will play an important role in the poverty reduction strategy. Bangladesh has achieved impressive success in extending microcredit facility to the assetless poor households who were earlier considered “non-bankable” under the traditional collateral-based financial practices. The success of the microcredit model in providing credit access to the poor, as pioneered by the Grameen Bank, has been widely acknowledged in the world and has spread out to over 50 countries. A large number of NGOs as well as government agencies now have adopted the microcredit model in extending credit support to the poor, especially women. The Government has also set up a very successful example of creating a special umbrella support institution, *Palli Karma Sahayak Foundation* (PKSF) under the public sector for providing funding to mainly local level small and medium sized NGOs in order to expand the credit reach for the poor.

5.56 The idea of microcredit rests on four key pillars. These are relative homogeneity, social collateral, individual ownership and access to developmental knowledge at the grassroots level. First, the poor are organised into relatively homogeneous groups in terms of initial asset endowments, which helps bonding and bridging, leading to mutual trust, support and networking. Second, while lending in most cases is made to the individual it is the group as a whole that remains responsible for the repayment of the individual loans. The cost of individual default is high since non-repayment of any one member may bar any future loans to other members of the group. This results in peer screening, monitoring and pressure to ensure full repayment except under some extraordinary circumstances such as unexpected income shocks. Third, the system harnesses the entrepreneurial potential of the poor, rewarding innovation and risk-taking while penalising inefficiencies. The choice over the loan project entirely lies with the borrower who usually takes decision in consultation with the group. Fourth, the external agency (or animator) plays an important role in facilitating the development of institutional capability of the poor, especially by providing them access to the domain of developmental knowledge traditionally reserved for the non-poor. The knowledge in this case encompasses information and training (and mutual sharpening) of diverse nature ranging from training on how to “do organisation”, keep financial accounting, get access to primary and promotive health, and raise the level of social awareness.

5.57 There has been a rapid expansion of microcredit programs over the last two decades. The programs are implemented under various institutional arrangements run by NGOs, CBOs as well as (increasingly so) by government organizations (GOs). The average annual disbursement of loans from these programs stands over Taka 5000 crores (about US\$ 1 billion), far exceeding the scale of total rural operations of nationalised banks and specialised banking institutions taken

together. The Grameen Bank, one of the pioneers of microcredit, alone has expanded to 40,000 villages. Indeed, except for the very distant charlands (low-lying areas) and some inaccessible hill-areas, it is difficult to find villages now-a-days without the presence of any microcredit program. One recent estimate suggests that the aggregate number of borrowers would be about 5 million. About 90 per cent of these are poor women. The general repayment performance is outstanding by any standard: the share of cash recovery as proportion of the total dues is over 90 per cent (it is over 70 per cent even in a flood-affected or agriculturally bad year). This stands in sharp contrast to the performance of the traditional banking system where the weight of non-performing loans is about 32 per cent. On the whole, these are believed to be conservative estimates regarding the reach of microcredit and the pace with which it has expanded in Bangladesh. But, the figures speak for themselves. The aggregate coverage is truly formidable.

5.58 Successive evaluations have found microcredit programs to be beneficial to their members. The results are robust as to the method of comparison (before vs. after, project vs. control, modified control group comparisons), the choice of survey year, area and data. The economic effects in terms of broad based growth opportunities (as measured by income, expenditure, asset, employment) generated because of these programs have been rather modest, however. This is primarily because the average size of loan disbursed under microcredit is rather modest limiting the possibility of a big-push. These programs have various non-credit components as well. Available evaluations tend to suggest that poor members who get enrolled in such programs receive social awareness training, often packaged with health and education. The aggregate social effects seem to have been higher than the income or asset generating effects. While the employment effects consisted in reducing the extent of total household underemployment, in most cases the activities promoted by microcredit did not graduate beyond the reach of part-time self-employment. The aggregate effects of microcredit have been poverty reducing both as part of enhanced “voice” and increased income/ employment. The poverty and human development situation could have been much worse in the absence of these programs. But, there is hardly any scope for complacency given the modest nature of these interventions in the general backdrop of enormous challenge of poverty reduction that the country faces.

5.59 This calls for a rethinking on the present nature of financial interventions involving issues such as credit upscaling, interest rate practices, vertical integration, loan packaging, higher access to knowledge (including new information and agricultural bio-technology), greater use of savings instruments and insurance provisions against risks and uncertainties. The new approach also requires putting more explicit emphasis on strengthening social capital, designed to harness the developmental potentials of the entire community—and not just that of the target group—to maximise the poverty-reducing impact and explore the synergies. These are much harder set of reforms demanding innovation and commitment. Currently, some of the advanced NGOs are experimenting with various innovative ideas listed above in responding to some of the emerging “second-generation” challenges. Two types of programs have emerged in recent years within the MFI market, one to specifically address the problems of the extreme poor (as with the case of PKSF and BRAC’s ultra-poor program), while the other responds to the needs of the ‘middle poor’ and ‘vulnerable non-poor’ through microenterprise loans. These programs would receive special attention in the poverty reduction strategy.

C. Fostering Human Development of the Poor

5.60 In the medium term, policies that have a direct bearing on the basic capability and human development of the poor will be emphasized. Three main elements of human development will be targeted: education, health and nutrition.

5.61 The development of human capital has strong poverty reducing effects in Bangladesh. Several aspects of human development will be given priority. *First*, while there has been considerable quantitative expansion of education, health and nutrition remain relatively neglected. Within the health sector, although some success has been achieved in preventive health care, a small proportion of poor people has access to public health care services. In short, addressing the pro-poor concerns in health remains an unfinished task and the sector needs to be given the priority it deserves. Developing a pro-poor agenda within the rubric of a sector-wide approach to health represents the biggest institutional challenge in this regard.

5.62 *Second*, the control of communicable diseases and improved maternal and child health to reduce high child and maternal mortality remains the highest public priorities. The main causes of avoidable deaths in the low-income countries including Bangladesh are tuberculosis, childhood infectious diseases, maternal and perinatal conditions, micronutrient deficiencies, and malaria and tobacco-related illnesses. The epidemiological evidence from Bangladesh and elsewhere conveys a crucial message: the vast majority of the excess disease burden is the result of a relatively small number of identifiable conditions, each with a set of existing health interventions that can dramatically improve health. The problem is that these interventions do not adequately reach the poor. A package of essential health interventions with enhanced programs of family planning catered to the needs of the poor would have strong poverty reducing effects as the improvements in health would translate into higher quality of children, lower income erosion due to health shocks, higher productivity, and higher economic growth. Implementation and access of current essential service package (ESP) under the sector-wide approach need to be ensured with special focus on the health needs of the poorest and the most vulnerable both in rural and urban areas. Even though the priority focus is currently on communicable diseases and maternal and perinatal health, non-communicable diseases (NCDs) are also of great significance. Many of these non-communicable diseases, including cardiovascular disease, diabetes, mental illnesses, and cancers, can be effectively addressed by relatively low-cost interventions, especially using preventive actions relating to diet, smoking, and lifestyle. The coverage of current ESP needs to be broadened to include some of the key NCDs as well. Subsidized provisions in the supply of birth-control technologies especially for the poor women would be continued. Emerging public health problems such as arsenic and dengue would receive priority attention in the medium term period. Adequate measures would be taken to check the prevalence of HIV/AIDS as well as enhance the capacity to address the problem. Enhancing the capability of the public health sectors to address past slippage and manage new threats to health of the population would be a crucial part of the new strategy. A new policy statement on the health sector for the next phase of health sector development is currently underway.

5.63 *Third*, such a re-orientation towards wider coverage of the poorest as well as broadening of the scope of essential health package will have considerable resource implications. According to the recent estimate by the WHO Commission on Macroeconomics and Health 2001 the set of essential interventions costs, on average, about \$34 per person per year, which is much higher than the current level of public spending of around \$5 recorded

for Bangladesh. The huge resource gap in financing the health needs of the poor cannot be met without additional resource mobilization from external resources. The key recommendation of the WHO Commission on Macroeconomics and Health is that the world's low-income countries, in partnership with high-income countries, should scale up the access of the world's poor to essential health services, including a focus on specific interventions. This issue merits consideration under the proposed poverty reduction strategy. A plea for higher resource allocation for the health sector should, however, accompany strong commitments to substantially improve the present level of health sector governance within the shortest possible time. Generic prescription for good governance may not be good enough for the poor unless a more disaggregated view is taken of the handicaps of various groups (especially of the chronic poor as well specific health needs of as women) among them. In addition, major program interventions in the form of decentralized service delivery, increased local participation, particularly of the poor and women, access to modern health services, increased inputs for dealing with diseases and adverse health conditions that make the poor most vulnerable, and adequate capacity would be designed and implemented. The NGOs can emerge as an important actor in this regard by delivering high-quality health care services, especially at primary and secondary levels (see Annex 7 for strategic issues in health sector development).

5.64 *Fourth*, malnutrition in Bangladesh remains high despite some improvement in the last decade. Such a high degree of undernourishment has adverse implications for future poverty reduction. The introduction of NNP to address the malnutrition of children under two as well as pregnant and lactating mothers through the provision of food supplements, nutrition and health counseling is a positive step to address the problem. These programs will be strengthened institutionally, with special focus on poor areas and communities. Existing food-targeting programs such as VGD and RMP (Rural Maintenance Program) will also be used to reach the poorest and the most vulnerable with nutrition-support package.

5.65 *Fifth*, even in basic educational indicator such as enrollment, the country is yet to achieve complete enrollment at the primary level. The combined dropout and non-enrollment rate is estimated at 35 per cent at the primary level, with poverty being the most proximate cause. Incentives that are currently provided for enrollment of children from the poor households as well as for girl's education will be strengthened in the future. Special emphasis will be given to technical and vocational education of women.

5.66 *Sixth*, the issue of quality cuts across all the above components of human development. As for education, this implies that mere graduation from the primary level would not give the desired results on the skill level. At the secondary level, more emphasis will be given to vocational and technical education, including dissemination of improved agricultural practices. The quality of tertiary level education also needs to be improved given the rising demand for higher order skills in the context of globalization. A high-quality educational system at all levels will also have additional resource implications. The current pattern of public spending on education in the order of 2.2 per cent of GDP appears inadequate in the light of suitable international comparisons and merits increase to at least 4.5 per cent by 2010, as has been suggested by the National Education Policy 2000. However, desired progress in raising the quality of education can be achieved provided a radically improved system of governance (including the reform of the examination system) within the education sector is in place. Addressing the issue of widening "quality divide" in education between the rich and the poor as well as ensuring the enhanced access of the poor to various levels of education represent two

critical areas where much improvements need to take place under the proposed poverty reduction strategy. NGOs can be involved in providing high-quality education in the country along with the government and private sector.

5.67 *Seventh*, the mis-match between the development needs of the society and basic form, content and orientation of the education system is obvious from the fact that even a large section of the educated people is unemployed. The success rate in the combined result of all public examinations held in 2000 was about 41.6 per cent (SSC 41.1 per cent, HSC 39.6 per cent and at the tertiary level 46 per cent) indicating a colossal system loss of around 58 per cent in the education sector. Further, 35 per cent of the enrolled students at the primary level do not complete the full cycle and less than 2 per cent of those who complete pass the relevant competency test. Thus a realistic estimate of system loss in the education sector will be much higher because the weight of students at the primary level is greater and failure to complete the full cycle and pass the competency test is quite high. It needs to be realized that education is both a process and a system. The inputs of one stage are fed into the next and completors of a certain stage of education get involved as providers of knowledge for earlier stages. The unsatisfactory performance of primary education vitiates the whole education system and contributes to the colossal system loss in the education sector as a whole. For Bangladesh, the priority need to be given to improving the quality of primary education and making it universal, and then prepare adequately to expand secondary and tertiary education by substantially increasing investments in these levels.

C. Women's Advancement and Removing Gender Gaps

5.68 The strategy has attempted to factor the gender concerns into both diagnostic and prescriptive modules concerning economic growth, poverty reduction and social development. To this end, gender concerns have been identified both at sectoral and sub-sectoral levels. This section provides the salient summary points of the proposed strategy as applied to the specific development objective of promoting gender equality.

5.69 The burden of poverty continues to fall disproportionately on women. The underlying factors are low literacy rate, low nutrition, low income with discriminating wage differentials compared to men, low life expectancy, and high morbidity. Empowering the women is crucial both for its intrinsic value as a development goal and as *instrument* for bringing about favorable social and economic change. Bangladesh has made considerable progress to bring about greater women's empowerment, which, in turn, led to significant development effects. Most of the micro-success stories of Bangladesh are associated with the pronounced role of women in economic and social spheres. The strengthening of these measures would further contribute to decline in fertility rate, improvement in child and maternal nutrition and greater welfare for the women themselves. Improvement in the well-being of women and children will have wider beneficial effects for the society as a whole.

5.70 While the gender-gap is closing in Bangladesh for most social indicators, the overall level of empowerment measured in terms of literacy, work force participation, property rights, and credit access leaves much to be desired. A related institutional issue is to increase the political voice of women, especially poor women, which will further enhance their agency role and hence, contribute to faster progress in the well being of children and women. Several areas of critical importance will be emphasized for furthering women's advancement. These include: policies and institutional actions to combat continuing negative sex ratios, violence against women, high maternal mortality, restrictions on women's employment and economic

opportunities, policies to ensure formal equality, supporting affirmative actions at all levels and in all spheres, creating women-friendly institutional environment, and generating gender-disaggregated statistics.³

5.71 In light of the above, programs and projects will be considered under the strategy and the TYRP which would include, but not be restricted to, the following: (a) reviewing existing policies and institutional measures, which have influenced entitlements and undertaking priority projects to improve entitlements, (b) setting up of women producer's marketing centers from the grassroots to the national level, (c) enhancing and easing women's access to banking services; (d) developing micro enterprises training, production and networking centers, (e) establishing linkages and enhancing capacity of women entrepreneurs for the export market, (f) establishing employment information and skill development network centers for the urban migrant female labor and international migrant female labor. Specific affirmative measures such as child care and safe transport facilities will be initiated for sustaining and supporting women's employment.

5.72 The Government would actively promote policies for increasing women's participation in all spheres of development under the poverty reduction strategy. These policies outlined earlier in various chapters of this paper (including the ones described in Annex 8 which detail out the major concerns and thrusts of the strategy and should be seen as an integral part of the strategy) would be further concretized in the context of preparing the full-blown strategy and the TYRP.

E. Strengthening Social Protection

5.73 Four sets of policies would be emphasized for the poor to cope better with various income (consumption) shocks. These policies would help increase the crisis-coping capability and form important risks-insurance policies for the poor. Besides, a significant aspect of Bangladesh's growth process, which will be given greater attention in poverty reduction, is the continuing gap between employment creation and increase in labor supply. While anti-poverty and employment-oriented growth that increases income opportunities for the poor in both rural and urban areas would be given priority, direct interventions will be used to make the process more employment friendly in the short run. By addressing the critical needs, well-executed and well-targeted direct interventions would be used to significantly improve the welfare of the poor.

5.74 The first set of policies will focus on the *social safety net* for the poor through works and income transfer programs. These include various food-assisted and cash-assisted programs such as VGD/IG-VGD, FFW/TR, old-age pension schemes in rural areas, support for the female destitutes, and traditional relief programs. There is a critical need to address the specific problems of chronic poverty and socially disadvantaged groups (street children, elderly poor, the disabled population, to name a few). The second set of policies will address the vulnerabilities of the 'new poor' like the retrenched workers. This will form an increasingly important component of the social protection policies in the backdrop of privatization, labor restructuring, market reforms and globalization. The third set of policies will put emphasis on the development of *social solidarity*. This is a relatively new area but would be used as an increasingly important route for social interventions. The newly set up umbrella support organization such as the Social Development Foundation (SDF) will play an

³ For a brief review of issues related to women's advancement see Annex 8.

important role in fostering social capital formation by promoting CBOs and local associations in building and maintenance of small-scale community infrastructures. Encouraging the bonding and bridging across self-help groups under GOs and NGOs at the local level will be an important area of intervention. The fourth set of policies will relate to *risks insurance*. Policies for preventing and/or mitigating risks will cover four categories. *First*, providing access to credit to the poor in times of emergency to ease the burden of shocks, reduce distress sales and “negative” methods of coping. *Second*, ensuring good public health services to reduce health hazard related income and consumption shocks. This would be particularly relevant in the context of emergency health care provisioning (as in the case of health hazards due to injuries and accidents) as well as major public health problems such as arsenic and dengue fever. *Third*, strengthening disaster preventing and mitigating mechanisms to enhance the coping capability of the poor in times of natural disasters. This is important from the perspective of averting large-scale entitlement failure, which may result in as a consequence of severe natural disasters (including river erosion). The GO-NGO-local community collaboration can play an important role in enhancing disaster management capacity and reduce the adverse effects of such disasters on the poor (as evidenced from the experience of the 1998 flood). Early warning system needs to be further strengthened through better topographical mapping and effective information sharing between the neighboring countries. *Fourth*, the poor, especially women, often suffer more from violence and personal insecurity. Costs of coping with such shocks impose enormous burden on the poor. Countervailing measures will be adopted through a broad-based action program including improvement of law and order, accountability of police administration, ensuring better human rights, decentralizing and democratizing the functioning of state institutions to reduce harassment and transaction costs, simplifications of rules and procedures, legal and judiciary reforms to reduce high coping costs involving legal/ court expenses, supporting citizen actions against gross violations of human rights, and ensuring the freedom of the press and the media.

5.75 Reduction of vulnerability to natural disasters would be an integral aspect of the national strategies for poverty reduction. The major policy thrust would be strengthening of the coping mechanisms of the poor through enhancement of community resilience and empowerment. This task can be achieved through a comprehensive approach that unites the government, the communities, NGOs and the private sector in a joint strategy for effective risk reduction. Marginalised groups would be specifically targeted with a view to minimising the personal negative consequences of disaster impacts. The importance of a comprehensive approach that encompasses all aspects of vulnerability reduction and risk management will be emphasized under the strategy. Disaster risk management would be integrated within the mainstream development planning and program/project design validation processes.⁴

F. Supporting Local Government and Broadening Participation

5.76 Policies and institutional measures for broadening participatory governance and enhancing the “voice” and “influence” of the poor would involve several actions. The policy and institutional measures would mainly relate to strengthening the system of good governance, especially decentralization at the local level. Decentralization and devolution of power will be regarded as an essential pre-condition for good governance. Policy consultations on poverty reduction strategy at the grass-roots level have unequivocally favored the creation of a multi-

⁴ For a review of issues related to disaster vulnerability and risk reduction see Annex 9.

tier ensemble of effective local government bodies at union, thana, and district levels. The consensus view emerging from the consultation supported the idea of a strong (with adequate financial and administrative power) and popular (elected with people's mandate) local government. Local government was seen as one of the key instruments for ensuring improved quality and enhanced accountability of public services both in rural and urban areas. The local bodies would be given adequate budget allocations on a matching grant basis keeping in view the poverty ranking of the area. There would also be emphasis on capacity building at the local level. Measures would be taken to ensure women's effective participation in local government bodies.

5.77 An additional group of measures would emphasize building grassroots level initiatives—outside the domain of local government—to create a demand-driven receiving mechanism “from below” to act as a pressure mechanism on the quality of governance. To this end enabling environment needs to be created for the development of local-level democracy through the promotion of grass-roots organizations of men and women as well as fostering community activities that encourage greater social solidarity. Functioning local level democracy will help combat the negative influence of special interest groups as well as minimize the risks of ‘elite-capture’ of local level bodies and development activities.

G. Policies and Institutions for Reducing Inequality

5.78 Along with economic growth, policies would be emphasized to promote improved distribution of assets and income in favor of the poor, including women. Just preventing any serious worsening of income distribution to ensure poverty reduction as average income increases would not be enough for meeting the MDGs set out in the strategy. For the purpose, one important avenue would be to ensure broad-based asset access to the poor. While traditional asset (e.g. land) distribution has limited scope in Bangladesh, other measures for reducing inequality will be emphasized. The poor can get access to land through the tenancy market and benefit considerably through enforcement of better terms and conditions for tenancy. Moreover, the problem of reducing inequality will be addressed in terms of a broad asset framework. Since the access to physical capital is technically constrained by limited availability, access to other assets on the part of the poor will be considered. Notwithstanding the limited availability of re-distributable land, several aspects of more equitable land-use pattern would be encouraged. First, special emphasis will be given to effective distribution of *khas* (state-owned) lands and ponds to the landless families. This will require considerable social mobilization and support from the grassroots and class organizations of the poor, especially landless and women, with support from the national level CSOs and NGOs. Second, land would be allocated for supporting a pro-poor rural housing policy, possibly on the model of compact cluster housing. Third, the urban land-use policy would be reviewed to stop indiscriminate utilization of public lands for private housing purposes. This would be an important area of intervention as public lands earmarked for spaces such as low lying areas, lakes, parks, and playgrounds are increasingly being illegally brought under the private housing plan, leading to environmental problems and low quality civic life. Fourth, measures will be undertaken for ensuring tenurial security, especially for the poor farmers. Fifth, measures would be taken for substantive improvements in the prevailing system of land administration including computerization of the land record system thereby reducing the endemic burden of land disputes, with adverse implications for the poor.

5.79 Providing access to human assets such as basic education and higher level of skills will help the poor to access better employment and income. Similarly, ensuring expanded

access to financial assets via microcredit would help the poor to undertake income-generating activities. Access to natural assets such as common property resources would help the poor in mitigating risk in times of distress. Access to social assets will be expanded by building grassroots organizations of the poor at the village level, leading to better networking capacity and act as a risks-insurance mechanism. Finally, the access to political assets—greater empowerment—would help the poor to ensure a fair share in public resources and benefits of development.

5.80 Further, the efforts would emphasize policies to further democratize and strengthen the *organizations for the poor* (such as NGOs and CSOs) as well as the *organizations of the poor* (such as CBOs). This will *create an environment whereby social entrepreneurs can play a role*. Social entrepreneurs will include a range of actors including NGOs/CBOs, corporate bodies, trusts with social charity initiatives, and individuals with philanthropic motives. This will also include socially motivated class of managers specialized in serving the organizations of the poor. The purpose will be to involve the NGOs/CBOs into a permanent collaborative framework with the government in all relevant spheres of poverty and vulnerability reduction which will not be limited, as at present, to the traditional roles of delivery agents in the sphere of microcredit and safety net.

5.81 As the economy expands under the open market system, there is a general risk that the poor would be left out on the margin unless appropriate and effective public policies are targeted towards them. The policies would be directed to *developing institutional capability of the poor* for making the *agencies accountable to the poor*. All pro-poor agencies including large and small NGOs/ CBOs would be encouraged to remain accountable to the poor much the same way that corporate bodies are accountable to their shareholders. A faster pace of poverty reduction would require greater voices of the poor.⁵ Greater voices would be ensured through moving beyond the narrow domain of micro-empowerment measures such as access to credit. For greater *agency role* of the poor, measures would be taken for building *institutions for the poor* at sectoral, sub-national and national levels with emphasis on developing new institutional ways and means for their collective empowerment. This would be needed not just for catalyzing the active pressure group function of the poor, but also for increasing their aggregate claims in the distribution of overall benefits of economic growth and social progress.

5.82 Measures would be taken for *removing existing legal and institutional barriers* for free entry and effective functioning of social entrepreneurs and the organizations of the poor. Fostering social entrepreneurialism and developing institutional capability of the poor would be promoted through changing the “institutional rules of the game”, e.g. enacting appropriate legal and institutional reforms.

H. Caring for Environment

5.83 The link between environment and poverty can hardly be overemphasized. Factors influencing poverty like inadequate access to physical asset bases, preponderance of risks, uncertainties and vulnerabilities and spatial problems affecting livelihoods and crisis coping capacities do indeed originate from environmental factors and one can, therefore, find certain

⁵ For example, while commercialization of health and family planning services and competition among the providers are likely to benefit the better off, inability of the poor to access such commercial services may exacerbate their status unless public interventions are carefully designed and implemented.

linkages between the two. The more visible environmental problems are mostly associated with regenerative resources, which are in danger of exhaustion from excessive use. These resources include not only animal, bird, plant and fish populations, but also land, water and air. They can complement other goods and services and can also supplement income at time of stress. So depletion of many of these environmental resources can make some categories of people destitute even when an economy is growing. That there is an intimate relationship between environmental degradation and an accentuation of destitution is recognized under the strategy. Women and children are particular victims of environmental degradation and the poor are not necessarily polluters. They are mostly forced to face an adverse environment (e.g. shrinking opportunities of gathering water, inadequate access to local commons) with significant implications for deprivation. Their workload goes up and sources of income dwindle. They then suffer from malnutrition and ill health with further impact on income erosion.

5.84 degraded environment implies that there are less resources available not only for the present but also for the future generations meaning greater risk of unsustainability. It creates adverse impact on both production and consumption activities of the poor. Bangladesh is still an agrarian country and the livelihoods of the poor depend largely on agriculture, forests, and fisheries. Indeed around 80 per cent of the total population depend to some extent on the utilization of natural resources or on processing of the resultant products which can be categorized as environmental resources. So the policies would strike a realistic balance between the existing livelihood requirements of the people and sound environmental resource management that can ensure sustainability. A special emphasis will be given to addressing the problems of river erosion affected areas.

