

Chapter I

Introduction

1.1 The principal goal of the Bangladesh Government's economic policy is to reduce poverty so as to gradually lift the vast majority of the people above the poverty line and improve the quality of life for the average citizen. Developing home-grown poverty reduction strategies (PRs) along with operational plans suited to the particular circumstances and needs of Bangladesh is thus a task of paramount significance. While implementation of appropriate strategies is no doubt important, the strategies themselves must be derived from a long-term vision of a poverty-free society.

1.A Unlocking the Potential: The PRSP Vision

1.2 Bangladesh has made important gains in the fight against poverty. Derided as a basket-case only three decades ago, Bangladesh today is definitively out of the shadow of famine. Uniquely for a country facing an extremely vulnerable ecology, Bangladesh has established a credible record of sustained growth within a stable macroeconomic framework. At a comparatively low level of development, it has also earned the distinctions of a major decline in population growth rate and of graduating to the medium human development group of countries by UNDP's ranking. Child mortality was halved during the 1990s, life expectancy has increased to 61 years, net primary enrolment went up significantly as did women's economic participation, gender parity has been achieved in primary and secondary education, and, depletion of tree cover reversed rising from 7 to 15 percent through a focus on social forestry. Infrastructurally, a focus on rural roads has succeeded in substantially banishing the curse of remoteness for the majority of villages. Anti-poverty innovations such as micro-credit have gone on to win world renown. A vibrant non-government sector as well as private sector bodies and the efforts of the common people have worked side by side with the government to achieve the above. Against all odds, the democratic process has found roots though the road ahead is anything but assured.

1.3 Notwithstanding specific areas of progress, however, aggregate poverty rates remain dauntingly high. Pockets of extreme poverty persist. Inequality is a rising concern. Women continue to face entrenched barriers and insecurities in deepening their gains achieved in social and economic fronts. Governance weaknesses stand in the way of an acceleration of the growth process. By current trends, breaking wholly free of the poverty chains remains a distant goal. This is a prospect that is neither necessary nor inevitable.

1.4 Bangladesh has not been well served by its imageries. Too often, the discourse on poverty has been a discourse on the statistics of despair. While the statistics may indeed look frightening, factors conducive to making an acceleration in poverty reduction possible do already exist. The most important resource Bangladesh brings to this task is its people and their initiative zeal. But crafting a scaled-up attack against poverty will only succeed if it is able to move beyond feel-good prescriptions. In many ways, today's foremost challenge lies in engendering a new agenda-setting language and style whose greater concerns are how to secure results, how to acknowledge and empower initiatives and the need to focus on the small solutions as much as the big ones.

1.5 Poverty is a broad front. It is about income levels. It is about food security. It is about quality of life. It is about asset bases. It is about human resource capacities. It is about vulnerabilities and coping.

It is about gender inequalities. It is about human security. It is about initiative horizons. It is each of these and all of these together.

1.6 Just as poverty is multi-dimensional, the battle against poverty too has to be waged on many fronts and with unremitting vigour. The challenge is not only one of budgetary targets. It is as importantly a challenge of better understanding of ground realities, of transforming institutional cultures, of building dynamic partnerships, and above all a challenge of political determination.

1.7 The struggle against poverty will never succeed if it continues to be an encyclopaedic wish list hopelessly bereft of any sense of strategic priority. Poverty is so pervasive that a million priorities will not exhaust the agenda but to get the momentum going, policy and popular energies have to be galvanized around a few catalytic agendas built on the policy triangle of growth, human development and governance. The overriding consideration for choosing such an agenda will be its relevance to ground realities and its potential to unlock the social and economic energies of the nation. Such a choice must also be built upon an adequate understanding of the poverty process. In real life, the move out of poverty is never a one-step change from being poor to non-poor. The change process is more akin to a ladder built of distinct rungs or milestones. Construction of anti-poverty strategies must keep in focus all rungs of the poverty ladder with an overall emphasis on graduation.