5.85 Under the strategy, environmental conservation would be integrated into national poverty alleviation strategies. Given the large number of environmental problems across various ecological zones, some target groups of people are always at high risk of exposure to poverty and environmental degradation. They would be identified clearly. The nexus among poverty and environment as well as with development and population policies would then be understood in a holistic manner. Isolated poverty alleviation strategies will not be effective if these are not environmentally sound, participatory in nature and focused on building local and national capacities for self-reliance. Incorporating people's knowledge, perception and attitudes in planning and implementation will be taken as vital for environment friendly development. The environment strategy will draw upon the Environmental Policy 1992, the Dhaka Declaration 2000, the National Environmental Management Plan (NEMAP), and the Declaration of the World Summit on Sustainable Development 2002 with support from national CSOs and NGOs working in the area of environment.

I. Summary Points

- There are five main avenues of the poverty reduction strategy. These are: *pro-poor economic growth* for increasing income and employment of the poor; *human development* of the poor for raising their capability through education, health, nutrition and social interventions; *women's advancement and closing of gender gaps*

in development; *social* protection measures for the poor, especially women, against anticipated and unanticipated income/consumption shocks through targeted and other efforts; and *participatory governance* for enhancing *voice* of the poor and improving *non-material dimensions* of well-being including security, power and social inclusion by improving the performance of anti-poverty institutions and removing institutional hurdles to social mobility.

- Policies and institutional actions delineated under the poverty reduction strategy will be designed to reach out to the poorest and the remote rural areas, which are vulnerable to adverse ecological processes (including *chars* and river erosion affected areas) and those with high concentrations of socially disadvantaged and marginal ethnic groups. Special attention will be given to the development problems of the hill people of CHT and tribal population residing in other parts of the country.

Chapter 6

Medium Term Macroeconomic Framework

6.1 To facilitate the implementation of the strategy, a Medium Term Macroeconomic Framework (MTMF) has been specified. The framework has been worked out on the basis of the estimated values of FY03 as the benchmark. The purpose is to enable the tracking of relevant indicators and monitor the progress based on key intermediate outcomes. As a first step, key macroeconomic fundamentals have been specified which provide the policy outcome targets. Obviously, designing such a framework is part of a continuous process of preparing the strategy, which will be updated and adjusted periodically on the basis of actual outcomes and developments.

6.2 The macroeconomic framework integrates in a consistent manner the national accounts, balance of payments and monetary and fiscal accounts. A detailed budgetary expenditure framework indicating the public resource envelope and expenditure pattern required to achieve the desired growth and poverty reduction targets has also been worked out.

6.3 The framework envisages a stable macroeconomic environment during the period. It seeks to achieve an accelerated growth rate of GDP in real terms rising from 5.5 percent in FY04 to 6.5 percent in FY06. The target rate of growth has been set to ensure a real breakthrough in poverty reduction in the medium term. The economy's average growth rate in the recent past, excluding that of FY02, has been higher than the historic trend growth rate of 4 percent. Because of the adjustment policies already taken by the Government it is expected that the growth momentum will be regained in FY03, which will provide the basis for a new era of higher growth from FY04.

6.4 As high and variable inflation inhibits growth, worsens income distribution and the poverty situation, the framework envisages low and stable rate of inflation in the economy. A tight rein will be put on inflation so that the positive impact on poverty reduction achieved through higher growth is not frustrated. The rate of inflation is expected to be 4.0 per cent in FY05 and remains stable afterwards.

6.5 By the 1990s, Bangladesh has made a transition from a situation of low saving and investment ratios to moderate saving and investment ratios. It is expected that the trend will continue and saving and investment rates will increase further in the coming years. Moreover, the poverty reduction strategy would require higher growth which can be achieved through higher investment. Better management of public capital and more efficient provisioning of infrastructure leading to better utilization of private capital would be ensured such that the productivity of capital is enhanced and higher growth is achieved.

6.6 Accelerated poverty reduction would require higher amount of government revenue which can be spent on programs benefiting the poor. The revenue/GDP ratio as well as the tax/GDP ratio are still low in Bangladesh compared with similar ratios in other developing countries. The Government plans to mobilize larger amount of domestic revenue so that the revenue/GDP ratio would rise from 10.6 per cent in FY03 to 11.9 per cent in FY06 and the tax/GDP ratio from 8.3 per cent to 9.7 per cent during the same period. The government has already implemented some short term measures for increasing domestic resources in FY02.

Several additional measures have also been proposed in the FY03 budget which have started to yield positive results. The government has also been rationalizing the prices of public goods and services to improve non-tax revenue collection. Future measures to increase revenue collections will focus on further reforms in the revenue system.

6.7 A significant increase in public expenditure is needed to reduce the incidence of poverty at a faster rate. Within the medium term framework, total government expenditure as a proportion of GDP will increase from 15.2 per cent in FY03 to 16.4 per cent in FY06. The rise in expenditure/GDP ratio would largely reflect the additional public expenditures required to finance new poverty reduction projects. The size of ADP will grow from 5.8 per cent of GDP in FY03 to 6.9 per cent in FY06 indicating expanded and improved absorption capacity of the key sectors in utilizing additional development resources.

6.8 A shift in priorities of public expenditure proposed in the poverty reduction strategy will be reflected in the expenditure program for the medium term. This will mark the beginning of the transition from the business-as-usual policy stance to the changed agenda of the strategy.

6.9 The budget deficit will be kept under control in the neighborhood of 3.8 to 4.0 per cent (4.5 to 4.7 per cent excluding grants) of GDP and will be financed by both domestic and foreign resources. It is expected that increased volume of foreign resources will be forthcoming to finance the poverty reduction agenda under the strategy. Consequently, net foreign financing excluding grants as proportion of GDP would increase from 1.6 percent in FY03 to 1.8 percent in FY06.. Net domestic financing has been projected at 1.9 per cent of GDP in FY06. The monetary and credit program for the medium term has been designed to ensure higher growth of GDP as well as price stability. Broad money growth rate would decline from 12.5 per cent in FY03 to 11.9 per cent in FY06. The reserves money will be used as an operating target to keep broad money growth within reasonable limit.

6.10 The balance of payments (BOP) situation would also improve during the program period. The assumption underlying the projected behavior is the steady growth of exports along with enhanced inflow of multilateral and bilateral inflows to finance new poverty reduction programs. The gross official reserves would increase from US\$2.0 billion (2.1 months import equivalence) in FY03 to US\$ 3.3 billion (3.2 months import equivalence) in FY06.

6.11 Exports are likely to increase from US\$ 6.13 billion in FY03 to US\$ 7.87 billion in FY06, implying an annual growth rate of nearly 9 per cent during the period. During the same period, imports are expected to increase from US\$ 9.10 billion to US\$ 11.62 billion. The import projections have been made considering enhanced import requirements to sustain higher investment and economic growth and for financing the broad ranging poverty reduction programs.

Table 5
Medium-term Macroeconomic Framework: Key Indicators

Indicator	Revised Est/Benchmark		Projection				
	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Real GDP Growth (%)	4.4	5.2	5.5	6.0	6.5	6.5	6.5
GDP Deflator (% change)	2.7	4.8	4.0	4.0	4.0	4.0	4.0
CPI Inflation (annual average)	2.4	5.2	4.5	4.0	4.0	4.0	4.0
% of GDP							
Total Revenue and Grants	11.1	11.5	11.5	12.1	12.6	12.9	13.0
Total Revenue	10.1	10.6	10.8	11.3	11.9	12.2	12.3
Tax	7.7	8.3	8.7	9.2	9.7	10.0	10.1
Non tax	2.4	2.2	2.1	2.1	2.1	2.2	2.2
Grants	1.0	0.9	0.7	0.8	0.8	0.7	0.7
Total expenditure	14.8	15.2	15.5	16.1	16.4	16.4	16.3
Current expenditure	7.9	8.4	8.5	8.4	8.4	8.5	8.5
Of which: Interest payments	1.8	2.0	2.0	2.0	2.0	2.0	1.9
Annual Development Program	5.8	5.8	6.1	6.5	6.9	7.0	7.0
Extraordinary expenditures	0.0	0.4	0.3	0.6	0.5	0.3	0.2
Other expenditures ^{1/}	1.1	0.6	0.6	0.6	0.6	0.6	0.5
Overall balance (including grants)	-3.7	-3.7	-4.0	-3.9	-3.8	-3.5	-3.3
Overall balance (excluding grants)	-4.7	-4.6	-4.7	-4.7	-4.5	-4.2	-4.0
Primary balance	-2.9	-2.6	-2.7	-2.7	-2.5	-2.2	-2.0
Financing (net)/2	3.7	3.7	4.0	3.9	3.8	3.5	3.3
Domestic	2.6	2.1	1.9	1.9	1.9	1.9	1.9
External	1.1	1.6	2.1	2.0	1.8	1.6	1.4
Financing (net)/3	4.7	4.6	4.7	4.7	4.5	4.2	4.0
Domestic	2.6	2.1	1.9	1.9	1.9	1.9	1.9
External	1.1	1.6	2.1	2.0	1.8	1.6	1.4
Grants	1.0	0.9	0.7	0.8	0.8	0.7	0.7
Total central govt. debt (% of GDP)	51.5	53.8	49.0	48.4	47.6	46.5	45.3
Money and credit (end of year: % change)							
Domestic credit	11.9	11.2	11.2	12.0	11.8	11.8	11.8
Private sector	13.9	11.3	11.1	11.8	11.6	11.7	11.8
Broad money (M2)	13.1	12.5	12.1	12.8	11.9	11.8	11.8
Money velocity	2.8	2.7	2.7	2.6	2.6	2.6	2.5
Balance of payments (millions of US dollar)							
Exports, f.o.b	5,929	6,129	6,620	7,217	7,869	8,587	9,376
(Annual percent change)	-7.6	3.4	8.0	9.0	9.0	9.1	9.2
Imports, c.i.f	-8,515	-9,098	-10,278	-10,924	-11,624	-12,228	-12,865
(Annual percent change)	-9.1	6.8	13.0	6.3	6.4	5.2	5.2
Gross official reserves (millions of US dollar)	1,582	2,000	2,549	2,937	3,314	3,587	4,004
In months of imports of goods and non factor services	1.9	2.1	2.8	3.0	3.2	3.3	3.5
Memorandum items (In billion of taka)							
Nominal GDP	2,717	2,996	3,284	3,636	4,023	4,450	4,920

Note:

1/ consists of other capital, net lending and food accounts (including check float and discrepancy)

2/ Grants are considered as above the line item)

3/Considering grants as financing item and a below the line item

A. Policy Matrix for National Poverty Reduction Strategy

- 6.13 A broad outline of the major policy initiatives necessary to implement the poverty reduction agenda is given in Table 6. Several of these measures have been elaborated in the text as well as in accompanying annexes. These will be further elaborated as the process moves towards preparing a full-blown poverty reduction strategy. The logic of the policy matrix has been to identify an appropriate macroeconomic framework consistent with the challenges at the present stage of development of the country. For the purpose, four central blocks of policies have been identified. These are: (a) macro and trade reforms, (b) governance reforms, (c) sectoral reforms and (d) reforms to ensure social protection.. However, the proposed policy matrix does not include all possible reforms needed to take the economy to a higher stage of development. Here, the focus is mainly on the ‘triggers’ and the ‘drivers’ i.e. measures that are critical to address the most pressing development challenges. In the context of preparing the full-blown strategy and the three-year rolling plan, the policy matrix will be further disaggregated to provide sectoral/ sub-sectoral policies and programs and projects along with their detailed costing.

Table 6
BANGLADESH
MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006

PILLAR 1: MACROECONOMIC STABILITY: TO ACCELERATE PRO-POOR ECONOMIC GROWTH			
A. FISCAL MANAGEMENT: Achieve Fiscal Discipline and Fiscal Sustainability			
<p>Restoring Fiscal Discipline</p> <p>1. Enhance efficient and accountable use of resources.</p> <p>2. Promote efficiency in the use of resources through fiscal transparency and oversight.</p> <p>3. Improve public financial management through improvements in accounting and auditing.</p>	<ul style="list-style-type: none"> • An estimated fiscal deficit of 6.2 percent of Central Government Operations for FY02 was contained to 4.3% through a combination of revenue enhancing measures and pruning of non-essential expenditures. Estimated budget deficit for FY03 is also kept around 3.9% of GDP. • Measures adopted in the budget of FY03 to sustain and further improve macroeconomic stability achieved in FY02, and improve growth prospects in the light of the proposed MTMF. • A Public Expenditure Review Commission (PERC) has been set up in June 2002 to review expenditure decisions, improve budget preparation, integration and implementation, introduce a transparent and quality budgeting process with multi-stakeholder participation, strengthen internal control and rationalization along with effective performance audit and evaluation. The focus of the Commission would be on rationalizing public expenditure, including both revenue and development budget. PERC is expected to submit an interim report in December 2002. • Separation of accounts from audit has been implemented from 1 July 2002. This entailed certain institutional restructuring including creation of offices of CAOs (Chief Accounts Officer) in each ministry directly reporting to respective Secretaries and CGA reporting to Finance Secretary. The Auditor General will be left with auditing functions only. 	<ul style="list-style-type: none"> • Based on the criteria developed by the PERC, undertake a detailed pruning exercise by the Planning Commission. The exercise should be directed to improve the quality of public expenditure, reduce wastage, and re-direct public expenditure towards more poverty-focused and growth-oriented sectors and activities. • Based on these exercises by PERC and Planning Commission, undertake a Mid-Term Review of current year's public expenditure by March 2003. • Adopt programs to implement comprehensive medium term stabilization and 'second generation' reform measures within MTMF emphasizing (i) rationalized and improved quality of public expenditure; (ii) increased domestic resource mobilization; (iii) prudent monetary policy; (iv) financial sector reforms; and (v) improved external sector management. (March 2003). • Operationalize the Poverty Focal Point in the General Economics Division (GED) of the Planning Commission with commensurate status, technical capability and inter-ministerial linkages and strengthen the Unit with technical support and manpower capacity. The key task of the Focal Point would be to coordinate preparation of the full-blown poverty reduction strategy and the 3-year rolling plan. (June, 2003) 	<ul style="list-style-type: none"> • Attain fiscal sustainability and generate enough resources so that about 5.1% of GDP can be spent on poverty reduction programs by FY06. • Generate adequate resources for investment with a view to accelerating economic growth to reach 7% by FY06.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006
A. FISCAL MANAGEMENT: Achieve Fiscal Discipline and Fiscal Sustainability (Continued)			
<p>4. Enhance quality of fiscal data and enhance analytical capability.</p> <p>5. Promote efficiency in the use of resources in development budget.</p> <p>6. Improve public financial management through performance auditing.</p>	<ul style="list-style-type: none"> A number of measures have been adopted to improve quality and timeliness of financial data and monitoring and analysis of fiscal information including government's day-to-day business. Actions have been initiated to develop the analytical capacity in budget and expenditure monitoring in the Finance Division and a number of line ministries. Fund release procedures in respect of development expenditure have been strengthened to ensure improve financial discipline and appropriate utilization of development funds. Up to date Audit Manuals and Codes have been prepared, auditors trained and quality of audit reports have been improved in a few Audit Directorates. Performance Audit Manuals prepared and selected performance audits are being done. 	<ul style="list-style-type: none"> Short and medium term programs of reforms will be undertaken to further improve reconciliation of accounts, and strengthen internal control. Downstream automation of compilation of accounts in district level accounts offices will be implemented. The capacity of a number of line ministries will be strengthened to improve their financial management procedures and systems. Internal controls will be intensified in these line ministries. 	<ul style="list-style-type: none"> Full reconciliation of expenditures will be established across the government. Quality and timeliness of expenditure will be achieved. Selected expenditure tracking studies will be completed. A Macroeconomic Policy Analysis Unit will be established in the Finance Division. Public debt management capacity of Finance Division will be improved. Remaining Audit Manuals will be updated and Performance Audits strengthened. Adequate support will be provided to the Public Accounts Committee. Backlog of audit will be reduced by 80%. Systems will be put in place for effective follow up of audit findings and PAC recommendations.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006
B. Reform Tax System to Improve Efficiency in Resource Mobilization			
<p>Mobilization of revenue resources</p> <p>1. Improve tax policy and tax administration to increase revenues and improve governance.</p> <p>2. Make the tax system more efficient and equitable.</p>	<ul style="list-style-type: none"> • A Commission on Reforming the Public Revenue System has been set up in order to find out ways to improve the taxation system and further augment domestic resource mobilization. • Government has taken up two TA projects to modernize Customs Administration, VAT and Income Tax. Through these projects the capability of NBR is being enhanced to control revenue leakage, augment revenues, develop professional skills of NBR and improve service delivery. • Government is currently implementing financial management reforms through improvements in tax administration and rationalizing prices of public utilities and services. • Measures have been taken to improve tax policy and tax administration. Numerous revenue enhancing measures announced in the budget of FY03 including lowering of the personal income tax exemption limit, an increase in the minimum income tax of individuals, containment of tax holidays, additional tax on undisturbed profits of listed companies, reduction in corporate tax rate by 5 percent, inclusion of all sources of NGO incomes into the tax net with the exception of income from their micro-credit operations, abolition of zero duty rate on many imports, withdrawal of several VAT exemptions and extension of VAT to additional areas of activity, and increase in travel and motor vehicle taxes. • All projects financed by suppliers' credit not fulfilling adopted criteria have been put on hold. • Government has appointed a number of independent audit firms to check tax evasion and widen the tax base. • Non-tax revenue rates on various items have been enhanced by 100 to 500 percent to augment domestic revenue resource mobilization. 	<ul style="list-style-type: none"> • Based on the recommendations of the Revenue Reforms Commission, measures will be taken to further modernize and rationalize the taxation system with effect from next year budget. • The share of direct tax and VAT will be significantly increased. • Modern techniques will be in place in NBR for revenue collection and for developing equitable taxation policies. • Non-tax revenue will contribute significantly to the total domestic resource mobilization. 	<ul style="list-style-type: none"> • Over the Program period, revenue-GDP ratio, it is envisaged, would increase to at least 12% of GDP. • Reforms and revenue enhancing measures will continue.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006
C. External Sector: Redress Imbalances in the Balance of Payment			
1. Enhance unrestricted inflows of remittances. 2. Reduce current account deficit. 3. Improve trade negotiation capability including handling of international trade rules.	<ul style="list-style-type: none"> Processing of workers' remittances through official channels has been streamlined through establishing banks/exchange houses at different strategic places of the world and setting up remittance cells in all nationalized banks. Anti-money laundering surveillance procedures have been prescribed by Bangladesh Bank in terms of the newly enacted Money Laundering Prevention Act 2002 to purge any handling of money originating from or associated with criminal activities. Actions initiated to enhance the capability in the area of trade policy by strengthening the WTO Cell in the Ministry of Commerce and the Tariff Commission. 	<ul style="list-style-type: none"> Anti money laundering surveillance will be further strengthened. Further actions will be taken to increase remittances through official channel. Comprehensive and effective measures will be taken to reduce informal trade. Efforts will continue to strengthen the WTO Cell for effective trade negotiation. 	<ul style="list-style-type: none"> Follow-up measures to continue to encourage flow of remittances through the legal channel. Actions will be continued for strengthening of anti money laundering surveillance. Measures will continue to further strengthen the WTO Cell.
Improve Export Performance by Reducing Anti-export Bias of Trade Policy			
	<ul style="list-style-type: none"> To promote the export of small and medium enterprises and non-traditional items the government in combination with the banking sector has provided various incentives including credit and cash incentives. New skill based training for entrepreneurship development is being imparted to promote small and medium enterprises. Bank rate has been lowered to reduce the interest rates. The trade regime has been further liberalized by reducing the maximum tariff rate by 5 percentage points (to 32.5 percent). There has been significant rationalization in the structure of supplementary duties, with the number of rates reduced from 31 to 5, and Import license fee on all imports has been withdrawn. The importation of sugar has been liberalized 	<ul style="list-style-type: none"> Promote exports by expanding access to export markets, technology, imported inputs and capital goods. An Action Plan will be adopted to remove anti-export bias through institutional reforms. Efforts will made to lower the present four tier tariff structure to a three-tier structure, i.e. 30%, 15% & 10%, keeping in conformity with the rates prevailing in the neighboring countries. Get the garment sector ready for annulment of MFA. Further rationalize the import policy. Design a careful blending of trade, investment, macro and sectoral reforms to maximize gains from increased outward orientation. 	<ul style="list-style-type: none"> Export promoting and diversification efforts will continue. The Action Plan will be implemented gradually. Rationalization efforts will be continued Actions will be continued to maximize gains from outward orientation.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006
D. Freeing Financial Market and Strengthening Bangladesh Bank			
	<ul style="list-style-type: none"> • The Boards of NCBs and SDBs have been reconstituted. • Some of the powers of the Finance Division have been delegated to the Board and decentralization of powers has been implemented amongst different layers of management • New incentive scheme has been introduced for improving performance including collection of NPLs. • Loan recovery departments have been strengthened. • Prudential regulations and banking supervision have been strengthened. • Powers and responsibilities of Banks and management have been clearly spelt out including fit and proper tests for chief executives of private commercial banks have been introduced. • Effective internal control system is being set up. <ul style="list-style-type: none"> ▪ Capital adequacy requirements increased from 8% to 9% on risk-weighted basis ▪ Minimum capital requirement for banks is being increased from TK. 200 million to 1,000 million ▪ Dividend declaration by bank in excess of 20% allowed only if an equivalent amount is set aside for reserve ▪ A single borrower limit have been reduced by half • Regulations have been issued by the Bangladesh Bank to control loan default. • Closing down of continually loss making Nationalized Commercial Bank (NCB) branches <ul style="list-style-type: none"> ▪ the programs for closing down continually loss making NCB branches, taken up in 2002 has so far resulted in closing down of 58 branches and financial performance turnaround of 37 branches • A Committee on Default Loans (<u>Khelapi Rin Sankranta Committee</u>) has been set up to suggest measures for reducing the burden of debt default and suggest measures for improved loan management performance of the banking sector. 	<ul style="list-style-type: none"> • Amendments to the Bangladesh Bank Order 1972, the Bangladesh Bank (Nationalization) Order 1972 and the Bank Company Act 1991 are expected to be placed before the Parliament by February, 2003. • Enhance autonomy and regulatory power of Bangladesh Bank, improve governance of public financial institutions, and remove deficiency of legal framework. (March, 2003). • Fit and proper test for banks' directors would be issued and maximum number of directors be reduced for greater efficiency • New risk analysis, lending policies, loan follow up and loan recovery processes would be introduced. • A suitable strategy for restructuring the financial sector will be developed and implemented on the basis of the Bank-Fund FSAP mission recommendations as well as the recommendations of the Committee on resolution of loan default problems. • Implement measures for improved performance of the banking sector. 	<ul style="list-style-type: none"> • Enhancement of skills of examiners and supervisors of Bangladesh Bank would continue. • Enhancement and more demanding accounting disclosure requirements for banks would be pursued. • Pursue the program towards closing down of remaining continually loss making NCB branches. • Full implementation of the banking sector reform strategy will be achieved. • Continue implementation of banking sector reform measures.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July 2003 - June 2004	July 2004 - June 2006
E. Privatization and Deregulation			
Reform SOEs to reduce losses and strengthen their efficiency and competitiveness	<ul style="list-style-type: none"> • Performance orientation in SOE activities has been reinforced. • Budgetary transfer to SOEs has been controlled and NCBs are not providing new loans to defaulting SOEs. • SOEs activities are being closely monitored • New Privatization Policy has been adopted. • Adamjee Jute Mill and 16 (sixteen) mills have been closed • One SOE has been privatized and another 8 (eight) in the process • TCB, part of BADC, BSFIC, BSC are being closed down. • 100 SOEs have been decided to be privatized including 53 SOEs have been earmarked for privatization in 2003. • Long overdue increase in the prices of petroleum, gas and power implemented. 	<ul style="list-style-type: none"> • Rationalization of administered prices would be continued. • SOEs identified for privatization would be sold or closed down. • Additional SOEs would be identified for privatization • An economic pricing framework for utilities would be developed. 	<ul style="list-style-type: none"> • SOE losses would be significantly reduced and private sector will be further promoted. • Budgetary transfer to the SOEs will be brought down significantly.
Rationalization of Power Sector	<ul style="list-style-type: none"> • Ashugonj Power Station has already been corporatized. • Haripur Gas Turbine Power Station has been converted into SBU. • The transfers of transmission lines, according to the action plan, are being gradually handed over to PGCB. • BPDB and DESA each prepared a list of the largest 1000 numbers of defaulting consumers and the disconnection process is going on. • Tariff has been increased by 5% with effect from August 1, 2002 for all categories of consumers. • The proposal of West Zone Power Distribution Company has been approved by the Finance Committee of the Cabinet on July 7, 2002. West Zone Power Distribution System Company Ltd. is likely to be incorporated as a Company under the Company Act, 1994 soon. • The whole process of handing over will be completed by December, 2002. • The draft "Bangladesh Electricity Reform Act 2002" was prepared and approved by the Cabinet on 11 February, 2002. • The field offices of DESA and BPDB are taking actions against the delinquent consumers as a continuous process in collecting revenues. For increasing revenue earnings, many consumers have been allowed payment of arrears by instalments. Both the agencies are trying to resolve the problem of high accounts receivables through a policy of persuasion and legal measures. 	<ul style="list-style-type: none"> • Government has decided to combine the drafts "Bangladesh Electricity Reform Act, 2002" and "Gas Act" together. The combined Draft Act renamed as "The Energy Regulatory Commission Act, 2002" has been prepared by the Ministry of Law, Justice and Parliamentary Affairs, which is under examination in the Power Division as well as Energy and Mineral Resources Division and will be placed in the Cabinet for approval. After approval by the Cabinet and enactment by the Parliament, an Energy Regulatory Commission will be formed under the said Act. • Draft Pricing Policy has been prepared and it is under consideration of the Government. 	<ul style="list-style-type: none"> • Continue implementation of power sector rationalization measures to create an efficient energy sector as a critical input to growth.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006
PILLAR 2: IMPROVING GOVERNANCE: FOR SUSTAINING GROWTH AND POVERTY REDUCTION			
Governance 1. Move towards good governance to create a healthy business and growth environment	<ul style="list-style-type: none"> • Government order to separate audit and accounting functions was made on 1st July, 2002. For each Ministry/Division offices of the Chief Accounts Officers have been set up and accounting functions have been placed under the Finance Division. The C&AG will look after audit functions only. • Steps are already underway to: <ul style="list-style-type: none"> ▪ Appoint an Ombudsman • On January 6, 2002 a gazette notification was published to give effect to the Ombudsman Act, 1980. Thereafter, a draft bill was prepared by the Ministry of Law, Justice and Parliamentary Affairs to bring certain amendments to the Act in respect to authority and mode of appointment of the Ombudsman. • The Bill is under consideration of the Cabinet Committee. <ul style="list-style-type: none"> ▪ Set up a National Human Rights Commission • The Bill is now under consideration of the Cabinet Committee. <ul style="list-style-type: none"> ▪ Separate judiciary from the executive • The Government is hopeful that the matter will be finalized in time. And then the Judiciary of Bangladesh will be institutionally separated. The Government is working on the implementation of the orders of the Supreme Court (July, 2003). 	<ul style="list-style-type: none"> • Strengthen the role of the Parliament and the Parliamentary Committees especially Public Accounts Committee, and Public Estimate and Undertaking Committees. The interface of these Committees with the activities of the line ministries is made effective. The continuity of these committees will be ensured and recommendations acted upon. The role of these committees is critical in the context of developing the full-blown strategy. • Ensure effective and independent role of C&AG office as an institution accountable to the Parliament. • Implement the judicial reform program, separate the judiciary from the executive, and establish Judicial Service Commission and Judicial Pay Commission. • Introduce comprehensive reform in the police service, establish the office of the Ombudsman and an independent Anti-Corruption Commission, draw-up action plan for phased implementation of relevant recommendations of PARC and PERC, use informatics to improve governance, improve public purchase and procurement systems, promote unhindered flow of information. • Create facilitating environment for private sector led and outward oriented growth and Government-private sector (including NGOs) partnership by improving investment climate through governance – improving measures, designing appropriate incentive structure and sectoral reforms. 	<ul style="list-style-type: none"> • Continue the implementation of measures to strengthen good governance in order to set strengthened pillars in place to reap growth potentials and institute unhindered democratic norms at all stages of life. • Implement the Action Plan. • Undertake reforms to strengthen government-private sector partnership in relevant areas and create environment for private sector led growth.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006
<p>Governance (Continued)</p> <p>2. Improve law and order situation</p>	<ul style="list-style-type: none"> In order to improve law and order situation defense forces along with civilian forces are working together to recover illegal arms and curb terrorism through arrest of identified terrorists. Defense forces engaged in exercise will be withdrawn at appropriate time. Speedy Trial Act has been passed and speedy trial courts set up. Acid Control Act and Acid Offense Curbing Act have been enacted to prevent acid throwing. 	<ul style="list-style-type: none"> The strength of Police, BDR and Ansars will be enhanced through recruitment of additional staff and their training. Action would be taken to modernize the legal system through implementation of a World Bank aided TA Project. Educational institutions will be freed from violence and disorder. 	<ul style="list-style-type: none"> Government will continue to implement a well laid out plan of action to improve law and order situation.
B. Supporting Local Government and Broadening Participation			
<p>3. Widen participatory governance.</p>	<ul style="list-style-type: none"> Strengthening of local government institutions and, in particular, holding of elections at various tiers is a subject of priority of the government. The Local Government Division examined these matters, case by case, and succeeded in removing most of the impediments. Elections of major City Corporations in Chittagong, Dhaka, Khulna and Rajshahi were held as well as in some Paurasabhas. Elections in other Paurasabhas have been completed 	<ul style="list-style-type: none"> UP election will be held soon. Decision on further decentralization and tiers of local government will be taken. Decisions will be taken on required tiers of local government and the decisions will be implemented. Encourage building of the poor's institutional capability by way of promoting organizations of the poor (CBOs) and organizations for the poor (CSOs, NGOs) to ensure equitable access to public services and strengthen ability to influence policy. Ensure the independent role of mass media including press and television channels as well as the civic and human rights organizations as independent monitoring institutions for ensuring transparency and accountability. 	<ul style="list-style-type: none"> Ensure decentralization and devolution of power through effective local government institutions, appropriately define the functions of these institutions and take empowerment measures accordingly through appropriate fiscal, administrative and other relevant decentralization/ devolution measures.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006
C. Reform in Civil Service			
4. Improve the performance of the civil service by restoring integrity, efficiency, and adoption of modern personnel and management practices	<ul style="list-style-type: none"> • To reduce the size of the Public Administration Government set an embargo on new recruitment and this ban is still in force except exceptional circumstances. • Two Committees have been set up by the Government to rationalize government's manpower and relocate existing manpower, if needed. • A merit-based system of promotion has been introduced. • To develop expertise and professional skills the ministries have been distributed into 5 clusters, which will be manned by officials with relevant specialized skills. • A Career Planning Cell has been set up recently in Ministry of Establishment. • A Secretary level committee has been set up to examine and recommend implementation of the PARC report 	<ul style="list-style-type: none"> • Civil Service would be reconstituted on absolutely merit, performance and integrity basis. • An Action Plan will be developed to implement relevant and appropriate recommendation of PERC on the basis of the report of the Secretaries' Committee. • Action will be in place to right size the Government. • Merit based system of recruitment and promotion will be institutionalized. 	<ul style="list-style-type: none"> • Government would continue with the implementation of civil service reform programs in the light of recommendations of PARC and new needs of present day business in order to ensure a civil service based on the principles of meritocracy and professionalism. • Continue efforts to develop expertise and professional skills by implementing the Action Plan and strengthening the Career Planning Cell.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006
PILLAR 3: INVESTING IN HUMAN DEVELOPMENT: TO ENHANCE HUMAN CAPABILITIES			
<p>Education</p> <p>1. Improve the quality of education.</p> <p>2. Promote female education.</p> <p>3. Promote vocational training and skills.</p> <p>4. Improve science and technical education.</p>	<ul style="list-style-type: none"> At the primary level of education teachers of government schools are recruited through an open competition using Thana quota. Appointment and deployment system of primary teachers is being decentralized at the district level. Sixty per cent teaching positions are reserved for female candidates. Financial Management system under RIBFC of the Finance Division has been initiated in the primary education sub-sector. School-wise expenditure statement has been collected while conducting Children Education and Literacy Survey 2002. This will be linked to performance Children and Education Survey is conducted for primary education every alternate year. Map of each school catchment area is prepared by the respective school authority. Already school catchment area map has been prepared and distributed to schools in 35 districts. There are four on-going female stipend projects at the secondary level and one female stipend project at the higher secondary level. All rural Thanas are covered under the stipend program. Secondary Education Sector Improvement Project (SESIP) is being implemented. Different areas of education reforms have been included in this project. The main components are: decentralized management, teachers training, academic supervision etc. Creation of a separate Teaching Service Commission for recruitment of teachers of non-govt. schools, colleges and madrasahs is in progress. The draft will be placed before the Cabinet soon. Directorate of Inspection and Audit of the Ministry of Education looks after the accountability of public expenditure in schools, colleges, and madrasahs. This process is being strengthened under SESIP. University Grants Commission coordinates the activities of the universities and has initiated reform programs for the university sector. NCTB activities have been reviewed. Quality control issue of textbooks is being looked after by the NCTB up to higher secondary level. All textbooks except English and Bengali at higher secondary level are published and distributed by the private sector. Higher education in degree colleges, universities and BIT's is being reviewed for formulation of a strategic plan in the light of the expert committee report, which will be placed for the consideration of the Cabinet soon. 	<ul style="list-style-type: none"> Implement social sector policies to improve access to the poor and enhance quality Preparation of GIS based educational institution map is underway for 17 districts (on experimental basis) A separate project is being taken for the metropolitan areas. In the rural areas, all girl students are covered subject to the fulfillment of some criteria. In the metropolitan areas, targeting approach is adopted and female students belonging to the poor income-groups will get stipend. Budgetary allocation to the Education sector will be significantly enhanced. Strategy for further reforms will be adopted on the basis of the Expert Committee set up by the Government. Quality of education and priority to vocational and technical training will be the main focus of educational reforms. 	<ul style="list-style-type: none"> Education is the long-run primary force behind growth and it would be shape and designed in such a fashion. Share of the educational sector in Government's budget allocation will continue to increase. Expenditure tracking studies will be made to evaluate impact of reforms. Coverage and quality of education will significantly improve through reform actions. Public-private partnership will be encouraged in this area. Education reform strategy will be continually pursued and education outcomes monitored.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006
Health 1. Ensure effective and equitable access to health services to all.	<ul style="list-style-type: none"> In the health sector, Health and Population Sector Program (HPSP) achieved some success in certain areas, while it also faced operational problems in some others. In order to make this program effective, the Government has commissioned a full review of the operational strengths and weaknesses of this new approach. Health sector allocations have been increased. The government is committed to the sector-wide health sector reform and development program. 	<ul style="list-style-type: none"> Actions will be taken pursuant to the outcomes of the review to design and implement the next phase. Vacant posts of doctors and nursed will be filled in and required number of additional posts will be created. The operational and maintenance budget of this sector will be increased. 	<ul style="list-style-type: none"> Next phase of restructured sector wide program will be implemented for development of the health, population and nutrition sector. Expenditure tracking studies will be made.
Telecommunication 1. Widen the telecommunication network at low cost.	<ul style="list-style-type: none"> A Telecommunication Regulatory Commission has been established. 	<ul style="list-style-type: none"> In telecommunications, create policy and regulatory environment with separate policymaking, regulatory and operation functions; introduce reforms in BTTB to provide quality and competitive services. 	<ul style="list-style-type: none"> Continue reforms to make the sector more efficient and cost effective.
Technology Policy 1. Promote ICT with wider access to all.	<ul style="list-style-type: none"> A Task Force on ICT has been set up and is operational. 	<ul style="list-style-type: none"> Adopt a comprehensive technology policy and draw up action plan to implement it. 	<ul style="list-style-type: none"> Continuc to implement the technology policy. Enhance technological capability in the public sector and remove barriers in the private sector through a well-defined institutional infrastructure for delivery and adoption of new technology.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006
Ensure Integrated and Pro-Poor Growth of Employment and Output.			
Sectoral Policies Formulate sectoral policies in support of growth and poverty reduction agenda.	<ul style="list-style-type: none"> Sectoral policies have been formulated and thrust areas identified. 	<ul style="list-style-type: none"> Work out details in the context of the full-blown strategy and the three-year rolling plan within the MTMF framework particularly in the areas of health, education, social protection and others emphasized in the strategy. 	<ul style="list-style-type: none"> Implement relevant sectoral policies through formulating time-bound action plans.

BANGLADESH MEDIUM-TERM POLICY MATRIX

Strategic Goals/ Policy Objectives	Actions Already Taken	Medium Term Agenda	
		July2003 - June2004	July2004 – June2006
<i>PILLAR 4: SOCIAL PROTECTION: FOR REDUCING VULNERALIBILITIES AND IMPROVING INCOME GENERATING OPPORTUNITIES</i>			
Women's Advancement and Removing Gender Gaps	<ul style="list-style-type: none"> • Women have reserved quota for recruitment in government service. • Gender considerations get priority in policy formulation. 	<ul style="list-style-type: none"> • Factor the gender concerns into both diagnostic and prescriptive modules of the strategy including both sectoral and sub-sectoral levels. 	<ul style="list-style-type: none"> • Undertake analytical and policy oriented work to explicitly factor gender and similar concerns into macro and policy framework. • Review existing policies/institutional measures and adopt specific measures (as suggested in the strategy) for increasing women's participation in all spheres of development.
Strengthening Social Protection	<ul style="list-style-type: none"> • The targeted programs like FFW, VGD, TR, GR, VGF get priority in budgetary allocations. • Some of the programs are being monetized to prevent leakage. • A system of new programs for mitigating sudden economic shocks and for acid-burnt and physically handicapped people has been adopted. • Allocation for distressed and widowed women and old age people has been increased. 	<ul style="list-style-type: none"> • Adopt policies/programs and strengthen current programs of proving social safety nets to the poor. • Address vulnerabilities of the new poor (like retrenched workers). • Micro-credit and credit for SME development will be extended. 	<ul style="list-style-type: none"> • Develop and implement programs for strengthening social solidarity and help accumulate social capital • Adopt policies/programs for preventing and mitigating risks of different categories of the poor through various measures such as credit, public health services, disaster prevention and mitigation, and measures to address violence and personal insecurity.
Policies and Institutions for Reducing Inequality	<ul style="list-style-type: none"> • Micro-credit programs of the government as well as of other agencies and NGO's have been strengthened. • Along with micro-credit priority has been given to extension of credit to small enterprise development projects. 	<ul style="list-style-type: none"> • Design programs to assist in broad-based asset access to the poor like reforms in land tenancy market, effective distribution of khas land and ponds to landless families, providing basic education and skills, micro-credit. 	<ul style="list-style-type: none"> • Continue efforts to ensure greater access to assets by the poor. • Redefine the present nature of financial interventions involving issues like credit upscaling, interest rate practices, vertical integration, loan packaging, higher access to knowledge, greater use of savings instruments, and insurance provision against risks and uncertainties. • Support pro-poor rural housing policy, urban land use policy, improve land administration, and strengthen organization of the poor.
Caring for Environment	<ul style="list-style-type: none"> • Production and marketing of polythene shopping bags have been completely banned through out the country. • Most of two-stroke three wheelers are out of roads now and the remaining ones will follow suit soon. 	<ul style="list-style-type: none"> • Implement the environment strategy drawing upon Environment Policy 1992, Dhaka Declaration 2000 and the NEMAP. 	<ul style="list-style-type: none"> • Integrate environmental conservation into the national development strategy

Chapter 7

Monitoring and Evaluation

7.1 The success of the poverty reduction strategy would require a systematic approach to monitoring and evaluating the progress in implementing the strategy. To ensure that the targets set in the strategy are met, a comprehensive poverty monitoring system will be used to help the policy makers to monitor progress and adjust the actions to make them more effective and efficient. This will also be used as a system of dissemination of poverty data to relevant stakeholders thus contributing to fuller participation of the civil society in poverty reduction efforts. For the purpose, a list of core indicators required to track trends in poverty and the institutional framework for monitoring and evaluation of the strategy would be worked out.²⁸ The framework will be further elaborated based on consultations to serve as the guiding mechanism for poverty monitoring in the country. Existing survey instruments such as HIES, LFS, CNS, DHS, CMI, VRS to name a few, would be strengthened further for periodic generation of data and appropriately re-designed to facilitate the monitoring of national targets under the poverty reduction strategy. One of the key outputs of the system will be an annual Report on Poverty Reduction and Social Development, which will provide an overview of progress in achieving economic growth, human development, poverty reduction, gender equality targets and analysis of factors behind the observed trends and their policy implications.

7.2 For ensuring effective development of the system, several information and data gaps would have to be filled in through appropriately designed baseline surveys, studies, assessments and evaluations. This would also require adoption of adequate benchmarking and selection of internationally comparable data set on relevant indicators. Along with specifying the sources and streamlining the mechanisms to generate reliable data on all indicators of the monitoring system, poverty-focused surveys and assessments would be required on a regular basis for analyzing the impact of policies and programs and identifying the causal relationships. This would call for a sustained effort of capacity building both within and outside the government.

7.3 The indicators of the system will serve multiple actors providing information on changes in poverty and causes behind the outcomes. The Government will use the information for informed policy and decision-making, re-set priorities, and guide the implementation of the strategy. This will ensure that the country is on track to achieve poverty reduction targets. For the people and the civil society, this will help in assessing how effective and accountable the Government is in reducing poverty.

A. Institutional Mechanisms

7.4 A *Poverty Focal Point* would be created in the General Economics Division (GED) of the Planning Commission for effective poverty-monitoring and tracking progress in implementing anti-poverty policies and programs envisaged under the national strategy for economic growth and poverty reduction. The focal point will be designed such that it can grow and function as an institutionally effective and technically competent Poverty Monitoring Unit

²⁸ Bangladesh is one of the countries selected for assessing and monitoring the extent to which it has been able to attain the MDGs. This requires the Government to develop a clear, integrated and co-ordinated framework for national monitoring along with regular small-scale research to give insights into quality dimensions and develop respective indicators.

with strong inter-Ministerial linkages and interactions with various types of stakeholders outside the Government. Participatory consultations will be an integral part of the work of the Focal Point both before and after the preparation of the full-blown strategy. The Unit will also act as the key agency in the preparation of the full-blown strategy and periodic revision of the medium term agenda within the framework of the long-term vision set under a Perspective Plan. This would require *measures to equip the Unit with adequate capacity and incentives to undertake its stipulated functions* and carry out poverty reduction strategy related research and monitoring and evaluation activities.

7.5 A National Poverty Reduction Council (NPRC) chaired by the Prime Minister with participation of Ministers and the Secretaries of the relevant Ministries as well as representatives from the private sector like FBCCI, women's groups, academia and research institutes like BIDS, NGOs and the civil society will be formed. Since the implementation of the strategy is the central task, the key objective of the Council would be to address comprehensively the problems of implementation. The Council will also address the strategy and policy-related issues arising out of the monitoring and evaluation work of the Poverty Focal Point. The Focal Point will act as the Secretariat for NPRC. The Council would meet at least quarterly.

7.6 One of the key tasks of the Unit would be to monitor progress in the implementation of the national poverty reduction strategy and outcome indicators. The poverty diagnostics, drawing on qualitative and quantitative information, would be used to set medium and long-term outcome-oriented targets for the country. These targets would be linked to macroeconomic, structural and social policies that together comprise a comprehensive strategy for achieving these outcomes. Setting clear targets in line with Millennium Development Goals (MDGs) would add transparency to the process of allocating resources and provide a benchmark against which to monitor the progress.

7.7 The Poverty Monitoring Unit would engage in regular consultations with the civil society including the poor and the women at suitable levels of social and regional disaggregations as part of *participatory poverty assessment (PPA)* in tracking progress in the implementation of national poverty reduction strategy as well as for identifying new areas of anti-poverty interventions and/or corrective actions.

7.8 The poverty reduction monitoring initiative, however, will not be restricted to the efforts on the part of the Government alone. Civic initiatives for monitoring poverty—similar to the *Social Weather Station* in the Philippines—would be supported for getting an independent assessment of trends in poverty as well as effectiveness of poverty reduction policies. Such a group of concerned citizens will act not only for *poverty-monitoring*, but also function as an *advocacy group* for influencing policy. The activities of the group would help trigger collective action in respective sectors for reducing poverty and vulnerability.

B. Monitoring Indicators

7.9 The matrix of proposed poverty reduction tracking and monitoring indicators is given in Annex-11. A central aspect of poverty and social development monitoring would be to collect information on a wide variety of socially-differentiated, sex-disaggregated and regionally differenced poverty indicators. Evidently, the institutionalization of a comprehensive and efficient mechanism to ensure timely monitoring will require capacity building and coordination among the relevant agencies and departments. The details of the requirements will be worked out along with technical assistance requirements for meeting the needs. A sustainable poverty reduction strategy requires an effective system of managing the macroeconomy. Annex 12 provides a detailed description of tracking and monitoring indicators for macroeconomic management.

C. Road Map to Full Strategy

7.10 The national strategy for economic growth and poverty reduction, as outlined in this paper, may be considered as the equivalent to what is often termed as the Interim Poverty Reduction Strategy Paper (I-PRSP). Three important elements will be considered in transforming Bangladesh's current approach to anti-poverty policy making into a full-blown poverty reduction strategy: (i) continuous and effective interaction and consultations with all stakeholders to make it 'dynamic' with capability to address on-going development and emerging priorities along with consensus to guide and pull poverty reduction efforts of all actors including the Government, NGOs, civil society and development partners in an integrated manner; (ii) devising and implementing specific policies and programs and time-bound action plans to support the strategic thrust of the strategy; and (iii) installing an effective institutional mechanism to monitor the progress and provide regular and timely feed back to articulate actions needed to achieve the proposed targets.

7.11 The poverty reduction strategy, as delineated in the present paper, provides the broad (e.g. national) directions for achieving the poverty reduction goals. The efforts will be to move towards disaggregated targets to facilitate the formulation of specific programs/projects and detailed costing and its financing by the time the full-blown strategy is designed (Table 7). These sectorally disaggregated targets will be set not only by social and regional distinctions, but also made sensitive, as far as possible, to the emerging gender dimensions. During the period, the institutional framework and monitoring indicators along with their sources, benchmarks, and mechanisms for ensuring regular information flows will also be finalized such that an adequate monitoring and evaluation method becomes operational. The civil initiatives for regular monitoring of poverty and progress towards achieving the goals would also be developed during the period.

Table 7

Time Line for Full Strategy

Activity	Completion Date
Consultations with stakeholders and adjustments in the framework	October 2003
Specification of disaggregated targets, programs/ projects, and detailed costing and financing	January 2004
Operationalization of the Poverty Focal Point and civic initiatives	July 2003
Finalization of the full Strategy	December 2004

Annex Tables

Annex Table 1
Inter-Country Statistics on Growth, Human Development, and Income-Poverty

	Bangladesh	India	Pakistan	Nepal	Sri Lanka	South Asia	LDCs	Developing Countries
Per capita GNP Growth, 1975-95 (% per year)	2.0	2.8	3.1	1.6	3.2	1.4	-0.2	2.3
Total fertility rate								
1975	6.8	5.1	7.0	6.3	3.9	5.4	6.6	5.0
1997	3.1	3.1	5.0	4.5	2.1	3.3	5.0	3.0
% change per year	-2.1	-1.5	-1.1	-1.1	-1.8	-1.5	-0.9	-1.6
Life expectancy at birth (year)								
1970	44.2	49.1	49.2	42.1	64.5	49.0	43.4	54.5
1997	58.1	62.6	64.0	57.3	73.1	62.7	51.7	64.4
% change per year	1.1	1.0	1.1	1.3	0.5	1.0	0.7	0.6
Infant mortality rate (per 1000 live births)								
1970	148	130	118	156	65	131	149	111
1997	81	71	95	75	17	72	104	64
% change per year	-1.6	-1.6	-0.7	-1.9	-2.7	-1.6	-1.1	-1.5
Under-Five mortality rate (per 1000 live births)								
1970	239	206	183	234	100	207	242	170
1997	109	108	136	104	19	106	162	94
% change per year	-2.0	-1.7	-0.9	-2.0	-3.0	-1.8	-1.2	-1.6
Head-count index of income-poverty								
Early 80s	52.3	46.50	29.1	42.5	27.3	45.4	na	33.9
Early 90s	47.0	37.36	26.3	45.0	22.4	43.1	na	31.9
% change per year	-0.84	-1.87	-1.37	0.53	-3.59	-0.84	na	-0.98

Source and Note: 1. Per-capita GNP growth data are from 1999 HDR.
Information on fertility, infant mortality, under-five mortality and human development index are from 1999 HDR.
Aggregate poverty estimates for South Asia and developing countries are from Ravallion and Chen (1996).

Annex Table 2
Child Malnutrition Rates in South Asia, 1990-2000

Nutrition status indicator	Bangladesh 1999-2000	India 1998-99	Pakistan 1990-91	Sri Lanka 1987
<u>Stunting (height-for age)</u>				
Moderate or severe	50	57	57	34
Severe	20	32	36	-
<u>Underweight (weight-for age)</u>				
Moderate or severe	56	58	46	48
Severe	17	24	19	-
<u>Wasting (weight-for height)</u>				
Moderate or severe	9	13	10	13
Severe	1	2	1	-

Source: Various DHS Reports.

Note: For ensuring comparability, the comparison has been kept limited to children 24-35 months (24-36 in the case of Sri Lanka).

Annex Table 3
Trends in Poverty: Consumption Expenditure Data

	1983/84	1985/86	1988/89	1991/92	1995/96	2000
<i>Rural</i>						
H	53.8	45.9	49.7	52.9	45.8	43.6
P(1)	15.0	10.9	13.1	14.6	11.5	11.3
P(2)	5.9	3.6	4.8	5.6	3.9	4.0
<i>Urban</i>						
H	40.9	30.8	35.9	33.6	22.4	26.4
P(1)	11.4	7.3	8.7	8.4	4.9	6.7
P(2)	4.4	2.5	2.8	2.8	1.4	2.3
National						
H	52.3	43.9	47.8	49.7	41.2	39.8
P(1)	14.5	10.4	12.5	13.6	10.2	10.3
P(2)	5.7	3.5	4.6	5.1	3.4	3.6

Note: The estimates for 1983/84 through 1991/92 are taken from Ravallion, M. and B. Sen (1996), 'When Method Matters: Monitoring Poverty in Bangladesh', *Economic Development and Cultural Change*, 44: 761-792 while the rest are estimates by Sen, B. and M. Mujeri (2002), *Poverty in Bangladesh: Trends, Profiles and Determinants*, Background Paper Prepared for the National Strategy for Economic Growth and Poverty Reduction (Draft). National poverty estimates are population-weighted poverty measures obtained separately for rural and urban sectors. The rural population shares are 88.7% (1983/84), 87.2% (1985/86), 86.6% (1988/89), 83.4% (1991/92), 81% (1995/96), and 78% (2000). These measures use mean consumption expenditure as reported in Table 2.03 in successive HES reports, and are based on the suitable parameterized Lorenz curve as estimated from the grouped distribution data ranked by per capita consumption expenditure. These estimates differ from those presented in Table 2 on two counts. First, they use *grouped distribution data* for the sake of comparability with the poverty series available for the eighties in the Bangladesh literature rather than *unit-record data* used in deriving estimates in Table 2. Second, the availability of only grouped distribution data for the eighties also dictated the choice of base-year non-food poverty line. Thus, the above estimates use *the 1983/84 non-food poverty line as the base-year non-food poverty line*, while the estimates presented in Table 2 use *the 1991/92 non-food poverty line as the base-year non-food poverty line*.