1.8 A process perspective on poverty serves to highlight the changing livelihood realities of the poor and the forward-looking aspirations that they and the majority of the population have come to embrace. The search for livelihoods is increasingly being sought in a rural-urban continuum rather than a rural-urban divide and with an emphasis on gainful employment, self or wage. Indeed, the poor, and the millions of young people who join the work force every year, have developed as much a stake in a robust growth process as the rest of the population, not just as beneficiaries but also as participants. Assets such as land, acquisition of skills, access to credit, and even social assets such as network strength constitute today's diverse vehicles through which the poor are engaging with the growth process whether in agriculture, industry, service, ICT and other technology sectors. While the larger policy focus will be on the robustness of the growth process, this must include policy goals which enhance the opportunities for the poor to be participants. In particular, explicit commitment to rural/local economy and informal sector-oriented budgetary allocation will be a critical necessity since it is in these areas and sectors that the bulk of the poor still reside. To summarize, the strategic agenda around which the pro-poor growth challenge crystallizes most potently is the theme of employment, gainful employment for men and women sought in a productivity-enhancing and diversifying agriculture including critical sub-sectors such as fisheries, poultry and dairy as well as through effectively reaping the potentials of the agro-processing, rural and urban services, ICT, manufacturing including ready-made garments, and overseas employment sectors.

1.9 Just as economic growth has found firm and stable roots in Bangladesh, the nature of vulnerability too has undergone change. Since independence, the overriding shadow cast over the strategic efforts of the nation and the household alike has been the fear of famine. The aftermath of the floods of 1998 and 2004 have conclusively demonstrated that more than three decades of efforts by governments, NGOs, private sector, and above all by ordinary citizens including peasants and labourers have borne fruit in taking the country out of the shadow of famine. Stark hunger is no longer the principal problem faced by the country though localized pockets of distress such as monga in the north still persist and have to be addressed. However, if the hunger milestone has been crossed, new

milestones loom: the challenge of poor diets and disease-prone environments. Today's strategic agenda in this policy are thus those of nutrition and of sanitation and safe water.

1.10 On the second element of the policy triangle, namely, human development, today's goal-setting has to take account of the progress made so far both in the education and health sectors. In the case of education, access has been the defining pre-occupation of the past decade and a half and this has borne fruit as exemplified by enrolment and gender parity statistics and the entry of Bangladesh in UNDP's medium human development league of countries. The success has not only been on the supply side. The demand side too has been as responsive; even the poorest families have come to value education and give high priority to the basic education of their children, boys and girls alike. It is not the case that the access goal has been won on all fronts. Specific segments of the population, particularly within the poor, ethnic groups and in remote locations, still have to struggle for access. Increasingly however, research on outcome indicators is driving home the point that access achievements are not necessarily translating into commensurate quality achievements. A paradigm shift towards a pre-occupation with quality while retaining the focus on equity has thus become an urgent necessity. In a way, such a realization has already been spreading but the sense of strategic urgency remains to be galvanized. It is also important to ensure that the development of the quality agenda at primary, secondary and vocational levels is not driven by top-down expert approaches alone but take its cue equally from an analytically sound reading of the ground realities of school, community and administrative environments in which they are situated.

1.11 On the health frontier too, significant progress has been made on various access indicators but issues of quality and the burden of health-care expenditures have emerged as the new strategic concerns. Bangladesh has been particularly successful in disseminating awareness related to diarrhoeal diseases and this has served to break the cycle of secondary deaths which usually followed natural disasters of the past. However, while many measures of progress whether at infrastructural, access or attitudinal levels are easily borne out, one core area where the health agenda remains exposed and lack of progress palpable is in the area of maternal health. Existing strategies are likely to bring further incremental progress in many areas of the health sector but without a determined strategic push on the goal of maternal health, overall health sector gains will remain limited and vulnerable. The strategic push is necessary because improving maternal health is not only about supply-side responses. It is equally about confronting entrenched social and patriarchal attitudes which ignore gender inequities and give little priority to the health concerns of mothers even though maternal health carries the largest externalities for the health of the population as a whole.

1.12 The third element of the policy triangle for seeking a medium term strategic agenda is the issue of governance. There is little disputing that the good governance issue is critical to a more effective growth and poverty reduction strategy specially as it pertains to better articulation of priorities, creation of enabling environment for public and private action, and optimum use of resources and distribution of benefits. A maximal definition of good governance would include the following: checks and balances among various organs of government, legitimacy and authority of state institutions, rules and norms that determine who holds power and the exercise of this power, relationships of accountability among state functionaries and between these functionaries and citizens, the capacity of government to make policy, manage administrative and fiscal affairs of the state, and deliver goods and services, and the opportunities and efficacy of redress available to citizens.