Annex Table 4
Summary Statistics on Growth and Inequality: Consumption Data
(Tk/month/person)

	Poverty Line	National Survey Mean	Mean/Poverty Line	Gini
<i>Urban:</i>				
1983/84	301.72	396.53	131	29.8
1985/86	368.62	581.13	158	31.4
1988/89	453.65	695.19	153	32.6
1991/92	534.99	817.12	153	31.9
1995/96	650.45	1372.47	211	37.5
2000	724.56	1430.12	197	37.9
<i>Rural:</i>				
1983/84	268.92	284.84	106	24.6
1985/86	319.06	373.93	117	24.6
1988/89	379.08	435.39	115	26.5
1991/92	469.13	509.67	109	25.5
1995/96	541.77	661.47	122	27.5
2000	634.48	820.20	129	29.7

Source: See, note to Annex Table 3.

Annex Table 5
Simulation of National Poverty Based on Alternative Growth Assumptions

Year	Survey Mean, Actual (Tk/Person/ Month)	Per Capita GDP Adjusted Survey Mean (Tk/Person/ Month)	Per Capita National Accounts Private Consumption Adjusted Survey Mean (Tk/Person/ Month)	National Head-Count Index (%)		
				Actual	Under Per Capita GDP Growth Scenario	Under Per Capita National Accounts Private Consumption Growth Scenario
1983/84 (Base Year)	297	297	297	52.5	52.5	52.5
1985/86	400	375	358	44.6	50.8	55.1
1988/89	468	500	477	48.5	42.6	46.7
1991/92	550	640	583	51.1	37.7	45.8
1995/96	779	853	744	44.0	37.0	47.6
2000	942	1174	989	41.4	26.1	37.9

Source: Sen, B. and M. Mujeri (2002), *op. cit.*

Annex Table 6
**Simulating Trends in Poverty Under Alternative
Growth Scenario, Bangladesh: 2000-2020**

Year	Per Capita Consumption Expenditure Growth								
	Rural			Urban			National		
	2%	3%	4%	2%	3%	4%	2%	3%	4%
2000	53.0	53.0	53.0	36.6	36.6	36.6	49.8	49.8	49.8
2001	52.2	51.8	51.4	36.1	35.9	35.7	49.2	48.9	48.6
2002	51.4	50.6	49.8	35.6	35.2	34.8	48.6	48.0	47.4
2003	50.6	49.4	48.2	35.1	34.5	33.9	48.0	47.1	46.2
2004	49.8	48.2	46.6	34.6	33.8	33.0	47.4	46.2	45.0
2005	49.0	47.0	45.0	34.1	33.1	32.1	46.8	45.3	43.8
2006	48.2	45.8	43.4	33.6	32.4	31.2	46.2	44.4	42.6
2007	47.4	44.6	41.8	33.1	31.7	30.3	45.6	43.5	41.4
2008	46.6	43.4	40.2	32.6	31.0	29.4	45.0	42.6	40.2
2009	45.8	42.2	38.6	32.1	30.3	28.5	44.4	41.7	39.0
2010	45.0	41.0	37.0	31.6	29.6	27.6	43.8	40.8	37.8
2011	44.2	39.8	35.4	31.1	28.9	26.7	43.2	39.9	36.6
2012	43.4	38.6	33.8	30.6	28.2	25.8	42.6	39.0	35.4
2013	42.6	37.4	32.2	30.1	27.5	24.9	42.0	38.1	34.2
2014	41.8	36.2	30.6	29.6	26.8	24.0	41.4	37.2	33.0
2015	41.0	35.0	29.0	29.1	26.1	23.1	40.8	36.3	31.8
2016	40.2	33.8	27.4	28.6	25.4	22.2	40.2	35.4	30.6
2017	39.4	32.6	25.8	28.1	24.7	21.3	39.6	34.5	29.4
2018	38.6	31.4	24.2	27.6	24.0	20.4	39.0	33.6	28.2
2019	37.8	30.2	22.6	27.1	23.3	19.5	38.4	32.7	27.0
2020	37.0	29.0	21.0	26.6	22.6	18.6	37.8	31.8	25.8

Source: Sen, B. and M. Mujeri (2002), *op. cit.*

Annex Table 7

Major Goal Posts in Poverty and Social Targets set against the 1990 Benchmark

Target	1990 (Benchmark data)	2000	Annual progress over 1990-00 (%)	2015 (Projection based on the progress rate of 1990-00)	2015 (Projection based on criteria laid down in MDGs over 25-year period)
Indicators in light of MDGs:					
Income-Poverty	59	50	-1.5	37	30
Adult Literacy	35	56	6.0	88	..
Primary Enrollment	56	75	3.4	100	100
Secondary Enrollment	28	65	13.2	100	..
Infant Mortality Rate (IMR)	94	66	-3.0	24	31
Maternal Mortality Rate (MMR)	480	320	-3.3	80	147
Life Expectancy	56	61	0.9	69	73
% Children Underweight	67	51	-2.4	27	26

Note: 1. Taking 1990 as the benchmark year and extrapolating the progress historically achieved during the nineties, the projection is made for the year 2015. The results show that using 1990 as the benchmark year will render the attainment of MDG goals relatively affordable task (compare the last two columns in this table with the last column of Table 4 in the main text). The Government, however, has made a deliberate choice in adopting an accelerated social development strategy by setting targets with the year 2000 as the benchmark. An accelerated vision is premised on the 'progressive realization of rights in the shortest possible time'.

2. Adult literacy and secondary enrollment rate have not been included under MDGs as separate level target variable, and hence excluded here.
3. A reliable figure of the under-five mortality rate for 1990 is presently not available and hence excluded from the table.

Annexes

Methodology of Poverty Analysis

The methodology of poverty analysis used for various components of the poverty diagnostics in the strategy paper is described below.

Trends in the Nineties Based on Unit-Record Data

For mapping recent changes in the poverty situation in the nineties the study uses poverty estimates reported in the 2000 HIES Preliminary Report issued by the Bangladesh Bureau of Statistics (BBS).²⁸ The Cost-of-Basic-Needs (CBN) method was used to estimate the incidence of poverty. With the CBN method, poverty lines represent the level of per capita expenditures at which the members of a household can be expected to meet their basic needs (food consumption to meet their caloric requirement, but also non-food consumption). The CBN poverty lines were first estimated for the base year 1991-92, and then updated to 1995-96 and 2000 for changes in the cost-of-living using a price index. Price indices for updating the 1991-92 CBN poverty lines to 1995-96 and 2000 were derived by combining price information available in the HES data sets and the non-food CPI. The HES data provide price information on food items and fuels that account for approximately two-thirds of the total household expenditure. Inflation of non-foods that cannot be calculated from the HES surveys was estimated by the non-food component of the CPI. As prices of some goods and services may vary between geographical areas in Bangladesh, the HES-based Tornqvist price indices were derived separately for each of the 14 main geographical regions. A weighted average of these and non-food CPI (disaggregated by urban and rural sectors) was then taken to derive the 14 region-specific cost-of-living indices for 1995-96 and 2000. These composite price indices were then used to update the 1991-92 CBN poverty lines to 1995-96 and 2000.

The base year CBN poverty lines for food and non-food have been derived in the following manner. The food poverty line is estimated by costing a fixed-bundle of food items corresponding to the age-sex adjusted normative caloric requirement of 2,122 kcal per day per person. Once the food poverty line is derived the setting of the non-food poverty line is done by calculating the amount of non-food expenditures spent typically by households located at the food poverty line (the so-called “upper poverty line” method, which has been reported in this paper). The next step consisted simply of adding to the food poverty lines the non-food allowances to yield the total poverty lines for each of the 14 geographical areas. The estimates derived under this method were used in this paper for setting the long-term poverty target.

Long-Term Trends Based on Grouped Distribution Data

The poverty estimates reported in the 2000 HIES Preliminary Report issued by the BBS cannot be used, however, for mapping the long-term changes in poverty and social development, especially since the early eighties. This has necessitated the application of grouped distribution data available from the various HIES reports used extensively in the poverty literature on Bangladesh. In estimating poverty trends based on grouped distribution

²⁸ These estimates were derived collaboratively by BBS and the World Bank.

data the method used is the CBN method similar to the one described above (see, Ravallion and Sen 1996, *op. cit.*, for an earlier application of this approach). These measures use mean consumption expenditure as reported in standard Table 2.03 in successive HES reports, and are based on the suitable parameterized Lorenz curve as estimated from the grouped distribution data ranked by per capita consumption expenditure. These poverty estimates differ from those reported in the 2000 HIES Preliminary Report issued by the BBS on two counts. First, they use *grouped distribution data* rather than *unit-record data*, which had to be used for the sake of comparability with the poverty series available for the eighties. Second, the availability of only grouped distribution data for the HIES data points before 1991/92 also dictated the choice of base-year non-food poverty line. Thus, the estimates based on grouped distribution data use *the 1983/84 non-food poverty line as the base-year non-food poverty line*, while the estimates presented in the 2000 HIES Preliminary Report use *the 1991/92 non-food poverty line* as the base-year non-food poverty line. It may be noted that both the poverty series comparable for the nineties display similar trends.

Employment and Labor Market Issues

Under the Strategy, the approach to poverty reduction will be centred around the key issue of employment creation. Since the poor have their own labor as the only major resource, access to employment is the best route for them to move out of poverty. This would require a sustained process of pro-poor and employment-creating growth.

During the 1990s, the labor force in the country has expanded rapidly with around 1 million people entering the labor force annually. Since 1989, the labor force has been growing by about 1.7 per cent per year and the growth is unlikely to taper off during the next decade. Two characteristics of the evolution of labor force are significant: (i) rapid growth of urban labor force due to rapid urbanization and rural-urban migration; and (ii) persistence of low labor force participation rate for women.

The sectoral share of employment changed very little during the 1990s. Agriculture is the major sector providing employment to more than 60 per cent of the labor whereas expansion in employment opportunities in non-agricultural activities mostly occurred in the services sector including construction, trade, transport, hotels and restaurants, and community and personal services. However, the stagnation in manufacturing employment and its concentration in two industries (textiles and garments account for more than 70 per cent of the manufacturing labor force) are worrying since Bangladesh needs to absorb an increasing number of unemployed people and the entrants to the urban labor market in the manufacturing sector.

The employment pattern is characterized by low and declining level of formal sector employment (in 1996, the share of private informal sector was 87 per cent of total employed population over 15 years of age), low skills and literacy (the literacy rate was 44 per cent of the total labor force in 1996), and overwhelming dominance of the self-employed, unpaid family helpers and wage laborers (comprising nearly 85 per cent of the labor force). The employment status of women differs greatly from that of men. More than three-quarters of the employed women above 10 are unpaid family laborers (compared with 40 per cent for men). Moreover, around 40 per cent of the labor force remain either unemployed or underemployed. Three groups of people suffer the most: the women, the rural population and the educated persons. The underemployment rates are higher for several specific groups. The male underemployment is concentrated in agricultural self-employment activities and daily wage laborers and, for females, underemployment is extremely high for agricultural wage laborers and self-employed in agricultural and non-agricultural activities. Despite the economic growth in the past decade, it has not been high enough to reduce underemployment, adequately expand formal sector employment, lead to satisfactory increase in real wage rates, and reduce labor market segmentation.

The challenge of the strategy will be to address the problems of creating enough employment to absorb the growing labor force. While the anti-poverty and employment-oriented growth that increases income opportunities for the poor will be accelerated, several direct interventions will be made to make the process more employment-friendly in the short run. Along with self-employment generation through government and NGO interventions, public works and other labor-based infrastructure development programs will be stressed. The labor-based infrastructure programs will be designed such that these become cost-effective

investments with appropriate employment practices and standards, economize on use of scarce resources, enhance poverty reduction role of physical infrastructure, promote better management and use of locally available resources, and increase employment opportunities for the poorest segments of the population.

For ensuring growth-enhancing and poverty-reducing impact, macro and micro-level interactions will be emphasized along with maximizing direct and indirect employment multipliers through both horizontal and vertical linkages of infrastructure development. For this, close interactions will be ensured between the central and local government institutions. The labor-based rural infrastructure programs will focus on provision of basic economic and social services at local administrative levels in collaboration with local government and non-government institutions. The public works programs will be directed to creating community assets in response to demand by, and for the benefit of, local communities. The approach will aim to generate both employment and macroeconomic benefits and linkages.

With the significant importance of the informal sector and its dominance in overall employment in the country, strategic importance will be given to transform the informal sector as the engine of productive employment generation. For this, the thrust will be on expanding higher productivity dynamic activities and selective support to 'residual' activities as a part of the livelihood strategy of the poor. The strategy would focus on promoting entrepreneurial skills; creating information channels on appropriate technology and organization of production; strengthening rural-urban and external linkages and marketing chains; ensuring necessary infrastructure including electricity, transport and communication facilities; providing credit facilities; providing business advisory and development services; and ensuring conducive investment and policy regimes.

The approach under the strategy will aim to eliminate child labor to ensure the access to basic education for all children. The government has succeeded in eradicating child labor from the RMG sector and a Child Labor Policy is presently under preparation. In view of the widespread self-employment of children in the informal sector, conceiving child's work as access to employment in the formal sector alone will not be realistic in Bangladesh. Practical approaches will be considered for the children from poor households e.g. ensuring work for an adult member of the family in lieu of the child or provision of minimum income to compensate for the child's income loss. A learn-and-earn methodology (in non-hazardous occupations) will also be considered for students of appropriate ages to whom full-time education is difficult due to extreme poverty. This will include mandated reduction of daily working hour to accommodate education for the children (at the expense of the employer).

Macroeconomic Setting and Balances of the Bangladesh Economy

Bangladesh's economic performance in the 1990s has been relatively strong. Prudent macroeconomic management and generally sound policies led to improved performance of most economic indicators. The growth rate of GDP increased from less than 4 per cent per year in the 1980s to 5 per cent in the 1990s. The period witnessed a doubling of annual per capita GDP growth rate to more than 3 per cent in the 1990s mainly due to a falling population growth rate. Still, the growth performance is well below Bangladesh's potential. A near self-sufficiency in food production has been achieved which is significant for Bangladesh, the most densely populated non-city state in the world.

The growth performance of the 1990s was underpinned by relatively steady rates of investment which reached 23 per cent of GDP by the end of the period. Investments in both public and private sectors increased. The country, however, needs to invest more to create new employment opportunities for absorbing the growing labor force. Despite the increase in gross domestic savings and gross national savings, the country is yet to generate adequate savings to finance its growing investment needs. Hence, the flow of external resources, particularly foreign direct investment (FDI), is critical in the medium term for financing larger investment. For this, sustained maintenance of a stable macroeconomic framework is a priority along with measures to increase domestic savings, private investment and prudent use of investment resources.

Although significant success was achieved in bringing macroeconomic balances in the 1990s, the soundness of the macro-economy remains fragile. Bangladesh succeeded in keeping inflation in the single digits during the 1990s. However, several macroeconomic fundamentals weakened in the late 1990s largely due to external and fiscal weaknesses and developments in the global economy. The overall budget deficit increased to more than 5 per cent of GDP. The domestic financing of the deficit increased sharply. Although foreign borrowing is less costly in terms of interest payments, its availability as a share of GDP declined. As a result, domestic public debt increased at a rapid rate: from 9 per cent of GDP in 1996/97 to 15 per cent in 2000/01. The burden of domestic interest payments also rose sharply equalling 13 per cent of total revenue earnings in 2000/01.

The continued operation of the loss making state owned enterprises (SOEs) emerged as a major drain on public resources in the 1990s. Total losses of SOEs increased from Tk. 14 billion in 1996/97 to more than Tk. 33 billion in 2000/01 (1.3 per cent of GDP). Moreover, total borrowing of these enterprises from the banking system was nearly Tk. 74 billion in 2000/01 equivalent to 3 per cent of GDP.

In the external sector, export growth averaged nearly 14 per cent per year in the 1990s and Bangladesh's exports increased from around 6 per cent of GDP in the early 1990s to 14 per cent in 2000/01. Remittances grew at over 5.5 per cent per annum. The current account deficit remained below 2.5 per cent of GDP on average during the 1990s.

The crawling exchange rate policy was able to maintain relatively stable real effective exchange rates during the decade although developments in late 1990s underscore the need to adopt a more flexible exchange rate management system. The foreign exchange reserves started to decline since the mid 1990s and was equivalent to less than two months of imports in 2000/01. The low reserves tend to put the economy under pressure with high vulnerability to domestic or external shocks.

Agriculture and Rural Development

For rapid poverty reduction, the Government's priority is to develop the rural areas where most of the poor people live. This requires accelerated growth of agriculture and the rural nonfarm sector. A rapid agricultural growth will sustain high overall growth along with a better capacity to reduce poverty through enhancing rural wages, creating synergies for diversifying the rural economy, and enabling the supply of low-cost food to improve nutritional status and food security of the people.

Encouraging agricultural growth in the country requires various policies ranging from new technology and an effective extension system to credit for small farmers. The past growth in agriculture was helped by new high yielding variety (HYV) technology, particularly in rice, in which both the state and the market played important roles. For accelerating agricultural growth, the Government would continue its pro-active role in key public goods in agriculture particularly in improving the ability of the farmers to adopt new technology and providing appropriate mix of incentives to pursue profitable operations.

Although the share of agriculture in the country's GDP declined from about a half during the 1970s to a quarter in the late 1990s, the sector provides employment to more than 60 per cent of the labor force. Traditionally, Bangladesh agriculture experienced a modest growth averaging around 2.5 per cent per year. Since the mid-1990s, agriculture has performed relatively well registering an average annual growth of 4.6 per cent mainly propelled by rapid growth in foodgrain and fish production. Both crop and noncrop (animal farming, forestry and fishery) production increased. The production of rice increased substantially: from around 10 million metric tons in the early 1970s to more than 25 million tons in 2000/01 bringing the country to near self-sufficiency in rice production.

The recent growth of agriculture was greatly influenced by macroeconomic and sector specific policy changes. Reforms in trade and exchange rate policies created favorable incentive structures and dismantling of state interventions, market-oriented reforms and reduced regulations favored growth in agricultural production and productivity. The reforms led to faster growth in minor irrigation, increased the supply of fertilizer and seeds, helped in wider adoption of high yielding varieties (HYVs), and encouraged the farmers to go for more rational input use and production decisions. The Government's priority would be to intensify efforts such that positive achievements of the past are expanded and the constraints limiting their potential are removed.

The Government would create a policy environment that is (i) supportive of agriculture and rural nonfarm sectors; (ii) oriented towards small farmer development; (iii) capable of providing right incentives to adopt new technologies; (iv) conducive to higher investments in social and economic infrastructure in rural areas; and (v) adequate to ensure proper functioning of rural institutions and to provide market access for rural products.

Crop Agriculture: The strategies would respond to two dominant factors shaping future structural change and growth pattern of crop agriculture e.g. decline in population growth and

higher growth in per capita income. Such income-induced pattern of food consumption would result in a lower growth in demand for cereals and a strong market demand for non-cereal crops and non-crop agriculture. The Government's policies would be directed to push agriculture in three broad directions: intensification of production of the major crop (rice); diversification to high return non-cereal crops having comparative advantage; and improvements in non-crop agriculture. The National Agricultural Policy 1999 provides guidelines and policy priorities for the purpose. With limited availability of land, the medium-term strategy for crop production growth would emphasize several opportunities (Box 4).

Box 4: Medium-term Potentials for Crop Production

Crop production in Bangladesh has several comparative advantages and, even with limited availability of land, the country can significantly increase production through exploiting a number of opportunities:

- (i) With fertility decline and slow population growth, the dependency ratio is falling which will favor the promotion of a broad-based agriculture;
- (ii) The irrigated cropland can be expanded through appropriate land and water management. Similarly, the scope for increasing the productivity of rain-fed agriculture remains wide;
- (iii) The existing improved varieties of crops can produce higher yields, can be extended to new lands, and can be made to provide higher yields in lands where it is already planted;
- (iv) The potential capacity of available technologies and agronomic practices is still high to generate further productivity growth. Good management of land can raise soil productivity and cropping intensity which, along with expansion of irrigation system, would produce more per unit of land and water, and achieve the full potential yield;
- (v) The access to technological capital and creation of supporting institutions can alleviate physical resource constraints and address resource degradation problems. This can expand the ability of the poor farmers to enlarge their scale of production, adopt high return activities, and invest in productivity-raising human and physical capital formation; and
- (vi) The past growth in agricultural productivity indicates high returns on investments in public goods in agriculture (e.g. research and extension) relative to other public investments.

The intensification effort would be directed to rice cultivation through several options e.g. pursuit of a breeding strategy with focus on grain quality, shorter maturity, and hybrid/super rice offering bright prospects of increasing yields; adaptive research and effective research-extension linkages; and efficient water resource management. In case of rice, around 45 per cent of the total area is currently planted with local varieties although the average yield of local varieties is half the yield of HYVs. The removal of agronomic and other constraints to transform the potential area from local into HYVs of rice will contribute to increased rice yield. Similarly, in areas, which are suitable for local rice varieties, measures to raise yields will contribute to increased production.

The measures for diversification would include: intensification of rice production to release land and other resources for nonrice crop cultivation; specific targeting of flood free uplands; incorporation of nonrice crops in rice based farming systems; scientific soil testing to help the

farmers to adopt optimal cropping patterns, preserve bio-diversity and efficient traditional technologies; effective extension messages; promotion of agri-business and agro-processing; and investments in transport, communication, and storage infrastructure and information network.

Noncrop Agriculture: For developing noncrop agriculture, quantity and quality of production would be enhanced without adversely affecting the natural resources and the ecology. The poultry and livestock subsector has low per-bird and per-animal production of meat, milk and eggs due to constraints of disease, poor genetic stock, shortage of land for pasture, and inadequate feed supplies. The production is dominated by small holder farmers who are relatively unfamiliar with basic animal nutrition, feed value of different sources, disease control and breed selection. The Government's strategy would be to increase output of animal products by improving animal health and introducing modern methods of production, expanding technical skills of the farmers, and building supportive policy framework and infrastructure. Commercial poultry, beef and dairy farms would be promoted in areas around large cities as well in rural areas to meet the demands of urban consumers and create links with export markets. The Government's actions would concentrate in two areas where private initiatives are lacking at present: supply-side factors (e.g. research, technology, markets, infrastructure and institutions), and structure of incentives to provide right signals to the producers. A comprehensive Animal Farming Sector Policy would be prepared to guide development interventions.

In fisheries, technological and marketing gaps are widespread. For marine fisheries, more advanced practices would be introduced to increase production. Fish production in inland water bodies would be expanded using good management, quality control, and adopting improved technologies in farming and hatcheries. Shrimp production and exports would be increased by enforcing effective regulations on land and water use, adopting sanitary and phytosanitary measures, and strengthening infrastructure facility and information dissemination. Based on 1998 National Fisheries Policy, the Government has initiated measures to address several sectoral concerns. The Government would continue the implementation of mitigation measures to minimize the negative impact of unplanned installation of water management structures on floodplain fisheries in collaboration with local communities. The recently initiated community based floodplain management programs would be scaled up to cover all floodplain fisheries in phases. The unplanned shrimp culture development, which has led to social and environmental problems, will be addressed through well-informed decisions based on studies carried out under the Fourth Fisheries Project and available research. The capacity of the Department of Fisheries will be strengthened so that it can play an effective role in participation and cooperation with local communities and the private sector.

In managing the forest resources, some success has been achieved through industrial plantations, mangrove afforestation in newly accreted lands and degraded forestlands, public awareness on tree planting and efforts of the NGOs. The Government would expand these momentum and address several concerns e.g. conservation of natural forests and protection of biodiversity, management and utilization of existing public plantations, development of wood sources, and management and expansion of mangrove plantations. For proper management, several options would be adopted e.g. use of new management plans, better silvicultural treatments, expansion of computerized resources information system, strengthening forestry research, capacity building and human resources development. The communities would be involved through participatory forest management with better access of local communities to natural resources. Enabling environment for private sector plantation development and public-private partnerships would be created.

Planned agro-forestry will be developed to manage forest lands according to household needs of fuel, food, livestock and other activities. For the purpose, degraded forests, strip lands alongside roads and embankments, marginal homestead lands, private hilly lands, and surplus lands from tea plantation would be targeted in partnership with NGOs and community organizations.

Rural Finance: Reforms and innovations will be introduced to improve credit market opportunities for the poor farmers and increase the efficacy of rural finance. The barriers hindering rural credit delivery to the small farmers largely derive from institutional failures for monitoring and enforcing credit transactions and ineffective mechanisms for reaching the poor farmers. The need is to bring new institutional mode through building upon the success of microcredit to service the credit needs of the small farmers. Several innovative approaches introduced by microcredit would be considered for replication in designing credit programs for the small farmers e.g. peer pressure to remain current with loan payments, training and technical advice to resolve low profitability, and portfolio diversification to reduce vulnerability. The retail banking to the small farmers would be expanded by incorporating successful features of financial intermediation for small clients e.g. character-based lending in lieu of group lending using local agents to assess creditworthiness, monitor performance and enforce contracts; decentralized decision making and performance based remuneration system; nontraditional collateral (e.g. borrower's trustworthiness and character) and dependence on social hierarchies (e.g. elected local representatives) for contract enforcement.

Agro-processing and Agri-business Development: The rapid growth of agriculture would require agro-processing and agri-business development to facilitate access of the farmers to modern inputs and ensure increased demand for agricultural products. For sustaining growth and diversification of the rural economy, in addition to exchange functions, such activities will be used to (i) provide a resource-bed for better farm investments to raise production and productivity; (ii) generate a value added price to the farmers; (iii) support crop diversification and develop logistics of efficient marketing at grassroots level; and (iv) help in evolving better marketing practices and linkages to expand the benefits of public policies.

Under the strategy, the potential of promoting high technology oriented agro-industries (e.g. horticulture and floriculture) in the Export Processing Zones (EPZs) will be explored. The possibility of consortium funding with technical cooperation of foreign firms and buy-back agreements would be considered as a rewarding option to help develop linkages with nearby areas and instill a vision of international marketing.

Along with creation of an enabling environment, the Government would play a major role in overcoming structural deficiencies, creating linkages and developing competitiveness for these activities. The Government will make conscious efforts in entrepreneurship development, building up technological capabilities, improving access to finance and developing appropriate policies and institutions. An integrated policy framework will be created which will remove policy distortions; develop linkages through subcontracting, relational contracting, and other mechanisms; create legal and institutional framework for enforcement of contracts; provide investment incentives and credit; support technology development, product quality improvement, extension, marketing and skill training; and access to new domestic and external markets. The Government would adopt appropriate measures to promote value added crop production on a regionalised production strategy based on agro-climatic and market advantages and encourage private sector initiatives through infrastructure development and other incentives.

Foodgrain Procurement Program: The present foodgrain procurement program would be re-oriented keeping in view several developments in the 1990s. The rice price in the country has become more stable over the years and increasingly targeted nature of the Public Foodgrain Distribution System (PFDS) has reduced the Government's share in total foodgrain sales and its capacity to influence market prices. Moreover, trade liberalization and private sector participation in food imports have opened up new possibilities to ensure market stability. For maintaining foodgrain price stability, private sector trade and price bands close to import and export parity levels would be more widely used. Since export parity does not provide an effective floor for rice price at present, an efficient program of domestic procurement will be maintained in the medium term. Several measures will be adopted to improve the efficiency of the procurement system and increase access by the small farmers including institutional changes to ensure timely purchase, minimizing irregularities and rent-seeking activities, and removing barriers to market integration.

Input Delivery Systems: The Government's policy of privatization of the input delivery systems in the past led to more efficient response to market signals by the farmers and reduced the cost of marketing. The reforms in the irrigation sector led to large scale expansion of private markets in irrigation services and area under irrigation expanded. The Government's priority will be to sustain these policies and support private sector initiatives to accelerate the pace of adoption of modern inputs. The existing policy distortions would be removed and regulatory framework reformed in the inputs market particularly in fertilizer and seed markets to ensure effective liberalization.

Global Opportunities: Under the Agreement on Agriculture (AoA), Bangladesh being a least developed country is exempted from reduction commitments on tariffs, export subsidies and domestic support to agriculture. In order to expand external linkages, actions would be taken to promote agricultural technology transfer and market research, develop infrastructure, and create policy environment to support agro-processing activities.

Measures would be taken to avail opportunities along several directions: geographically (fast growing import markets), horizontally (increasing the spread of export commodities, and vertically (increasing value added of export commodities). The Agreement on Sanitary and Phytosanitary (SPS) measures has implications for Bangladesh's exports of frozen food, dried fish, tea, vegetables and other food products. Steps to harmonize SPS and Technical Barriers to Trade (TBT) measures with international standards would be implemented. The application of good agricultural practices (GAPs), good veterinary practices (GVPs), good hygiene and manufacturing practices and adoption of quality assurance systems e.g. Hazard Analysis and Critical Control Point (HACCP) system will be encouraged to boost agricultural exports. This will assist to consolidate trade with traditional markets, open new opportunities and attract premium prices by ensuring consistency of safety and compositional quality of agricultural products.

Trade Environment and Public Expenditure in Agriculture: The Government's policy would be to pursue a competitive exchange rate policy, remove tariff anomalies and end-user discrimination, and complement supply-focused agricultural policy with a supportive macro and trade framework. The Government's role would be to devise and administer institutions (legal system, regulations, policies) that provide incentives for efficient production and ensure availability of public goods in agriculture.

For increasing agricultural investments, action on two fronts would be taken: creating an institutional and policy environment that provides incentives for accelerated private investment; and enhancing public investment in key areas. Public investment in agricultural

research and development (R & D) will focus on building capacity to accelerate technological progress. The emphasis will be on site and season-specific technologies and extension messages in combination with credit and marketing services. The management problems of the National Agricultural Research System (NARS) would be effectively resolved along with a move to institute a demand-driven research system. The extension services would be geared towards strengthening links between research institutions and those who can apply the research e.g. farmers, NGOs, local government institutions and other service providers. A strengthened client-orientation by decentralizing program development to the upazila level will be given priority. For efficient marketing, public investments would be increased in rural infrastructure, electrification, developing regulatory frameworks and availability of market support services e.g. quality control, grades and standards, and market information.

The reform agenda in input and output markets would be pursued to create enabling conditions for the farmers to adopt new technologies. The Government has already liberalized the seed industry except for some notification requirements on the results of one-year multi-location adoptive trials of five important crops – rice, wheat, jute, potato, and sugarcane. Increased investments and further liberalization would be pursued to ensure more extensive participation of the private sector in multiplication, distribution and quality control of seeds as envisaged in the Seed Act 1997. Several actions would be considered e.g. tariff preference on import of seed cleaning and drying equipment, credit support for seed production, and policy on intellectual property rights to protect the seed industry. The fertilizer policy would be directed to eliminate the imbalance in fertilizer use which leads to soil fertility degradation.

The policy framework would emphasize improving the equity, cost-effectiveness and quality of agricultural services. This would be achieved through decentralization and local participation. Local government institutions, NGOs and other community organizations would be used for delivery of agricultural services. Several options e.g. contracting out delivery services of public agencies to NGOs and the private sector, increasing partnerships with NGOs and the private sector and similar measures would be adopted to deliver services in areas where local and beneficiary participation is a key component.

For ensuring the delivery of essential services and creating an enabling environment, public sector allocations to agriculture would be rationalized. The public expenditure on agriculture, as a percentage of total development expenditure, has steadily declined in the 1990s while agriculture's share in private investment has stagnated. This indicates premature shifts of resources away from agriculture creating dampening effects on the rural economy. The Government's support program would aim to increase productivity-enhancing private investments in agriculture for creating robust and sustained growth.

Rural Non-farm Growth: Through rapid expansion of non-farm activities, the Government's strategy to make the rural non-farm sector will be the leading sector of Bangladesh's rural economy. Given the characteristics of the rural labor market and the structure of farm holdings dominated by small and marginal farmers, both farm and non-farm incomes would be increased along with incentives for movement of labor from farm to non-farm sector. This would require a steady growth in productivity in the non-farm sector. The access to non-farm income is critical in raising household income along with enhancing the capacity of the farmers to invest in agriculture.

In the past, rural non-farm activities played an important role in generating new sources of employment in the rural area, but the productivity growth in the sector has been modest. The way-out from the situation requires some degree of upscaling with improved technology and

marketing support. The process can be further stimulated by forging urban-rural links in design, production, and marketing stages. For this, a decentralized industrial process around secondary towns and periurban areas will be pursued.

For accelerating rural non-farm growth, measures would be taken to strengthen both backward links e.g. agricultural equipment and repair services, marketing of fertilizer, seed and other inputs as well as forward links to agricultural activities like processing and marketing of agricultural products. Since increasing urbanization and higher incomes would increase the demand for processed food products, links with urban and export markets would be used as a major factor in increasing the beneficial interactions. The thrust will be on rural non-farm activities in the periurban fringes of major cities to take advantage of better transportation networks and urban spillover benefits.

Along with a trade regime that focuses on correcting the policy distortions that hurt rural non-farm activities and rationalizing tariffs on raw materials and inputs used by these industries, the Government would address infrastructural problems e.g. power, communication, information, transport facilities, roads, market places, ports and other facilities needed to improve their competitive edge and growth potential.

For ensuring product standardization, quality control and flow of information necessary for access to foreign markets, the Government would encourage formation of small enterprise associations to support respective activities. These would provide market information, quality guidelines, and link rural enterprises to large enterprises or export houses through contracting arrangements. The Government would devise mechanisms to access required levels of credit by the rural non-farm entrepreneurs from formal financial institutions. The NGOs will also be encouraged to expand their coverage of credit programs to include rural small and medium scale enterprises. Investments in education and skill training would be considered crucial in improving rural productivity and incomes.

The Government has formulated the National Rural Development Policy 2001 to guide the comprehensive development of the rural areas. The Policy attaches importance on creating efficient and effective local government institutions as the decentralized decision-making framework within a participatory mode. The Government would operationalize the integrated approach of the Policy to expand employment and decent income earning opportunities in rural areas along with measures to enhance the capacity and power of the rural poor to develop, protect and sustain their livelihoods.

Manufacturing Sector

For sustained growth and poverty reduction, the Government would pursue a globally competitive industrialization strategy dictated by the dynamic comparative advantage of the country. This means an employment-intensive industrialization with emphasis on small and medium enterprises (SMEs) and export-oriented industries.

The pace and level of manufacturing growth in the past was slow: the share of manufacturing in GDP increased to around 16 per cent in 2000/01 from 13 per cent in 1989/90 indicating a growth rate of less than 7 per cent per year. The performance of both large/medium and small scale industries was similar. Manufacturing growth remains narrowly based with only a few industries (e.g. readymade garments) spearheading recent growth. While trade liberalization measures in the early 1990s provided easier access to imported raw materials particularly for small industries, several factors e.g. increased imports of competing products due to lowering of tariffs, illegal imports from India encouraged by unfavorable movement in Bangladesh's exchange rate vis-a-vis Indian rupee, dislocations caused by natural and manmade factors, and deterioration in the overall investment climate led to a slow and fluctuating manufacturing growth. Total manufacturing investment remained at around 1.4 per cent of GDP in the late 1990s.

The foreign direct investment (FDI) flow into the manufacturing sector is small. Foreign investment in Export Processing Zones (EPZs) accounted for less than 10 per cent of total manufacturing investment in the 1990s. Bulk of the investments in the EPZs went into garments, textiles, footwear and other labor-intensive industries with little in high-tech industries. The FDI outside of the EPZs went mostly into gas and power sub-sectors. The limited size of the domestic market and lack of a facilitating environment discouraged the inflow of FDI into manufacturing industry outside the EPZs.

Slow manufacturing growth and the emergence of industrial sickness in the past had many roots. The problems relate to deficiencies in industrial finance, slow pace of privatization of public sector enterprises, mixed impact of rapid trade liberalization, lack of a competitive exchange rate policy, discriminatory fiscal incentives, and the persistence of a legal and regulatory framework that is characterized by pervasive, archaic and unnecessary laws, vague and discretionary regulations, and flawed and weak enforcement. Infrastructure bottlenecks e.g. inadequate transport, power, telecommunications, ports and other facilities, lack of investment-friendly labor relations and procedural complexities make setting of viable industrial enterprises very costly in the country.

The Government's efforts to accelerate manufacturing growth and increase its poverty reduction role would emphasize several elements. For the privatization program, a firm timetable would be set to assert the Government's political will and send clear signals to those who oppose the program. Necessary measures would be taken to reduce social costs of labor adjustment through appropriate safety-nets and help retrenched workers to reintegrate into the labor market. With a vibrant and dynamic private sector as the principal actor, the Industrial Policy 1999 envisages that Bangladesh will have a sizable industrial sector within a

decade contributing at least 25 per cent to the GDP and employing 20 per cent of the labor force. Similarly, a Jute Policy is being adopted to ensure a desired level of jute production, promote diversified use of jute, and increase the use of environment-friendly jute products. The Jute Diversification Promotion Centre (JDPC) has been set up to identify and exploit new technology for production of diversified jute goods in the private sector through providing technology, training, market research and finance. The efforts to increase the productivity of both raw jute and jute goods production would be intensified further to expand employment opportunities and generate economic activities in the country.

Trade Policy Reform: For proper pacing and sequencing of trade policy reform, the Government would announce well in advance planned changes in trade policy and help relax supply-side bottlenecks through complementary reform measures. For curtailing illegal imports, trade infrastructure will be improved and measures will be taken to eliminate the flow of remittances through the *hundi* channel. A competitive exchange rate policy will be followed to restore the balance in bilateral exchange rate with major export competing countries and discourage the inflow of legal and illegal imports.

Legal and Regulatory Framework: The legal and regulatory framework would be streamlined in several respects e.g. contract enforcement and dispute resolution, bankruptcy and labor laws, copyright protection, land titling and transfer procedures. The regulatory requirements would be streamlined through coordination among relevant agencies so that the One Stop Service of the Board of Investment (BOI) could help complete all requirements within a specified time. The capacity of the BOI would also be strengthened. These, along with measures to improve the law and order situation and create a congenial legal environment, would assure prospective investors, both domestic and foreign, that there is adequate legal protection to legitimate business.

Industrial Finance and Fiscal Incentives: To meet the demand for term loan financing, the Government would revitalize the non-banking financial institutions including investment companies and the stock market by enhancing their capacity to mobilize funds and creating enabling conditions for their operation as quasi-commercial banks. Along with necessary financial sector reform and new institutional initiatives, best practice methods of investment financing will be developed.

For developing the capital market, greater transparency and accountability of the stock exchanges would be ensured. The Central Depository System (CDS) would be speedily introduced and the stock exchanges would be strengthened by updating the rules and regulations along with measures to facilitate surveillance and enforce compliance of rules.

Fiscal incentives to export industries would be rationalized along with adopting a more appropriate definition of export industries and effective measures to stimulate backward linkages. The prevailing system of duty drawback would be simplified and the cash compensation scheme would be replaced by appropriate measures consistent with WTO regulations to ensure competitiveness of domestic export industries.

The ongoing process of reforming customs and improvements in VAT and income tax administration would be accelerated and sustained through appropriate reorganization of the

National Board of Revenue (NBR). The customs reform would be extended to cover all agencies at sea, air and inland cargo terminals to ensure speedy import and export clearance. The problems relating to pre-shipment inspection (PSI) would be resolved to ensure effective implementation of the system.

Skill and Technology Upgradation: Skill and technology upgradation will be geared to achieve several objectives e.g., diversifying the industrial base and the export sector, meeting the enhanced health, sanitary and phytosanitary standards of the exportables in the post-WTO era, attracting FDI in high-tech industries, and complementing trade liberalization through adequate supply response. The Government would enhance investments in vocational training systems and make them more relevant to current needs of the industrial sector. The efficiency of public technical training institutions would be increased through in-factory skill upgradation and training activities. Technology acquisition, adaptation and upgradation would be given priority to ensure competitiveness in manufacturing and export sectors.

Capacity Building and Industrial Support Services: The institutional capacity to provide quality support services will be enhanced. The Government would revamp the industrial statistics wing of the BBS to generate consistent data on manufacturing sector. The capacity of the WTO cell of the Ministry of Commerce would be enhanced through reorganization and an autonomous Foreign Trade Institute with links to the private sector would be established. The Government would undertake appropriate reorganization to ensure strong leadership, autonomy and professional capacity of the agencies serving manufacturing and business such as Board of Investment (BOI), Bangladesh Small and Cottage Industries Corporation (BSCIC), Bangladesh Standards and Testing Institution (BSTI), Export Promotion Bureau (EPB), Bangladesh Tariff Commission (BTC), National Board of Revenue (NBR) and Office of Patents, Designs and Trademarks.

ICT and Export Oriented Industries: The ICT sector is yet to take-off in Bangladesh and its growth is painfully slow mainly due to poor informatics infrastructure. The Government would emphasize three areas for developing the ICT sector: (i) improvements of telecommunication infrastructure; (ii) rationalization of BTTB's monopoly and regulatory roles; and (iii) human resource development in the ICT sector.

For ensuring competitiveness of Bangladesh's readymade garments (RMG) sector after 2005, setting up of backward linkage industries would be encouraged based on careful assessment of the long-term viability of different segments. The Government would address other factors that also influence competitiveness e.g., skill upgradation and training of workers, better management practices, adoption of better technology and improved maintenance of machineries and equipment, better working conditions, power failures and political unrests, law and order situation, corruption and procedural complexities, port congestion and delays in port clearance, and problems of export finance.

With high potential of agro-based industries for both exports and import substitution, the Government's policy support would cover several areas e.g. infrastructure development for transportation and preservation of perishables; acquisition and adaptation of improved technologies and upgradation of local skills; preferential import of related input and equipment; development of intermediate industries such as packaging, bottling and printing;

extension of air cargo facilities, rationalization of air freight charges, and expansion of cooling and storage facilities at export points.

Developing Small and Medium Enterprises: The development of small and medium enterprises (SMEs) would be the key element in pro-poor manufacturing growth. Creating a vibrant SME sector would require pro-active policies beyond removal of policy biases due to their persisting structural weaknesses. These include: increased public investment in SMEs in areas of training, extension, research and market promotion; provision of finance and preferential fiscal measures; legal reforms to expand and simplify the use of non-real estate security for facilitating access to institutional finance; and implementation of an effective credit guarantee scheme.

The Government would adopt a consistent set of definitions for various size categories of enterprises so that the current anomaly (e.g. between BBS and NBR) is removed. Despite attempts to provide access through targeted lending, actual delivery of institutional credit to SMEs remained grossly inadequate due to several factors e.g. lengthy and cumbersome loan application process, inadequate capability of financial institutions for proper project evaluation, pre-occupation with fixed asset ownership as collateral, and lack of proper autonomy and accountability of financial institutions resulting in inflexibility, inefficiency, political interventions and corruption.

For addressing credit problems, the Government would introduce reforms in financial and fiscal sectors. The financial institutions would be encouraged to seek deposit relationship with small entrepreneurs and use cash flow rather than asset ownership as the criterion for creditworthiness. An expanded credit guarantee scheme would be used to support the policy. By removing existing discriminations (e.g. in VAT, wealth tax and provisions for tax holiday), the fiscal policy would be tailored to provide support to SMEs. For creating a conducive business environment, laws and regulations and policies related to SMEs would be improved; incentives to develop institutional network to support SMEs e.g. financial and credit guarantee institutions, business development services, training, technology, information and advocacy services would be provided; and the ability and involvement of the stakeholders in planning and policy/program implementation would be increased. The access to resources by SMEs would be enhanced through several means like creating incentives for financial institutions to support SMEs and micro-enterprises along with expanded role of the NGOs, expanding sources of financing through viable schemes such as loan guarantee, venture capital, and promoting leasing industry; improving management capacity of institutions providing business development services, strengthening training institutions and their networking; and reorienting and restructuring government training agencies to create stronger links with SMEs. The Government would implement programs to improve knowledge, entrepreneurship, and productivity of SMEs and support new entrepreneurs (business start-up). The Government's overall approach would be to remove unnecessary regulatory barriers and simplify required laws and regulations since the impact of regulations falls unevenly on the SMEs compared with their large-scale counterparts.

Infrastructure Development

Despite recognizing the significant role of infrastructure in economic growth and poverty reduction, infrastructural deficiencies continue to act as a major drag on Bangladesh's development efforts. In addition to inadequate infrastructure coverage, poor management and inefficiency of publicly managed infrastructure utilities have created a huge fiscal burden and constrained the much-needed expansion of infrastructure services to meet the growing needs of the economy. The Government will adopt a new approach to infrastructure development involving reorientation of sectoral priorities and increased private participation to alleviate infrastructure bottlenecks. To this end, the Government would implement a comprehensive sector reform in infrastructure development and management through a carefully sequenced approach to ensure reduced physical distribution costs and improve service delivery to the poor and the poorer areas.

Road Sector: The road network has expanded rapidly: starting with only 4 thousand km of primary and secondary highway networks in 1971, Bangladesh has now an extensive road network of nearly 223 thousand km covering four broad categories – national highway, regional highway, feeder road, and rural road. The road sector also accounts for an increasing share of passenger and freight movements. Despite the progress, the critical issue of the road sector is to maintain and improve the network and address the poor efficiency and safety of road operations. The Government would develop a coherent land transport policy and bring changes in the institutional framework of various land transport related agencies to support the policy framework. This will clarify their roles and help introduce performance monitoring mechanisms. The Government would explore various options for financing road maintenance and operation and consider establishing an autonomous road maintenance fund to ensure adequate and stable recurrent financing of roads. Monitorable indicators would be set to assess progress in key areas e.g. increased allocations for maintenance, increasing the level of cost recovery, and more effective road traffic management like road safety, traffic control and overloading enforcement.

Trend in Transport Modal Shares								
Year	Passenger				Freight			
	Billion passenger km	Modal distribution (%)			Billion ton km	Modal distribution (%)		
		Road	Rail	Water		Road	Rail	Water
1984/85	35	65	20	16	4.8	48	17	35
1988/89	57	68	17	15	6.3	59	11	30
1992/93	66	75	12	13	9.0	61	7	32
1996/97	72	73	13	14	10.0	63	7	30

Source: Planning Commission, *Bangladesh Integrated Transport System Study*, June 1998.

For ensuring a sound road transport system, clear assignment of responsibilities for management of different types of roads among the Roads and Highways Department (RHD), Local Government Engineering Department (LGED) and municipal/local government institutions would be enacted. Similarly, effective coordination among relevant ministries/agencies and formal mechanisms of interaction with non-government stakeholders

would be instituted. Capacity building of agencies like Bangladesh Road Transport Authority (BRTA) and local government institutions would be given priority to ensure satisfactory performance of their responsibilities. Management reforms would be implemented with clarified responsibilities between agencies, improved planning and implementation capacity, and transparent and competitive procurement and implementation process. For integrated development of all modes of transport, the Government would move towards forming a Ministry of Transport in place of the present fragmented approach under separate ministries.

Power Sector: Reliable access to electricity is essential for development and poverty reduction in Bangladesh. Yet only 18 per cent of the people have access to electricity which is of poor quality and unreliable in nature. The problems of the sector are well-documented along with the need for reforms. The sector's financial performance is poor with the two main utilities – the Bangladesh Power Development Board (BPDB) and Dhaka Electric Supply Authority (DESA) – plagued with system losses and inadequate collections. As a result, investments in maintenance and expansion of the network have been inadequate. Despite recent addition in generation capacity through both independent power producers (IPPs) and the public sector, capacity constraints of the transmission and distribution systems remain serious bottlenecks. The public ownership of the power grid with its inadequate commercial orientation in decision making is a major root of the sectoral problems.

The Government initiated power sector reforms during the 1990s. In 1995, a National Energy Policy was endorsed followed by adoption of a private sector power generation policy and measures to create the Power Grid Company of Bangladesh (PGCB), the national transmission company, and the Dhaka Electricity Supply Corporation (DESCO) in 1996. Efforts were initiated in 1999 to corporatize Ashugonj Power Station and to transform Haripur Power Station into Strategic Business Unit (SBU). The Government approved policy and vision statements on power sector reform in 2000. The progress in implementing the reforms has, however, been slow with mixed results. While success has been achieved in attracting IPPs (with a total contract of 1,780 MW) and introducing SBU at Haripur Power Station, reforms in other areas faltered.

Given the challenging nature of reforms in the power sector, the Government would adopt a re-designed approach to implementing reforms based on priorities. Priority would be given to completing the ongoing reforms and formulating an action plan for addressing generation and distribution problems along with other sectoral concerns. The approach would be to involve all relevant stakeholders, including the labor, in the process to integrate their views and ensure successful implementation of the reform measures.

The Government would prepare financial action plans to address the problems of BPDB and DESA along with effective legal and public motivation measures to reduce defaults. An Electricity Act would be enacted providing for an adequate regulatory framework and transparent tariff policies.

Natural Gas Sector: The natural gas sector, with its tremendous potential in contributing to the development of the economy, would be effectively managed to maximize its role in poverty reduction and generate equitable benefits. The present gas infrastructure remains in a poor condition due to lack of commercial orientation and inadequate funding for expansion and operation and maintenance. The financial and technical capacity of Petrobangla, the key agency, is weak.

The Government would implement several measures to improve the performance of the gas sector. A Gas Act would be enacted providing the regulatory framework for fixing tariffs, enabling effective private sector participation, and defining the sector restructuring programs. An action plan would be implemented to improve the financial performance of Petrobangla and reduce the arrears. The Hydrocarbon Unit would be strengthened with sufficient staff and expertise to assist in policy formulation in the gas sector and a Petroleum Directorate would be set up to manage the petroleum database, adopt gas production policies, and monitor activities of foreign companies. Decision on export prospects of gas would be taken keeping the national interests in view.

Rural Infrastructure: The role of rural infrastructure is significant in Bangladesh and infrastructure development contributes, both directly and indirectly, to poverty reduction. There are many components of rural infrastructure of which three important elements are: roads, markets, and electrification.

An extensive road network serves the vast rural areas. Similarly, 2,100 markets are being developed as growth centres covering the rural areas. The rural electrification program, launched in 1977, covers more than 12,000 villages in 32 districts. Much of the rural infrastructure, e.g. rural roads, were built using labor-intensive technologies under public works programs (Food for Works and other rural development programs) and infrastructure development programs implemented by the LGED.

Road Network in Bangladesh		
Category	Length (km.)	Definition
National Highway (NH)	3,144	Connecting national capital with divisional headquarters, old district headquarters, port cities, and international highways.
Regional Highway (RH)	1,746	Connecting different regions with each other which are not connected by national highways.
Feeder Road Type A (FRA)	15,964	Connecting upazila headquarters and growth centres with the arterial road system.
Feeder Road Type B (FRB)	19,490	Connecting important growth centres/markets, places of socioeconomic importance and the upazila head quarters.
Rural Road Class 1 (R1)	65,222	Connecting union headquarters/local markets with upazila headquarters or road system.
Rural Road Class 2 (R2)	50,880	Connecting villages and farms to local markets/union headquarters.
Rural Road Class 3 (R3)	66,147	Roads within villages
Total	222,593	
Note: In addition, there exist about 25,000 km of R2 and R3 roads constructed under the Food for Works Program.		
Source: RHD, LGED and MDMR 2001		

Several problems impose a tremendous burden on road maintenance and reduce the quality of services. The neglect of proper engineering design and implementation quality during construction, inadequate drainage structures and large number of gaps due to absence of bridges and culvert generate poor quality service, high burden of maintenance, and less impact of infrastructure development. Rather than expanding the network, the Government would improve the quality of rural roads e.g. emphasize quality construction (e.g. approach adopted by the LGED and the Ministry of Disaster Management and Relief) using labor-based technologies, maintain and upgrade the existing network, and undertake selective

expansion to fill critical gaps to ensure rural-urban linkages. For the purpose, emphasis would be given on (i) developing growth centres (including market structures, storage, communication, and information services) and growth centre connecting roads with upazila headquarters and nearest all weather roads; (ii) developing rural roads which connect villages with growth centres and feeder roads; and (iii) providing drainage structures (e.g. bridges and culvert) on rural roads.

For maximizing direct and indirect multipliers of income and employment generation from infrastructure development, the Government's priority would be to create macro and micro-level interactions. This would be ensured through close interactions between the central and local government institutions. A proper decentralization of design, implementation and management of rural infrastructure programs would be ensured to derive the far-reaching implications on cost effectiveness, maintenance, and sustainable generation of infrastructure services. For the purpose, the formal rural infrastructure programs (e.g. those implemented by LGED) would focus on provision of basic economic and social services in collaboration with different local agencies, NGOs and the private sector based on sharing of responsibilities through experience and examples of good practice. The infrastructure under public works programs would be directed to creating community assets in response to demand by, and for the benefit of, local communities. For the purpose, the overall responsibilities of local level institutions would be enhanced along with inclusion of elements of self-help by the communities. In order to ensure efficient planning, implementation, and operation and maintenance of rural infrastructure, the community participation process would be adopted with involvement of local government institutions, NGOs, beneficiary groups, user committees, and the private sector. This would also contribute to withstand several features that lead to deficiencies in rural infrastructure assets e.g. *ad hoc* dispersion without effective linkages, economize on materials leading to low quality of created assets, undue submission to political pressures, and neglect of maintenance requirements.

Port Sector: Reforms in the port sector will be implemented for improving Bangladesh's competitiveness and promoting export-led growth. At present, congestions, inefficient management practices and cumbersome procedures, vested interest of labor unions and other groups, and inordinately high unofficial costs increase transportation costs and resulting delays and uncertainties severely undermine the economy's productivity and international trading links. The Government has adopted a new National Shipping Policy and guidelines for private participation in ports. The reforms would improve efficiency and competitiveness through granting more autonomy to the port authorities, implementing labor reform programs, setting performance evaluation criteria, and establishing procedures for accountability.

Telecommunications: The thrust on information and communications technologies (ICTs) for economic growth and poverty reduction would require a dramatic improvement in the performance of the telecommunications sector. For this, the Government would bring fundamental restructuring in several areas e.g. commercial organization, technical and service delivery capacity and service quality.

The telecommunications sector has a good prospect to attract private sector participation. The Government would create appropriate policy and regulatory environment for greater private participation. The policy and regulatory framework would separate policymaking, regulation and operations; operationalize an independent regulatory agency with specific mandatory functions; adopt a well-defined access policy to ensure competitive entry; and introduce reforms of the Bangladesh Telegraph and Telephone Board (BTTB) to provide quality and competitive services. The aim would be to ensure a level playing field for all operators and attract private investments for sector expansion.

Strategic Issues in Health Sector Development

Introduction

The present annex on strategic issues in the health sector is intended as an outline of the issues to be addressed in more detail in the full poverty reduction strategy. Its primary focus is poverty and the linkages between health and poverty. The key objective here is to provide a framework for progressing towards pro-poor health planning at both the strategic and operational levels.²⁹

This annex is produced as work proceeds on the development of the next sector plan for health, provisionally labeled as the *Health, Nutrition and Population Sector Program* (HNPSP). The processes for developing the full-blown strategy (and the TYRP) and the HNPSP are distinct but interlinked. Preparation of the full-blown strategy is a national, multi-sectoral process for poverty reduction and economic growth, and will provide the broad framework within which the health sector will address poverty goals. As an interim step in the development of a full-blown strategy and the TYRP, the present paper sets out the broad thrust of a national poverty reduction plan. It highlights a number of key crosscutting issues, several of which have particular relevance to health (e.g. governance, participatory planning, and poverty monitoring). In contrast, the HNPSP is a strategic and operational plan for the health sector that incorporates poverty goals. In practical terms, HNPSP will have a more focused sectoral scope, and will include much more detail on how health sectoral goals will be achieved.

In process terms, this annex elaborates on the health content of the poverty reduction and social development strategy and indicates the further work required to generate a strong health component of the full-blown strategy. This annex and the process for producing the poverty reduction strategy will simultaneously support the development of the strategic elements of the HNPSP. Consequently, the focus here is on further developing the health content of such areas as the poverty diagnosis.

Embodied in this annex is a statement of the core goals and guiding principles for pro-poor health development. Of course, HNPSP is also an operational document, and as such will need to detail specific actions to be taken for improving the health of the poor. This task lies outside of the scope of this annex, although it is intended that it assists others to translate the strategic content and framework into action and interventions. The annex indicates some ways in which this latter process might progress.

The poverty reduction and social development strategy has highlighted a number of crosscutting issues for national poverty reduction and economic growth that have relevance across many sectors, including health. These include issues focused around: better governance; improvements in the quality of public services; and, social safety nets for the poor. Whilst a detailed examination of these themes lies outside the scope of this annex, they are being examined as part of the broader process of strengthening the poverty content of HNPSP.

²⁹ This annex draws on the written inputs provided by the Health Economics Unit of the Ministry of Health entitled *Health as a Goal of and a Mechanism for Poverty Reduction and Economic Development*, September 2002 as well as consultations held with the major stakeholders within the Ministry of Health.

Background and Context to Pro-Poor Health Planning

Recent years have seen a major shift in the way that health and related sectors are perceived in the development process. Previously, health was conceived primarily as a goal of development and as a consumption sector. In other words, health was seen, primarily, as a drain on resources that might otherwise have accelerated the pace of socio-economic growth and development. That perception has changed markedly in recent years. Health, and the related sectors of nutrition and population, are now widely recognized to have an important role to play in the development process. Rather than being merely a goal of development, health is seen to be an important input to development.

The current sectoral program for health – the Health and Population Sector Program (HPSP) – started in 1998 and will conclude in June 2003. A key feature of HPSP is its adoption of a sector wide approach (SWAP), with donors providing co-ordinated support against an agreed national policy and expenditure framework.

The HPSP incorporates broadly defined poverty goals. It aims to improve the health of the poor, women and other vulnerable groups through the provision of client centered, quality health services. A central objective is to re-direct a substantial share of public health expenditures to an Essential Service Package (ESP). The ESP was defined using a number of criteria. The most important of these were consideration of the diseases posing the greatest burden of ill health in the country, especially to the poor, and the relative cost effectiveness of health interventions. HPSP focuses primarily on rural areas and delivers the ESP through primary level health facilities, defined as Upazilla and below. This includes the development of a new tier of health facility at the community level, called community clinics. HPSP also specifies a number of policy and institutional reform objectives, such as unification of the health and family welfare wings, and decentralization.

The Pro-Poor focus of HPSP may be summarized thus:

- Through ESP, it focuses resources on cost-effective interventions that address the most common health problems of the country overall, and the poor in particular;
- Its rural focus concentrates services where the majority – though not all - of the poor reside;
- The focus on delivery at the primary level supports services and facilities that are most used by the poor;
- The introduction of a new community level health service tier (the community health clinic) aimed to improve access by the poor; and
- Parallel activities to support health policy and systems development were introduced to strengthen service delivery.

Some successes can be reported against these objectives. There has been some success in re-orientating service delivery towards the poor. In terms of resource allocation, the PER indicates a shift in public health spending towards the essential package so that now over 65% of public health spending was on the ESP. In terms of service utilization, over 55% of those using Upazilla and lower level health facilities are from two poorest income quintiles.

The Next Sectoral Program and Poverty

A new sectoral program is scheduled to commence in 2003. Although the overall strategic goals for the strategy are still being debated, there is a clear consensus that the next sector plan will need to improve upon past poverty goals and achievements. For example, it will need to strengthen targeting of public health spending to the poor and most vulnerable. This will require continuing implementation of a number of the policy and institutional reforms initiated under HPSP, such as ESP delivery through primary level facilities. However, it will also entail shifting from a fairly broad-brush targeting approach to one that is more refined and precise, and views health and poverty in a holistic context.

A number of factors will need to be considered in the context of a more pro-poor health program. The first concerns the scope of the program. HPSP largely confined itself to the health needs of the rural population. This was understandable, given that the majority of the poor do reside in rural area, although it does sideline the need of a large number of poor who reside in urban areas, particularly in urban slums. The next program will need to specify more clearly how the health needs of this population group will be met.

Whilst HPSP has made a good start in re-orientating health systems and interventions towards the poor, some challenges remain.

The next strategy will need to address the following:

- HPSP did not explicitly define or quantify poverty objectives. Whilst overall health and population targets are specified, no targets were set for reducing inequalities, nor have steps been taken to monitor inequality reduction.
- HPSP is limited in its identification of target groups. It does not consider the heterogeneity of the rural population (not all of whom are poor), nor does it address the needs of a large group of urban poor.
- Overall spending, and public spending on health remains low, thereby limiting the scope for improving health overall as well as reducing inequalities.
- Resource allocation practices continue to be based upon past facility and staffing norms, which in turn reflect historical decisions not based upon need, demographic or socio-economic differentials.
- The poor face particular barriers in accessing government health services. For example, unofficial fees in government health facilities impose a greater burden on poor households compared to richer households, and have been identified by the poor as one of the major deterrents to their use of government health services (SDS) which is often erratic.
- It has not fully overcome some of the systemic barriers to improvement of the situation of the poor.
- It does not reflect the complex relationship between poverty and ill health. Greater recognition will need to be given to the multiple determinants of ill health, and of the need for actions beyond the traditional boundaries of the health sector, such as in nutrition, water and sanitation. More creative actions are needed to address this complex cause and affect relationship.

- The content of the ESP will need to be re-visited to ensure that these remain the priority services of the poor. In addition, the relative emphasis given to individual ESP services will need to be examined. Available evidence suggests that maternal health is the most under-resourced of all the ESP services relative to needs.
- The poor face a number of demand side barriers. These include physical and financial barriers, as well as knowledge, provider behaviors and socio-cultural factors. Special attention will need to be given to gender and health care access. First there is need to better understand these access barriers, their relative importance and how they interact with each other to prevent health access of the poor.
- Further attention is needed in respect of systems strengthening and development to ensure delivery of relevant, high quality, and accountable health services. This includes Human Resource development, improving service discipline, decentralization, and local participation in health planning and monitoring, amongst others.
- Catastrophic health events are a major problem in driving households into poverty. It is important that the next sector plan identifies ways of addressing this problem.

Key Steps in Developing the Health Content of the Strategy

This annex highlights three broad aspects of pro-poor planning: participation, poverty diagnosis, and objectives and actions.

Stakeholder Participation

The various documents and guidelines produced on the poverty reduction strategy emphasize the importance of stakeholder participation. There is a long tradition of participatory consultations in Bangladesh and much had already been done prior to the current poverty reduction and social development strategy. Although the NGO and development community (rather than government) had undertaken much of this work, health is consistently ranked as a high priority for, and concern of, the poor. Similar findings emerge from the different consultations with the poor (e.g. poor quality, staff absenteeism, drug shortages, unofficial fees, cleanliness and facilities). The poor consistently acknowledge the threat that poor health poses in terms of poverty and the importance of good health care.

In order to elaborate further on the health specific elements, the following steps are required:

- Agreeing the purpose and form of participation;
- Identifying key stakeholders and participants in health and poverty; and
- Establishing a process and structure for participation.

The Health Poverty Diagnosis

Effective planning for poverty reduction should be based upon sound evidence on the nature and extent of socio-economic inequalities, how they arise, and what are the resulting problems. This process is often termed as *Poverty Diagnosis*. Expressed concisely, a poverty diagnosis for health would comprise the following:

- The identification of key health-poverty variables and health-poverty indicators;
- An assessment of the extent of, and trends, in socio-economic inequalities in health;

- An assessment of who the poor are and the differences amongst them;
- An analysis of the health-poverty process and the factors that contribute to socio-economic inequalities in health;
- An identification and analysis of the major health problems of the poor and the consequences of those problems for the poor; and
- A critical appraisal of the capacity of current data and information systems to support pro-poor health planning and the subsequent monitoring and evaluation of poverty reduction activities and outcomes.

Identifying and Prioritising Objectives and Actions

The poverty diagnosis is an essential process in identifying the cause and extent of health status differentials. It is an important precursor to the development of a pro-poor health strategy and the subsequent expression of that strategy at the operational level (i.e. in terms of specific objectives and actions). The poverty diagnosis will facilitate the design of a sector plan that addresses two broad goals: first, maximizing overall national health status; and, second reducing health status inequalities and prioritizing the needs of the poor. In practical terms, this challenge can be addressed in terms of three specific objectives. Expressed simply, a pro-poor plan will need to achieve the following:

- It will need to increase the resources available for health and health related activities.
- It will need to ensure that those resources achieve maximum impact (i.e. are used efficiently and effectively to produce quality care with the minimum of waste).
- That the benefits of health spending and health interventions are distributed so that inequalities in health are reduced.

The next section indicates how these goals and objectives can be translated into a strategic health plan.

Elements of a Strategic Health Plan

Spending More (Broadening and deepening the resource base)

A fundamental problem is that insufficient resources are available for health in Bangladesh. Overall health spending is approximately \$12 per capita of which one third is channeled through government with the remaining two thirds coming from private out-of-pocket expenditures. Recent empirical studies indicate that this level of spending falls far short of the level required for providing even a basic service package. A first challenge, therefore, is to explore options for increasing resources for health.

Progress will require efforts to increase funding across all sources. In terms of public funding, increases are partly dependent upon progress in economic growth per se. However, irrespective of progress in per capita GDP, the health sector can present a case for higher sectoral allocations. Traditionally health has been seen as primarily a consumption sector and as a goal of broader socio-economic development. Recent empirical research establishes a strong link between health expenditures and economic growth and development (WHO-MCH). This message needs to be appreciated in full and realized in broad allocational terms. It is not sufficient for public expenditures to increase in line with GDP growth but at a faster rate.

A significant share of current health expenditures is funded by development partners, with much of that now being channeled through a sector wide approach. There are several factors that suggest that with purposeful action this level of funding can be increased. There is broad recognition amongst the development community that expenditures on health are important in the development process. However, donor policies emphasize the importance of improving the effectiveness and efficiency of health spending and ensuring that such investments benefits the poor. If more resources are to be secured from development partners they will need some indication as to how the next sector plan will be pro-poor whilst at the same time indicating how improvements will be achieved in respect of quality, efficiency, effectiveness.

Out-of-pocket household expenditures currently constitute the major share of health expenditures. Some scope exists to increase household spending on health by encouraging households to spend more on health as well as by providing opportunities for them to do so (e.g. social marketing and BCC and schemes such as micro health insurance).

There is recognition that a small number of conditions result in a large share of the burden of disease e.g. malaria, TB and HIV/AIDS. In many countries these health problems are on the increase. In recognition of this, a number of international agencies have earmarked funds specifically for these health problems. It is important that Bangladesh takes the necessary steps required to access these special funds.

In developing sources of funding it is also important to consider how the burden of costs are distributed. Resource mobilization options need to be assessed not only in terms of the how much they generate but also how the costs are shared. In short, the burden of costs should be distributed according to ability to pay.

Spending Better (Doing the rights things in the right way)

It is not sensible to try and increase resources for health without at the same time taking steps to ensure that both existing and additional resources are not wasted. If the next sector plan is to achieve maximum health status improvements, all resources (new and existing) will need to be used effectively and efficiently. There is evidence that many resources currently allocated to health are diverted from their intended purpose. Losses result from many sources including: staff absenteeism, resource misuse and corruption. These problems are compounded by systems and procedures that do not promote efficiency, effectiveness or quality. For example, resource allocation is facility based with financial and staffing allocations based upon facility size (e.g. beds). For overall health objectives to be achieved as well as poverty objectives, allocation practices need to be reoriented to better reflect such factors as: population size and structure, health and socio-economic status, and geographic variations in the costs of services delivery. Once allocated resources should be used effectively and efficiently to produce services that are relevant to needs and of good quality. Again, there is much evidence to suggest that there is considerable scope for improvement here.

These objectives do not presume any specific service models. Current arrangements involve government in resource generation and allocation, and as a provider and manager of services. As part of preparations for HNPSP, various alternative models are being appraised with a view to determining the essential core functions of the public sector.

While a detailed technical debate on the relative effectiveness and efficiency among different health options is beyond the scope of this annex, the challenge can be expressed simply as:

doing the right things, and doing them in the right way. The right things are those that address the major health problems in a technically appropriate manner. Doing them in the right way involves considerations of resource use and costs. Amongst the key issues to be considered are:

- The funding and content of the Essential Service Package (ESP); and
- Improving the quality of health services.

Spending on Right Groups (Determining how costs and benefits are to be distributed)

Spending more and spending better are key elements in planning for health gain at the national level. However, it is also important that consideration be given to distributional objectives: that is, to the health of the poorest, the most disadvantaged and the vulnerable. In broad terms, this requires that overall health sector goals and targets be differentiated according to population sub-groups. Primarily this differentiation will be by socio-economic status (i.e. by poverty ranking) although in some cases the differentiation will be by other aspects of disadvantage or vulnerability (e.g. by gender, by demographic or household characteristics, by place of residence, or by exposure to risks or hazards). In practical terms, targets for health gain should aim to reduce inequalities in health at the same time as improving health status at the aggregate level. This requires means for identifying who the poor are, and ways of ensuring that benefits actually reach them.

Pro-poor health planning requires the identification and ranking of those in poverty. From a conceptual and methodological perspective, it is necessary to establish criteria for disaggregating the population into discrete beneficiary or target groups and to establish measures for ranking them according to their relative health status and needs. A commonly used approach is to allocate households to one of five groups (or quintiles) based upon measures of income or assets. Such devices facilitate pro-poor planning by identifying those groups for priority actions and interventions.

Having identified and prioritized target sub-groups, the next step is to try and ensure that benefits do reach them. Currently, HPSP employs a relatively simple approach to targeting, a combination based on geography, the burden of disease and cost effectiveness. The most comprehensive approach to targeting is one based on individual and household attributes. This approach is costly to implement and requires detailed and timing consuming data collection. Whilst it may be possible to pilot such an approach at the local levels, such sophistication is neither necessary nor feasible for the next sector plan. The question is how to improve upon current targeting given the quality and level of disaggregation of current data and subject to very real resource constraints.

Women's Advancement and Removing Gender Gaps

Gender equality is a core development issue—a development objective in its own right and provides an equally desirable perspective as the goal of poverty reduction and human development. The strategy delineated here is premised on the “rights, resources and agencies” framework both for understanding the nature of gender inequality and for arriving at desired policy measures and institutional actions.³⁰ The Government would develop specific programs and projects and suggest concrete policy and institutional measures in the light of these consultations in the context of developing a full-blown strategy and in the course of preparation of the TYRP.

While the country has achieved considerable progress in bringing about greater women's empowerment and removing gender gaps, there is hardly any place for self-complacency in this regard. Consultations with the citizens reveal several areas of concern as well as potential measures for making further progress towards gender equality.

Combating Continuing Negative Sex Ratios

Given female biological advantage at birth, male mortality rates are expected to be higher than female rates. The sex ratio—proportion of male over female in a population—can serve as an important indicator of discrimination against women. There has been some progress over time in this respect. The sex ratio, which stood at 106 in 1991, has dropped to 103 in 2000. However, the recent Census data show that the society is yet to emerge from the regime of continuing negative sex ratios. One of the major reasons underlying this persistence stems from the continuing female disadvantage in child mortality. Thus, female mortality in the age group of 1-4 years is found to be one-third higher than male mortality and the difference has remained nearly unchanged between the DHS surveys of 1993/94 and 1999/00. Although adequate research is lacking, the evidence is suggestive of continuing hidden social discrimination against females. Even though gender parity has been achieved in life expectancy, the life expectancy ratio itself in Bangladesh remains very low, indicating the large potentials for improvement in both male and female longevity.

Eliminating Violence against Women

Lack of safety and continuing violence against women is the most crucial barrier to women's advancement in the country. Violence against women has escalated in recent years. Available evidence for the second half of the nineties suggests a four-fold increase in the number of acid attacks, five-fold increase in the number of rapes, two-fold increase in the number of

³⁰ Gender refers to socially constructed roles and socially learned behaviors and expectations associated with females and males. Like race, ethnicity and class, gender is a social category that largely establishes one's life chances, shaping one's participation in society and the economy. Gender equality focuses on equality under law, equality of economic and social opportunity, and equality of voice and agency. Actions recommended in this section draw upon the suggestions voiced during the consultations with the Ministry of Women and Children Affairs, women organizations, activists, and the PRSP Gender Group. Additional materials have been drawn from *Gender Equality and Empowerment of Women: Priority Concerns for the Election Agenda* (CPD 2001).

dowry-related oppressions, and about two-fold increase in the level of domestic violence.³¹ Improvement of safety for women and elimination of violence against women must be taken up on a priority basis. The Government would undertake several measures to address this concern as summarized below:

- Ensuring fast track trial procedures particularly for victims of violence against women (VAW);
- Allocation of sufficient funds, adequate and skilled human resources as well as reorganization of relevant services such as investigation, collection and preservation of evidence (including the posting of more women doctors in the forensic department), witness protection, congenial court environment to facilitate the testimony of the victims in order to ensure effective prosecution on cases of VAW;
- Abolition of current practices of so-called 'safe custody.' Magistrates must not be able to send women to safe custody arbitrarily and without assessing woman's assent on the question of her own safety. Amendment of the legislation enacted in 2000 to stop violence against women and children (*Nari o Shishu Nirjaton Daman Ain 2000*) is needed to accommodate women's consent in their safe custody;
- Encouragement of regular jail visits by social workers, human rights workers, particularly women visitors and lawyers, to monitor the condition of female inmates. The Government would seriously take into account the findings of these visits in designing responses;
- Allocation of funds for providing half way homes, shelter or temporary protection under both GO and CSO arrangements to victims of VAW in case of such demand;
- Recruit more women into the police force (including the posting of sub-inspectors for each thana);
- Provide special transport facility for women and handicapped workers; and
- Undertake public education programs to raise awareness and condemnation of VAW.

Reducing High Maternal Mortality

The level of maternal mortality is another expression of hidden social discrimination against women. The 2001 Bangladesh Maternal Mortality Survey indicates a level of maternal mortality at 320 deaths per 100,000 live births. This figure is based on the method that uses a verbal autopsy identification of maternal deaths. For international comparison it is useful to present the estimate derived under the so-called "direct sisterhood" method, which yields a level of MMR in Bangladesh in the order of 400. This may be compared with India (410), Nepal (540), Bhutan (380), Maldives (350), and Sri Lanka (60). The figures for South-East Asian economies is much lower with 39 deaths for Malaysia, 44 for Thailand, and 170 for the Philippines. In short, Bangladesh needs to make radical efforts to bring down the maternal mortality rate to the target level within 2015. This would require the implementation of the sector-wide approach to health care with special focus on improvement of reproductive health, especially for the poor and the most vulnerables. A significant reduction in maternal mortality would require a comprehensive intervention package involving improvement in

³¹ This evidence relates to information compiled by the Documentation Unit of *Ain-O-Shalish Kendra*. The information compiled by the Department of Women Affairs supports similar trends of escalation of violence against women in the second half of the nineties.

maternal nutrition and antenatal care, expansion of institutional delivery, increased supply of skilled birth attendants, dissemination of health education, development of local level capability for providing emergency obstetric care, and sustaining further reduction in the fertility rate.

Removing Restrictions on Women's Employment and Economic Opportunities

One of the remarkable phenomena of the nineties is the increased visibility of the female work force in a diverse range of activities, ranging from ready-made garments industry, construction, services, to micro-credit financed non-farm activities such as petty trading and traditional farm activities.³² Nevertheless, discrimination against women is persisting in labor force participation, wage rate, and working condition. The Government would adopt measures to remove restrictions on women's employment and economic opportunities embracing a multidimensional intervention package:

- Introduce equal opportunity employment laws and ensure equal wage for similar work;
- Distribute *Khas* lands in the name of female heads of households. Provide protection of women sharecroppers, and ensure proper use of *Khas* land allocated to women;
- Undertake affirmative measures to sustain and support women's employment such as providing child care and safe transport;
- Increase women's participation in all activities in the agricultural sector. Ensure agriculture extension services for women and women's participation in market places (installation of stalls) and women's access to local water resources for fishery production;
- Increase women's income earning ability by providing training in undertaking small and medium-scale business;
- Increase availability of funds for giving medium size credits to women and encourage women entrepreneurs both in small and medium-scale production and business activities;
- Increase scope for soft loans (easy terms) for female supported households;
- Facilitate collateral provisions for women who do not own land;
- Introduce vocational skill-training facilities for women particularly in high-tech industry and in information technology through effective budgetary allocation;
- Provide banking facilities for garment workers at their work place;
- Provide home banking facilities to support women's savings habits;
- Formulate economic policies to reduce discrimination against women and allocate funds in the national budget. The formulation of the national budget should reflect how women and men are going to benefit from budget allocations;

³² According to the extended definition, labor force, as a proportion of population in the age group of 10+ years was 56 per cent for male and 36 per cent for female and 46 per cent for the entire population in 1995/96. The participation rate, representing the ratio of labor force to population in the relevant age group, was 78 per cent for male, 51 per cent female and 65 per cent for entire population.

- Support household activities through the national budget e.g. by ensuring supply of inexpensive energy source such as gas to the households. This will reduce cooking time and will assist women to undertake income-generating activities;
- Introduce home delivery system of information through mobile library and other mechanisms. Introduce E-business facilities in the rural areas for marketing of local products; and
- Recognize, include and highlight women's contribution in carrying both household and income generating activities in National Income Accounting.

Ensuring Formal Equality

The Constitution of Bangladesh ensures equal rights to all citizens and prohibits discrimination and inequality on the basis of sex and strives to promote social and economic equality. Specifically, with respect to women, Article 28 states that "women shall have equal rights with men in all spheres of state and public life." Women are discriminated against in many respects of personal law. Moreover, women enjoy fewer rights than men in reality and the gap between women and men persists, resulting in continuous discrimination against women.

In recent years, some progress has been made towards achieving formal equality between women and men. These have been reflected in the following measures and steps:

- The Government of Bangladesh became a signatory to the Beijing Declaration and endorsed its Platform for Action (PFA) in 1995;
- A national policy for the advancement of women was formulated and declared on 8 March 1997;
- The Ministry of Women and Children Affairs established a network of 100 WID focal points to act as a facilitator and catalyst in implementing, coordinating, and monitoring of WID (Women in Development) programs by all government line ministries through;
- An Institutional Review of WID capability was conducted that made important recommendations for improving effectiveness of government's ability to deliver on women's development;
- A 49 member National Council for Women's Development (NCWD) chaired by the Prime Minister has been established in 1995;
- A National Action Plan (NAP) to implement the Beijing PFA was prepared in 1998;
- Two reservations to the CEDAW (Convention on the Elimination of All Forms of Discrimination Against Women), which relate to family benefits, guardianship trusteeship and adoption of children were withdrawn in 1997.³³

Notwithstanding these developments, there are several areas deserving priority attention from the viewpoint of formal (legal) rights. These would be given full consideration in the course of implementation of the proposed strategy. These encompass the following arenas:

³³ Some additional measures already taken by the Government to promote women's advancement deserve mention here. These include incentives for increasing girl's education at primary and secondary levels, making provisions for primary school teacher's recruitment quotas for female (up to 60 per cent), employment quotas in government services (Gazetted 10 per cent, and non-Gazetted 15 per cent), day care facilities at the work place, and others.

- Withdrawal of remaining reservations from CEDAW;
- Amendment of Section 5 of the Bangladesh Citizenship Act of 1951, and the Bangladesh Citizenship (Temporary Provisions) Order, 1972 to allow women equal rights as men to transmit their citizenship to their children and spouses;
- Enforcement of existing laws on sexual harassment and assault;
- Enact legislation to make domestic violence against women as a punishable offence;
- Amendment of Section 31 of the *Nari o Shishu Nirjaton Daman Ain 2000*, to allow women the right to express their consent in matters of safe custody;
- Amendment of the *Nari o Shishu Nirjaton Daman Ain 2000* to provide *in camera* trials in cases of rape as of right;
- Widening the scope and extent of the Family Courts Ordinance 1985 to allow the jurisdiction of family courts to extend to all of Bangladesh, and to specify its application to members of all religious groups in Bangladesh;
- Enact legislation to establish equal guardianship rights of mother over children;
- Amendments to the Guardians and Wards Act 1890 to facilitate adoption of children;
- Amendment of areas of gender discrimination in major laws such as the Criminal Procedure Code, the Civil Procedure Code and the Evidence Act;
- Introduction and enforcement of codes of conduct to address sexual harassment in the work place, and in educational institutions;
- Reform of the family and inheritance laws to ensure women's equal inheritance to property irrespective of religion;
- Introduction equal housing opportunity laws. Women are often discriminated and are unable to rent housing on their own that makes women's mobility for job or education difficult;
- Ensuring regular and timely submission of GoB's report to UN CEDAW.

Supporting Quotas and Affirmative Action at All Levels and in All Spheres

The attainment of the key objective of gender equality is not possible without undertaking affirmative action at all levels and in all spheres of development. To this end, the implementation of National Action Plan (NAP) for Women designed through the initiatives of the Ministry of Women and Children Affairs is a priority task. Establishing social rights would be critical to the success of such affirmative action plan, as changes in the mindset and attitude of the people is important for the elimination of discrimination against women and for the formation of a pro-affirmative action policy agenda. Such an agenda is particularly required to promote women's participation in the political decision making process at all levels. Several major actions are required in this respect:

- Expand quota provision on reserved seats for women representatives in the national parliament. Recommendations for the quota are 64, 100 and 150 seats in the parliament. Upon consultation, a quick decision is needed on this issue and for election;

- Provide comprehensive sensitization program for all members of parliament and elected members of local government on issues regarding discrimination against women and elected members' roles in removing these discriminations;
- Take actions to make women's participation in local government and parliament meaningful;
- Ensure that all parliamentary standing committees hold public hearings on women's issues;
- Appoint women members of the parliament as chairpersons of various parliamentary standing committees;
- Fully implement the decision to include women members of parliament in all standing committees;
- Allow local women leaders to undertake responsible positions in decision-making; and
- Ensure that the local government consults with local women's organizations and women leaders in making decisions on important issues.

Creating Women-Friendly Institutional Environment

Increased female participation in diverse economic activities, as witnessed over the past decade, calls for creating women-friendly institutional environment. This requires interventions in several arenas:

- Recruit women in high positions in the government administration through lateral entry;
- Recruit women in the government at all levels with the objective of at least fulfilling the existing quotas within the stipulated time-frame of current strategy and forthcoming TYRP;
- Provide VAW training to police personnel and medical corps; establish links between women's groups and police; appoint more women judges; set up more legal aid mechanisms for women; use family health visitors to identify domestic violence cases, and link up with legal aid;
- Make 'Women in Development (WID)' focal points more effective by defining their roles and responsibilities;
- Build formal contacts with women's organizations and consult women's organizations in taking major policy decisions and project designs;
- Provide public money to institutions that would work for the cause of women's advancement and removal of gender gaps in development;
- Fully implement the decision to include in official forms and documents mother's name in addition to father's name;
- Take initiative to conscientize the visual media about negative images of women and introduce gender focal points in Bangladesh Television and Film Development Corporations;
- Recruit more women in the military force;
- Introduce more women police at various levels, and special cells for women's complaints;

- Undertake effective sensitization and education programs on discrimination against women for the police and judges, and the civil services and other cadres' training program;
- Incorporate women's representation on land distribution committees; and
- Create a safe and supportive work environment for women and introduce daycare facilities in government offices and in large private organizations.

In order to remove all social and cultural malpractices, which are biased against women, initiatives are needed in the following areas:

- Undertake initiative to start a social movement towards removing discrimination against women (address issues like early marriage, dowry, domestic violence etc.);
- Take actions to prevent or eliminate abuse of 'Fatwa';
- Take actions towards changing current education curriculum to eliminate biases against women, and include legal, human and women right issues at all levels of education starting from the very early stage;
- Increase women's access to education at secondary and higher levels. This would require school bus for girls, toilet and hostel facilities in addition to monetary facilities such as free education and scholarships for girls;
- Increase access to health care facilities, primary health care and nutrition training;
- Design transport facilities by incorporating special needs of women and ensuring safety of women while using transport facilities;
- Set up more effective parent-teacher associations, and pinpoint links with community as deterrents to violence **against women**; and
- Increase sports facilities for women particularly in schools in rural areas.

Generating Sex-Disaggregated Statistics

One of the major lacunas of the current statistical system is the lack of adequate sex-disaggregated social and economic data. This acts as a barrier in the monitoring of progress towards gender equality. Such disaggregation is required for both input and output (and outcome) indicators, ranging from fiscal data to variables relating to poverty, human development and social progress. A sex-disaggregated and poverty-sensitive data-base should constitute the core of the monitoring and evaluation component under poverty reduction strategy.

Disaster Vulnerability and Risk Management

1. Poverty and Vulnerability to Natural Disasters

1.1 There exists a direct link between natural disasters and the situation of poverty in the country. Hazards like floods, cyclones and droughts are noted for aggravating poverty in two ways: through destruction of food stocks and meager assets of the poorer households; and, through making employment opportunities scarce. The government is also aware that the frequency and magnitude of natural disasters have been more unfavorable to the economically disadvantaged groups than to others. Thus, provision of 'safeguards against these sudden shocks' is identified as an urgent policy imperative contributing to poverty alleviation.

1.2 Poverty often leads to vulnerability to disasters, particularly to floods, riverbank erosion, coastal cyclones and tidal surge. The poorer households usually settle on less desirable high-risk peripheral land; and are unable to afford disaster proof housing. Consequently they are compelled to evacuate in case of a disaster, and have lower access to social and economic support needed for recovery.

1.3 The gender dimension of vulnerability suggests that risks and impacts of environmental crises and natural disasters are experienced by women and men differently and are mediated by their differential access to and control over resources and familial relationships. Natural disasters also result in reaffirmation and re-genesis of traditional gender patterns in communities as the need for care giving and daily household maintenance in a difficult disaster situation expands their workload dramatically. Where life-saving skills are concerned, women are at a disadvantage due to social confinement and are more vulnerable to violence, personal injury, drowning, and health hazards. Furthermore, break up of marriages and desertion of wives, children and the elderly often increase during and after disasters following migration of men in search of employment. Female headed households have less access to social, political and financial resources and are more likely to experience a more difficult recovery process than a similarly poor male-headed households.

1.4 Age differentials play a critical role in creating greater vulnerability to disease, discomfort and dependency during a disaster. Particularly the children and the elderly suffer more and mortality rates are found to be much higher among the very young and the very old.

1.5 People with disabilities are one of the most neglected and alienated sections of the society and as such remain more vulnerable to natural hazards. In the absence of any special provisions, they face particular difficulties during evacuation and in post evacuation shelters. Human casualties during cyclones and tornadoes comprise proportionately more people with disabilities. On the other hand, many who sustain physical injury become disabled due to the lack of appropriate medical facilities.

2. Impact of disasters

2.1 There is a clear link between poverty and disaster impacts. The poor suffer more from wage loss as both farm and non-farm employment opportunities are reduced. They own fewer assets to cover the expenditure needed during the disaster and recovery phases; depend on borrowing principally from the money lenders; have difficulty in buying food due to decreased income and increased prices; and, suffer relatively more from diseases and

malnutrition. The compounding effect of closely following disaster shocks or concurrent disaster and non-disaster shocks on the poor contributes to increased poverty or deeper poverty.

2.2 Natural disasters result in serious human casualties and economic loss. During the five-year period of 1996 - 2000 an average of 530 deaths and Taka 23,614 million losses have occurred due to disasters. Human casualties and economic losses due to major disasters are recorded as follows:

- Floods 1988: 2379 deaths, US \$330 million in damage.
- Cyclone 1991: 138,882 deaths, US \$1.78 billion in damage.
- Floods 1998: 1050 deaths, US \$ 2 billion in damage.

2.3 Damages to crops have also been substantial. During 1986 – 2000, average yearly loss due to natural disasters was estimated to be approximately 1,499 thousand metric tons for cereals, 364 thousand metric tons for fruits and vegetables, and 152 thousand metric tons for other crops.

2.4 The above figures, however, comprise loss of assets that enter into the formal accounting systems and tend to be driven primarily by "economic" or market oriented considerations. They focus mostly on large costly infrastructure or capital assets, that are directly associated with the operation of factories, exports and salaried employment. At the community level, the typical asset loss affecting economic activities and post-disaster recovery are the house and home-based livelihoods of the large majority of population. These are often categorised as performing "maintenance" rather than "economic" functions that are conventionally managed by women, and often remain outside the formal accounting systems.

2.5 Given the recent trends, the overall incidence of disasters is likely to increase rather than decrease in the future. Evidence suggests that the frequency and severity of floods have increased in recent years. Catastrophic floods that have a return period of 25 years have recently occurred in 1988 and 1998 with a gap of only 10 years. Furthermore, while the catastrophic flood of 1974 affected 36 per cent of the country, the area covered by the floods of 1988 was 55 per cent and in 1998 it rose to as high as 68 per cent. It is likely that the trends in the frequency and magnitude of hazards would depend largely on the nature of global climate change that is likely to place Bangladesh at risk of increased floods, cyclones and surge depths. Given the risk and vulnerability to natural hazards that are likely to continue as a serious threat to national development efforts, macro level policies for disaster risk reduction, mitigation and management must be adopted in view of alleviating disaster-induced poverty.

3. The Vision

3.1 The vision of the poverty focused disaster management program is to reduce vulnerability to natural, environmental and human induced hazards through community empowerment and integration of sustainable risk management initiatives in all development programs and projects. This vision would be achieved by a multi-hazard and multi-agency approach to address vulnerability, risk assessment and mitigation that include prevention, preparedness, response and recovery. The vision considers a transition from a response and relief focus to vulnerability and risk reduction approach in disaster management.

4. The Objectives

The immediate objectives of the disaster management programs of the Ministry of Disaster Management and Relief (MDMR) are to:

- (i). Minimise the loss of lives and properties during disaster through implementation of risk reduction strategies;
- (ii). Build capacity and strengthen national institutions for disaster management with emphasis on preparation of action plans and guidelines;
- (iii). Enhance professional skills and knowledge of key personnel of the MDMR on risk reduction, preparedness, warning and forecasting system and post-disaster activities;
- (iv). Undertake structural mitigation measures including construction of rural infrastructure, shelter and communication facilities in the high-risk areas; and
- (v). Promote measures to create employment opportunities throughout the year for poverty in the disaster prone areas.

5. The Strategy

5.1 The government acknowledges the need for pre-disaster mitigation and preparedness of the people as opposed to the earlier concepts of responding after a disaster has taken place as a necessary as well as a cost-effective approach. Thus priority has been accorded to focus on community level preparedness, response, recovery and rehabilitation. Program to train people living in disaster prone areas for improving their capability to cope with natural disasters is highlighted. The Draft National Policy on Disaster Management, has emphasized a group of broad-based strategies:

First: disaster management would involve the *management of both risks and consequences* of disasters that would include prevention, emergency response and post-disaster recovery.

Second: *community involvement* for preparedness programs for protecting lives and properties would be a major focus. Involvement of local government bodies would be an essential part of the strategy. Self-reliance should be the key for preparedness, response and recovery.

Third: *non-structural mitigation measures* such as community disaster preparedness, training, advocacy and public awareness must be given a high priority; this would require an integration of structural mitigation with non-structural measures.

5.2 The Draft National Water Management Plan also underlines the importance of implementing effective non-structural measures to reduce the impact of floods and erosion. As opposed to the structural measures against floods (like dams, river embankments and flood control and drainage projects) and river-bank erosion (like building of hard points, canalisation and revetment), the recent policies and plans have recognised the importance of participatory planning that focus on sustaining people's livelihoods.

5.3 However, the present capacity in this regard is very limited in most ministries and agencies, and needs to be enhanced. In general, the approach of risk reduction and pre-disaster mitigation have largely been peripheral and would have a long way to go before they become 'mainstreamed' in development projects and activities of not only the government, but also of the NGOs, and the corporate sector. Disaster mitigation activities remain ad hoc for the most part; not yet incorporated into regular project planning guidelines and operational procedures; and the long term impact assessment, monitoring and evaluation have remained inadequate.

6. Present Activities

6.1 The major actor in disaster management is the MDMR. It has the role of inter-ministerial coordination, planning and response to disaster management. The Ministry of

Water Resources (MWR) is involved in the planning of water resources that includes water-related natural disasters like cyclone protection, flood proofing, riverbank erosion control and drought management, although mitigation of disaster remains beyond their mandate. However, the Flood Forecasting and Warning Centre of MWR plays an important role in providing information to the agencies involved. The Ministry of Local Government, Rural Development and Cooperatives (MLGRDC) undertakes mitigation of arsenic contamination in ground water.

6.2 Significant achievements have been made in enhancing the national disaster management capacities during the last decade. In particular, notable changes are made in the MDMR approach to natural disaster response. Since 1971, the activities of this ministry were limited mostly to relief operations. After the experiences of 1988 floods and 1991 cyclone, the concept of *disaster management* was introduced that included all aspects of planning and responding to disasters: prevention and preparedness measures; emergency response; and post-disaster rehabilitation. The ministry was also renamed as the MDMR in 1993 and became responsible for coordinating and guiding the process of strengthening disaster management capacities. The primary function associated with this task are outlined in the Government's Rules of Business and are undertaken by the Disaster Management Bureau (DMB) and the Department of Relief and Rehabilitation (DRR). The Rules of Business, however, is under revision to reflect the current MDMR approaches of comprehensive community based vulnerability reduction and risk management.

6.3 The major project undertaken by the government within a perspective of disaster management is the Support to Disaster Management. The DMB has been created under the project and is responsible for coordinating and strengthening of disaster management capabilities at all levels. The project since its inception in 1992 has made a significant contribution to enhance national capacity to plan, prepare and cope with the consequences of disasters. Apart from the above, the MDMR has been implementing/associated with a number of programs like the Food For Works Program (renamed in 1998 as the Rural Infrastructure Development Program), the Test Relief Program (renamed as Rural Infrastructure Maintenance Program), Food Security Enhancement Initiative (FSEI) program (2000-2005), and Vulnerable Group Feeding program (transformed into a nation wide Vulnerable Group Development Program) that directly or indirectly relate to reducing poverty and vulnerability. Though these programs have initially been conceived within the purview of limited relief and rehabilitation approach, over the years, the government has incorporated a development perspective to them.

6.4 The government has actively promoted partnership development with donors, NGOs and International NGOs. A number of disaster management projects are being implemented with these partners in the disaster prone areas. These activities are increasingly focusing on community preparedness using local level disaster mitigation and risk reduction strategies and more importantly enhancing people's coping capacity.

7. Major Initiatives

7.1 The major initiatives of MDMR reflect the policy thrusts that emphasize disaster preparedness and risk management; and, a transition from relief oriented activities to development approach. At the same time, disaster management, preparedness and mitigation programs have been undertaken through raising awareness among the people to reduce the loss of life and properties; improvement of the signaling system; establishment of wireless

facilities at the district and upazila level to facilitate easy communication with the ministry. The three years rolling plan (2002-2005) of MDMR has a number of projects that cover all aspects of vulnerability reduction and risk management. The major program in this respect is the Comprehensive Disaster Management Program (2002-2007) that aims “ to reduce the level of community vulnerability to natural and human induced hazards and risks to manageable and humanitarian levels”. Several sub-programs may be mentioned under the comprehensive program.

Capacity building

7.2 For strengthening and continued effectiveness of the structure, the ministry would ensure the availability of long term, non-rotational, and competent staff and prioritise capacity building and professional training required for undertaking responsibilities associated with a broader risk management approach. This would also include redefining the roles and responsibilities of MDMR (and DMB) that would enable the ministry to undertake a "development" role and provide mandate for mainstreaming of disaster risk management approach.

7.3 Alongside working with national level structures, effort would be focused on local and community level capacity building. Formalisation of institutional linkages from union to upazila (thana), district and national levels would be an essential step in achieving community based risk reduction and response management, activation of disaster management committees and operationalisation of local disaster action plans.

7.4 Achieving an enabling environment would require formal government approval and gazetting of the Disaster Management Act, Policy and Plan, and the Standing Orders on Disaster Preparedness with necessary updating. The other priority area in need of a complete review is the essential services like police, fire and medical ambulances for ensuring effective complementary services to disaster risk reduction and response. Structural mitigation measures like peripheral road network to facilitate faster mobility especially for evacuation and rescue operation in the disaster prone areas would be improved.

Partnership Development

7.5 The government would actively seek to achieve a multi-agency approach that would encompass the institutions of the government, NGOs and private sector in a collaborative strategy for disaster-induced poverty alleviation. This would enhance co-ordination and information sharing among the various actors and thus maximise the efficacy of resource use for effective risk reduction. The transition from a response and relief focus to a broader and more encompassing vulnerability reduction approach is contingent upon mainstreaming of risk management within the core business of all agencies. Disaster risk management practices and guidelines must be grafted in development projects for a sustainable and efficient poverty alleviation program.

Community Empowerment

7.6 Communities in Bangladesh are widely acknowledged for their innovative coping strategies and resilience in the face of frequent natural disasters. A commendable base has been created at the local levels to ensure community participation in disaster programs

through the formation of local level disaster management committees and disaster action plans. The government would further consolidate this by expanding the program and by community capacity building through awareness and skill development, and the expansion of the disaster management studies within the school system and staff training academies.

7.7 The government would specially target marginalised groups like extreme poor, disabled persons and women and children, with a goal to strengthening their capacities to cope with disaster impacts.

Research and Information Management

7.8 Research would focus on hazards like the impacts of fire, earthquakes, flooding and the increased industrialisation in the urban areas. The other important area would be to gather more information on climate change issues and the potential macro economic implications that may arise from increased incidents of floods, drought and cyclones.

Response Management

7.9 Response management would include preparing the Standing Operational Procedures; strengthening training that target the operational responsibilities to be performed at all levels; and review and updating of all manuals related to disaster responses. These activities would be used to consolidate community capacity for facing post-disaster situation.

Sectoral Reforms: Selected Examples

Goals/Objectives	Actions Taken and Mid Term Agenda
Water Resources	
<ul style="list-style-type: none"> • Fulfilling the national goals of food security, economic development and poverty reduction through proper management of water resources of the country. 	<p>Actions Taken</p> <ul style="list-style-type: none"> • Formulation of National Water Policy (NWPo) • Formulation of National Water Management Plan (NWMP) • Formulation of Guidelines for Participatory Water Management (GPWM) • Formulation of National Agricultural Policy • Formulation of National Environment Policy • Formulation of National Policy for Safe Water Supply and Sanitation • Formulation of National Fisheries Policy • Formulation of National Forestry Policy • Implementation of some of the small, medium and large scales Flood Control, Drainage and Irrigation (FCD/I) development projects by BWDB, LGRD DAE and BADC • Implementation of some of the fisheries and forestry development projects by the relevant departments <p>Mid Term Agenda</p> <ul style="list-style-type: none"> • Expand Minor Irrigation and Improve On-farm Water Management • Improved Performance of Existing Public Surface Water Irrigation Schemes • Improved Water Management at Local Government Level • Improved Water Management at Community Level • Rationalization of Existing FCD Infrastructure • Land Reclamation, Coastal Protection and Afforestation • Local Government Needs Assessment for Water Management • FCD and FCD/I Management Rationalization • Regulatory and Economic Instruments • Field Testing and Finalization of the Guidelines for Participatory Water Management • Project Preparation Procedures-Guidelines and Manuals • Water Resources Management Research and Development Studies • Main Rivers Studies and Research Programs • Water Resources Management Long Term Research and Development • Raising Public Awareness in the Wise Use and Management of Water • Private Sector Participation in Water Management • Alternative Financing Methods for Water Management • Main Rivers Abstraction Projects • Ganges Barrage and Ancillary Works • Meghna Barrage and Ancillary Works • Other Barrages and Ancillary Works • Regional River Management and Improvement • Ganges Dependent Area Regional Surface Water Distribution Networks • North East and South East Regional Surface Water Distribution Networks • North East and South East Regional Surface Water Distribution Networks • Hydropower Development and Upgrading • Supplementary Irrigation and Drought Proofing of Rural Water Supplies • National Fisheries Master Plan • Improved Water Management in the Haor Basins of the North East Region • Main River Erosion Control at Selected Locations • BWDB Regional and Sub-regional Management Strengthening • Local Government Capacity Building for Water Management • Alternative Financing Methods for Water Management • WARPO Capacity Building • BWDB Capacity Building

<i>Goals/Objectives</i>	<i>Actions Taken and Mid Term Agenda</i>
<p><i>Public Health and Safety</i></p> <ul style="list-style-type: none"> • Improving and ensuring continued progress of public health and safety. 	<p>Actions Taken</p> <ul style="list-style-type: none"> • Implementation of Coastal Embankment Projects • Construction of cyclone shelters and other infrastructures to protect lives of the people • Implementation of river-bank protection and drainage improvement projects • Implementation of Cities and Town protection projects • Implementation of Urban and Rural Water supply sewerage and sanitation projects by DPHE, WASA and other relevant departments and agencies • Implementation of Arsenic Mitigation Water Supply Project. <p>Mid Term Agenda</p> <ul style="list-style-type: none"> • Urban Arsenic Mitigation • Rural Arsenic Mitigation • Large and Small Town Water Supply and Distribution Systems • Rural Water Supply and Distribution Systems • Large and Small Town Sanitation and Sewerage Systems • Rural Sanitation • Large Small Town Flood Protection • Independent Regulatory Bodies for Water Supply and Sanitation Service Sector • Capacity Building of Department of Environment • Capacity Building of Disaster Management Bureau • Capacity Building of Department of Meteorology • Inventory and Asset Management Plan of the Water Supply and Sanitation Sector • Dhaka Bulk Water Supply and Distribution Systems • Chittagong Bulk Water Supply and Distribution Systems • Khulna Bulk Water Supply and Distribution Systems • Rajshahi Bulk Water Supply and Distribution Systems • Dhaka Sanitation and Sewerage Systems • Chittagong Sanitation and Sewerage Systems • Khulna Sanitation and Sewerage Systems • Rajshahi Sanitation and Sewerage Systems • Dhaka Flood Protection • Dhaka Storm Water Drainage • Chittagong City Drainage and Protection Project • Chittagong Storm Water Drainage • Khulna Flood Protection • Khulna Storm Water Drainage • Rajshahi Storm Water Drainage • Rajshahi Flood Protection • Cyclone Shelters and Killas • Bari-level cyclone Shelters • Flood Proofing in the Charlands and Haor Basin • National, Regional and Key Feeder Roads Flood Proofing • Railway Flood Proofing

<i>Goals/Objectives</i>	<i>Actions Taken and Mid Term Agenda</i>
<i>Environmental Protection</i>	Actions Taken
<ul style="list-style-type: none"> • Decent standard of living for the people and protection of the environment. 	<ul style="list-style-type: none"> • Implementation of pollution control and environmental protection projects by the Department of Environment and other different line agencies • Implementation of drainage improvement projects all over the country <p>Mid Term Agenda</p> <ul style="list-style-type: none"> • National Pollution Control Plan • National Clean-up of Existing Industrial Pollution • National Water Quality Monitoring • Improved Water Management in the Haor Basins of the North East Region • Environmentally Critical Areas and Integrated Wetland Management • Improved Water Management and Salinity Control in the Sundarbans • Environmental Responsibility Public Awareness Raising and Empowerment • River Dredging for Navigation • Regulatory and Economic Instruments • Support to the Preparation of New Legislation • Water Resources Legislation-Preparation of Supporting Ordinances • Water and Environment Funds

Industrial Policy Reforms

- For accelerating industrial growth and to gain a greater share of industry in the gross domestic product (GDP) as well as to make the industrial policy responsive to the changes occurring in the global economy.

Actions Taken

- Revision of Industrial Policy 1999 is in progress to make the policy more dynamic, comprehensive and make it up-to-date for sustainable industrial growth in participation with the concerned stakeholders.

Mid Term Agenda

- Government to play a promotional and supportive role rather than a regulatory one.
- Emphasis on the private sector to play the major role.
- Except four reserved industries (e.g. Arms & Ammunition and other Defence Equipment & Machinery, Forest Plantation and Mechanized Extraction within the bounds of Reserved Forests, Production of Nuclear Energy, Security Printing and Minting) all other sectors open for investment by both foreign and local investors without any ceiling.
- Joint Venture initiatives between local and foreign investors allowed and welcome.
- Foreign capital investment along with profits and dividend is allowed to be repatriated in full.
- Rationalize the jute sector and review employment generation potentials.

Goals/Objectives	
<p>Rural Development</p> <ul style="list-style-type: none"> • Ensure integrated and pro poor gender sensitive growth of employment and output • Formulate gender sensitive macro economic policies for reducing poverty and gender equity • Increasing entitlements of women to labor and capital markets 	<p>Actions Taken and Mid Term Agenda</p> <ul style="list-style-type: none"> • Action Taken • VGD, Food for Works programs, Safety net programs etc. • Awareness increased to make macro economic policies more gender sensitive. Gender differentials in different aspects are fairly addressed at micro levels but these are hardly addressed the macro interventions and more often aggregation of needs and interests is found in macro economic analysis and interventions. • Micro credit programs, Micro enterprise programs <p>Mid Term Agenda</p> <ul style="list-style-type: none"> • Evaluate selection criteria of target groups, targeted activities skill development component of VGD and poverty alleviation programs to make them more growth generating programs. • Take appropriate measures for generating sustainable employment than specific period of employment under VGD for ensuring growth potential. • Ensure programs benefits of these programs through efficient management of cost. • Provide public supports and incentives to private sector to create favorable environment for women so that they can improve their condition from segregated and segmented Labor markets and get accessibility to high growth and return potential of Labor market. • Evaluated and regular review on gender implications of macro policies. • Reviewing existing policies and measures, which have influenced on entitlements and undertaking pilot projects to improve entitlements • Women Producers' Marketing Centre from Grassroots to National level • Development of micro enterprises training production and network center • Establishing linkages and enhancing capacity of women entrepreneurs for export market • Establishing employment information and skill development network centre for urban migrant female Labor and international migrant female Labor

Goals/Objectives		Actions Taken /Mid Term Agenda
<i>Local Government</i>		
1. Law and Order	Sound law and order situation at local level will be ensured in order to foster the pace of economic activities.	<p>Mid Term Agenda</p> <ul style="list-style-type: none"> Local Government Division will make necessary provision to enhance the quality of services of village police. Initiatives will be taken to strengthen Village Polices/Choukidars (Enhanced numbers, service rules, enhanced salary, determined roles and responsibilities, training) and bring them under supervision of UPs. Initiatives will be taken to strengthen VDPs (providing some incentives and required logistics as well as regular training) and bring them under supervision of Union Parishad. Necessary steps will be initiated for institutional recognition of Alternative Dispute Resolution/Salish and will take necessary steps for amendment in the relevant laws.
2. Local Governance	Ensure local Governance by empowering local government, enforcing transparency and accountability and promoting people participation	<p>Mid Term Agenda</p> <ul style="list-style-type: none"> Derive lessons from different pilot initiatives and disseminate for policy formulation in regard to community participation, transparency & accountability of the LGIs. Capacity building initiatives (training, counseling, Monitoring) for local government bodies will be strengthened. Monitoring and Evaluation of performance of LGIs will be strengthened and necessary provision will be kept to link the Government Grant with the performance of the LGIs. NILG will be strengthened with adequate physical, research and training facilities to contribute in the capacity building of LGIs. Different tiers of LGIs will be established based on the decision of the Government. Well defined roles and functions of people's representatives (Chairman, Male members, Female members) will be formulated. Election of different Local Government Institutions will be organized. Existing staffing situation of LGIs, specially UPs will be reviewed and steps will be taken to strengthen the UPs with adequate staff including technical staff. Necessary provision will be made to define the roles of MPs in local level development activities based on the decision of the Cabinet. More resources will be place to support local government bodies for local development. To ensure accountability and transparency of the LGIs, provision for community participation in planning, implementation, supervision, monitoring and management of development activities will be initiated.
3. Women Empowerment	Ensure effective participation of women in decision making process.	<p>Mid Term Agenda</p> <ul style="list-style-type: none"> Clear roles and responsibilities will be framed for women representatives of LGIs. Women participation in every tiers of local government will be ensured. Provision for women participation in local level development activities will be in place.
4. Service Delivery	Contribute to poverty reduction both in rural and urban areas	<p><i>Water Sanitation</i></p> <p>Mid Term Agenda</p> <ul style="list-style-type: none"> Presently, DWASA ensures safe water to 82% population of Dhaka city & Narayanganj areas while it will be enhanced up to 100% within next three

	<p>through ensuring better service delivery to the community.</p>	<p>years. At present, CWASA has been supplying safe water to 42% of Chittagong city population while it will be 70% within next three years.</p> <ul style="list-style-type: none"> • Excluding Dhaka & Chittagong city, access to safe water will be ensured for at least 95% of the population in rural and 100% population of the Urban areas. • At least 80% rural households and 70% urban households will have sanitary facilities. • Improved drainage system will be in place in urban areas to reduce water logging and pollution resulting from excreta & waste disposal. • Garbage disposal facilities in the urban areas will be strengthened. <p><i>Arsenic Mitigation</i> Mid Term Agenda</p> <ul style="list-style-type: none"> • Detection of Arsenic in the ground water throughout the country will be continued. • Different measures will be taken to ensure Arsenic free water to the people of the affected areas. • Regional Laboratories will be established to promote different experiments for ensuring arsenic free water. <p><i>Solid Waste Management</i> Mid Term Agenda</p> <ul style="list-style-type: none"> • Establish plant for waste management in city areas so that the city dwellers enjoy pollution free environment. • Waste management will create scope for more employment and reduce health hazards of the city dwellers. <p><i>Primary Health Care</i></p> <ul style="list-style-type: none"> • Primary Health care centers will be established in the urban areas. • Primary health care services will be available in the urban slums.
<p>5. Rural Infrastructure Development</p>	<p>Rural Infrastructure Development will contribute to overall poverty reduction efforts.</p>	<p>Mid Term Agenda</p> <ul style="list-style-type: none"> • To ensure rural road network, 6000 Kms feeder roads, 15,000 Kms of rural roads will be constructed which will connect growth centers to Upazilas and villages with the markets. Also Pourashavas & City corporations will construct new roads in the urban areas. • Around 300 rural markets will be developed/established to create positive impact in rural development ensuring marketing facility of local products. • More allocation will be made for maintenance of infrastructure and 82,000 Kms rural roads will be maintained. • Around 1,30,000 meters bridges and culverts will be constructed. • Mechanism will be developed to ensure efficient planning, implementation, operation and maintenance of infrastructures through community participation. • For better coordination with GO/NGOs working at rural areas, 80% of 4488 Union Parishad complexes will be constructed while 375 UP complexes already been constructed.

Goals/Objectives	Actions Taken and Medium Term Agenda
<i>Education</i>	
<p>1. To create more access to quality education and maintaining gender equity</p> <ul style="list-style-type: none"> ● Five Years Primary Education ● Three Years Junior Secondary Education ● Two Years Secondary /Dakhil Education ● Two Years Higher Secondary Education in intermediate Colleges/Alim Madrasahs ● Higher education in colleges and universities ● Prevention of drop-outs <p>2. To create more access to quality and job-oriented vocational-technical education after junior secondary and secondary levels</p>	<p>Actions Taken</p> <ul style="list-style-type: none"> ● Cash for Education Program has been introduced ● Female Stipend Program at secondary level has been introduced ● Free tuition for female students upto higher secondary level has been introduced ● Female Stipend Program has been introduced at higher secondary level ● Establishment of private universities is encouraged ● Community participation in management ● More class rooms and physical facilities enhancement program has been introduced. <p>● Vocational courses have been introduced in selected secondary schools and VTIs</p> <p>Mid Term Agenda</p> <ul style="list-style-type: none"> ● Existing programs will be strengthened ● Strengthening of teacher education and training programs ● Establishment of separate Teacher Recruitment Commission for recruitment of teachers ● Decentralization of management ● Updating curriculum and text books. Improvement of the quality of teaching and bringing up of University faculties in science and technology to world standards. ● Workshop facilities will be created in more schools and madrasahs of secondary level

Proposed Poverty Reduction Indicators Tracking and Monitoring Matrix

Input Indicators	Output/Intermediate Indicators	Outcome Indicators
POVERTY RELATED EXPENDITURES AND OUTCOMES		
I. Rural Development and Infrastructure-Related Expenditure		
<p>IA. Rural Development</p> <ul style="list-style-type: none"> • Expenditure on rural development (from normal departmental budgets) as a percent of total expenditure • Expenditure on agriculture by sub-sectors • Disbursement of agricultural credit by farm-size and purpose <p>IB. Rural Infrastructure</p> <ul style="list-style-type: none"> • Expenditure on rural roads and culverts as a percent of total expenditure • Expenditure on rural electricity • Source: Ministry of Finance Frequency: Quarterly Disaggregation: national (rural/ urban), division and district <p>Note: Capability for developing district-level data will be developed at MoF and MoP.</p>	<ul style="list-style-type: none"> • Kilometers of rural roads by quality category • Additional (temporary) employment generation through rural works programs such as FFW • GDP and agricultural growth by sectors/sub-sectors • Agriculture output by sub-sectors/major commodities • No. of electricity consumers in rural areas <p>Source: Ministry of Rural Development and Works Frequency: Annual/bi-annual Disaggregation: national (rural/urban), division, and district</p>	<ul style="list-style-type: none"> • Poverty Head Count Ratio • Per capita foodgrain availability • Agricultural wage rate for unskilled workers (male/female) • Wage rate in manufacturing sector (private formal/informal; male/female) • Per capita consumption of foodgrains, vegetables, protein and other major items. • Rural and urban retail prices of selected commodities <p>Source: HIES Survey, BBS Frequency: Three-Year Interval (for poverty) Agricultural Wage and others (annual) Disaggregation: national (rural/urban) and district. Note: Capability for developing district level indicators will be developed at BBS</p>
II. Expenditure on Social Services		
<p>2A. Education</p> <ul style="list-style-type: none"> • Education exp. (as % of total exp. and GDP) • Primary education exp. (as % of total edu. exp.) • Secondary education exp. (as % of total edu. exp.) • Exp. on general universities/ colleges/ institutes (as % of total edu. exp.) • Exp. on professional/ technical universities/ colleges/ institutes (as % of total edu. exp.) • Exp. on teacher & vocational training <p>Source: Ministry of Finance Frequency: Quarterly Disaggregation: national (rural/urban), division and district</p>	<ul style="list-style-type: none"> • Number of functional schools • % of trained teachers (primary levels) • Absenteeism of teachers (indicators to be developed) <p>Source: Ministry of Education, PMED Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Qualitative community surveys will be conducted.</p>	<ul style="list-style-type: none"> • Gross enrollment rates (primary and secondary level) • Dropout rates (primary and secondary level) • Completion (primary) and pass rates in public exams (SSC/ HSC) • Relevant quality monitoring indicators (to be developed) <p>(All these by exp./income deciles rural/urban, male/female and divisional/district disaggregation)</p> <p>Source: DPE of PMED, HIES, BBS; periodic special surveys Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Capability for developing district level indicators will be developed at BBS.</p>

Input Indicators	Output/Intermediate Indicators	Outcome Indicators
<p>2B. Health/Nutrition</p> <ul style="list-style-type: none"> • Health exp. (as % of total and GDP) • General hospitals & clinics exp. (as % of total health exp.) • Mother & child exp. (as % of total health exp.) • Expenditure on ESP (as % of total health exp.) <p>Source: Ministry of Finance Frequency: Quarterly Disaggregation: national (rural/urban), division and district</p>	<ul style="list-style-type: none"> • Utilization rate of First Level Care Facilities (UHC/THCs) • Proportion of population covered by ESP • Immunization coverage of children (% between ages 12-23 months who are fully immunized) • Coverage of pre-natal care • % of births attended by trained personnel (doctors, nurses, TBI) (rural/urban) <p>Source: Ministry of Health and Family Welfare; and HIES, BBS Frequency: Annual Disaggregation: national (rural/urban), division and district; male/female Note: Qualitative community surveys will be conducted</p>	<ul style="list-style-type: none"> • Infant mortality rates, Child mortality rates • (All these by exp./income declines, rural/urban, male/female and divisional/district disaggregated) • Nutritional indicators for children and women, life expectancy, anthropometric measures etc. (rural/urban, male/female and geographic disaggregation). <p>Source: HIES, BBS; Vital Registration Statistics (VRS) Frequency: Annual Disaggregation: national (rural/urban) and district. Note: Capability for developing district level indicators will be developed at BBS</p>
<p>2C. Family Planning</p> <ul style="list-style-type: none"> • Family Planning (as % of total exp. and GDP) <p>Source: Ministry of Finance Frequency: Quarterly Disaggregation: national (rural/urban), division and district</p>	<ul style="list-style-type: none"> • Contraceptive prevalence rate (among women of age 15-49) <p>Source: Ministry of Health Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Qualitative community surveys will be conducted.</p>	<ul style="list-style-type: none"> • Total fertility rate (among women of age 15-49) • Population growth rate <p>Source: DHS/HDS, VRS Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Capability for developing district level indicators will be developed</p>
<p>2D. Water Supply</p> <ul style="list-style-type: none"> • Exp. on water supply and sanitation (as % of total exp.) • Expenditure on arsenic mitigation <p>Source: Ministry of Finance Frequency: Quarterly Disaggregation: national (rural/urban), division and district</p>	<ul style="list-style-type: none"> • No. of installations for tubewell water purification (indicators to be developed) <p>Source: Planning Commission Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Qualitative community surveys will also be conducted</p>	<ul style="list-style-type: none"> • % of population with access to safe water and sanitation • Number of persons with access to arsenic-free water in arsenic contaminated areas <p>(Disaggregated by rural/urban, divisional/district income/exp. deciles)</p> <p>Source: HIES, BBS Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Capability for developing district level indicators will be developed at BBS.</p>

Input Indicators	Output/Intermediate Indicators	Outcome Indicators
BUDGETARY POVERTY RELATED EXPENDITURES AND OUTCOMES		
III. Expenditure on Safety Nets		
<p>3A. Food-Assisted Program</p> <ul style="list-style-type: none"> • Food assisted program disbursement (as % of total exp.) <p>Source: Ministry of Food/MOP Frequency: Annual Disaggregation: national (rural/urban), division and district</p> <p>3B. Housing for Rural Shelterless and Urban Slum-Dwellers</p> <ul style="list-style-type: none"> • Expenditure on low cost housing (as % of total expenditure) <p>3C. Disaster Management</p> <ul style="list-style-type: none"> • Expenditure on disaster management 	<ul style="list-style-type: none"> • Number of beneficiaries by program, such as VGD, VGF, FFW, FFE/CFE, FSS, TR. GR • Number of beneficiaries covered by food-assisted programs in 'poor areas' (identified through poverty mapping) <p>Source: Relevant Agencies MLGRD&C Frequency: Annual Disaggregation: national (rural/urban), division and district; male/female</p> <ul style="list-style-type: none"> • Number of additional low cost housing • Indicators to be developed 	<ul style="list-style-type: none"> • Impact in reducing variability of consumption of the poorest households (indicators to be developed) <p>Source: HIES, BBS; Special purpose surveys Frequency: Annual Disaggregation: national (rural/urban), division and district; male/female Note: Capability for developing district level indicators will be developed at BBS</p> <ul style="list-style-type: none"> • Indicators to be developed • Indicators to be developed
IV. Public Safety and well-being		
<ul style="list-style-type: none"> • Public spending in law-enforcing agencies (as % of total exp.) • Rate of disposal of criminal cases <p>Source: Ministry of Home Affairs and MOF</p>	<ul style="list-style-type: none"> • Number of crimes by major types • Rate of conviction (acid-throwing, mugging, extortions, murder, violence against women) <p>Source: Ministry of Home Affairs; Ministry of Law, Justice, and Parliamentary Affairs; News Paper Reports Disaggregation: national (rural/urban), metropolitan areas, division and district; male/female</p>	<ul style="list-style-type: none"> • Impact indicators in reducing insecurity of the vulnerable population (indicators to be developed) <p>Source: HIES, BBS; periodic special surveys Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Capability for developing district level indicators will be developed at BBS.</p>

Input Indicators	Output/Intermediate Indicators	Outcome Indicators
V. Credit for the Poor and Employment		
<ul style="list-style-type: none"> • Micro-credit disbursements (as % total) • NCBs • PKSF • Grameen Bank • BRAC • PROSHIKA • ASA • Other MFIs • Employment generation programs (exp. as % of total exp.) <p>Source: Ministry of Finance, NGO Bureau, and CDF Frequency: Quarterly Disaggregation: national (rural/urban), division and district</p>	<ul style="list-style-type: none"> • Number of borrowers and size of credit • Districts with micro-credit coverage • Sectoral allocation of micro-credit • Repayment rates, lending costs • Employment generation (by sector/sub-sector, male/female, rural/urban) • Degrees of unemployment/underemployment • Movements of real wages by sector and gender <p>Source: Ministry of Finance, NGO Bureau, and CDF Frequency: Annual Disaggregation: national (rural/urban), division and district; male/female</p>	<ul style="list-style-type: none"> • Indicators related to skill formation, employment generation and income impact • Graduation rates (indicators to be developed further) • Labor productivity by sector/sub-sector • Sectoral distribution of employment (male/female, rural/urban, geographical disaggregation) <p>Source: Ministry of Finance, NGO Bureau, and CDF Frequency: Annual Disaggregation: national (rural/urban), division and district</p>

Indicators for Macroeconomic Management

There are five basic categories of data required by the macroeconomic managers. These are: (1) real sector statistics, (2) balance of payment statistics, (3) money and banking statistics, (4) government finance statistics and (5) data on capital market. The list of data required for macroeconomic management together with the sources is given below. The data relate to the monthly series but are published in Quarterly Statistical Bulletin (QSB).

Data	Source	Suggested Frequency
I. Real Sector Statistics		
(a) Gross Domestic Product (GDP) and its sectoral components at current and constant prices.	BBS	GDP is compiled and published annually by Bangladesh Bureau of Statistics. BBS should estimate quarterly GDP. Detailed methodology of estimating annual GDP together with the basic information on various sectors of the economy required to estimate quarterly GDP could be made available to Bangladesh Bank and BIDS who could use the information to estimate quarterly GDP for their research and other purposes. The estimates made by these institutions should be available to BBS for its use.
(b) Consumption, Savings and Investment with breakup for private and public sectors.	BBS	
(c) Whole sale price index; consumer price index with breakup for food and non-food and with food further subdivided into cereals and non cereals; producers price index (rebasing exercise already undertaken by BBS should be accelerated).	BBS	Monthly
(d) Production of rice, jute, wheat, fertilizer, shrimp, textiles, electricity and cement (relate to trends of production as well as export).	BBS and MOA	Seasonal for agricultural production/Monthly for industrial production
(e) Market price and procurement prices of rice and wheat, market price of fertilizer, price of irrigation equipment (indicates movement in prices and build-up of price pressure).	BBS	Monthly
(f) Wages of agricultural labor, construction worker, skilled and semi-skilled workers employed in garments, leather, shrimp, jute and other major industries (trend of wage, build-up of inflationary pressure and export competitiveness).	BBS	Monthly
(g) Availability of food and fertilizer (critical indicators of wage good supply, and agricultural production possibility).	M/Food, MOA & BBS	Monthly

Data	Source	Suggested Frequency
2 Balance of Payments Statistics		
(a) Value and quantity of exports by major commodities; shrimp, textiles, jute, leather and others (indicator of production of tradables).	NBR & BB	Monthly
(b) Value and quantity of imports with breakdown into consumer goods, (further subdivided into rice, wheat, others food items, and non-food) intermediate goods, industrial raw materials and capital goods.	NBR & BB	Monthly
(c) Unit price indices of Exports and Imports.	BB	Annual
(d) Letters of credit (L/C) opened and outstanding L/C	BB	Monthly
(e) Balance of payments statement.	BB	Quarterly
(f) Foreign exchange reserves: Level of reserves, sources of accumulation or decumulation of foreign exchange reserves, capital transfer.	BB	Monthly
3. Money and Banking Statistics		
(a) Money supply and the causative factors of the change in money supply.	BB	Monthly
(b) Reserve money, its components and the causative factors of the change in reserve money.	BB	Monthly
(c) Detailed information of deposits and loans classified by major economic purpose (term lending for industry and agriculture and short-term loans).	BB	Monthly
(d) Credit by the banking system to private and public sectors with public sector credit subdivided into government and other public sectors.	BB	Monthly
(e) Credit provided by major MFIs such as PKSF, Grameen Bank, Proshika, ASHA, BRAC, etc.	BB, NGO Affairs Bureau and NGOs	Monthly
(f) Interest rate: Bank rate, short term non concessional lending rate, inter-bank rate; rescheduling of payment dues by BB to NCBs, SFIs, etc., and also rescheduling by commercial banks.	BB	Monthly
(g) Exchange rate adjustments (exchange rate as on 30 June preceding year and subsequent changes).	BB	Monthly
(h) Capital Market: Data on Market capitalization, share price index and turnover (Dhaka and Chittagong Stock Exchanges).	BB	Monthly
(i) Foreign investment Direct investment: Number sanctioned, Amount sanctioned, Amount of actual investment. Amount of portfolio investment.	BOI and BB	Annual

Data	Source	Suggested Frequency
4. Government Finance Statistics		
(a) NBR tax revenue by major heads of tax (CD, VAT, IT, and Others).	NBR	Monthly
(b) Government expenditure subdivided into revenue and development expenditure (to be obtained by subtracting revenue from total).	BB, Finance Division, CGA, IMED (BB shows total cash outflow and inflow; FD and CGA can give total expenditure booked in accounts; IMED monitors development expenditure distinguished between aid and GOB's local currency)	Monthly
(c) Fiscal deficit financed by (i) foreign loans and grants (ii) borrowing from the banking system (iii) borrowing from non -bank public	ERD, BB, National Savings Directorate (NSD).	Monthly
(d) Outstanding Government Debt with breakdown into foreign debt, domestic debt (subdivided into borrowing from the banking system and non-bank public).	NSD, BB, ERD, NSD for data on government borrowing through the issue of savings certificate, and BB for data on government borrowing from the banking system and ERD for data on foreign borrowing).	Monthly