1.13 While such a maximal definition certainly constitutes the long-term goal, it is important that strategy-making on the good governance goal avoid four typical weaknesses – a tendency towards feel-good encyclopaedic wish-lists, an insufficient appreciation of the institutional and political realities through which reform initiatives have to be carried forward, over-focusing on what does not work while ignoring what does work, and, finally, a lack of clarity as to where the governance agenda best interfaces with poverty reduction goals. From such a perspective, the task is to identify those priorities which carry the maximum potential to energize the governance agenda as a whole. The variety of consultations which have underlined the preparation of this document as well as the analytical understanding of priorities clearly point towards two such agendas: local governance and criminal justice. The local governance agenda is central to the critical issues of decentralized service-delivery, grass-root accountability and the newer focus on regeneration of local economies through relevant partnerships amongst local government bodies, CBOs, NGOs, private sector and central government agencies. The criminal justice agenda is central to the theme of human security which has now come to be widely accepted as a core aspect of progress on par with economic and social development.

1.14 There is a third strategic goal pertaining to governance but also going beyond it which merit attention here. This is theme of monitoring, to assess progress on outcomes, to strengthen accountability, and to correct and improve programme implementation. Monitoring, both of process and of outcomes, is not merely an implementation detail but a central agenda to bring about a results orientation to programme efforts. As such it makes sense to prioritize monitoring into a strategic agenda.

1.15 To summarize then, the medium term strategic agenda for Bangladesh for the goal of accelerated poverty reduction is constituted of the following (the list is to be read as a whole rather than a sequence of priorities):

- *Employment*
- *Nutrition*
- *Quality Education (particularly in primary, secondary and vocational levels with strong emphasis on girls' education)*
- *Local Governance*
- *Maternal Health*
- *Sanitation and Safe Water*
- *Criminal Justice*
- *Monitoring*

1.16 Both in their individual essence and in their potential synergies, it is this eight-point strategic agenda which, more than any other, provides the key to a comprehensive acceleration in the pace of poverty reduction. Other priorities exist and indeed will have to be attended to. But it is on these eight that the nation's strategic gaze has to be unwavering.

1.17 The pursuit of the strategic agenda will require clarity and wisdom in the choice of policy instruments and shouldering of responsibilities. The high tide of both planning and market paradigms is behind us. The focus increasingly is shifting from one-dimensional instruments to those that are more open and interactive between policy-makers and citizenry, policy choices that work and can change directions if warranted, and above all, solutions that are better grounded in the specifics of history, culture and ecology.

1.18 The crucial policy challenge lies in finding the right balance, between growth and welfare objectives, between a proactive role for the state and an attempt at minimizing its involvement in actual implementation, between embracing the opportunities of the global market-place and resisting the inequities and asymmetries of globalization. The critical importance of economic growth for faster poverty reduction has to be recognised but far greater attention has to be paid to the poverty-growth interface. Success on pro-poor growth will not come from text-book recipes. Exports matter but the importance of parallelly mobilizing the potentials of a burgeoning domestic market cannot be left aside. Indeed, it is arguably in the synergies of the two foci - export and domestic markets - that the best opportunities for pro-poor growth lie.

1.19 Bangladesh is fortunate in having a rich tapestry of “good practices” which cut across sectors and regions. Indeed, a number of these “good practices” have gone on to win global renown. Learning from and extending this garden of hope will be crucial encouragement to those who are struggling against all odds to create a more congenial ground reality.

1.20 An energised strategy for accelerated poverty reduction cannot but be result-oriented. There is a crucial need here to establish credible, conceptually sound and gender-disaggregated benchmarks against which progress can be regularly monitored. A core reference frame for developing such benchmarks will be the MDGs as well as the SDGs formulated under SAARC aegis.

1.B From I-PRSP to PRSP

1.21 Bangladesh’s Interim Poverty Reduction Strategy Paper (I-PRSP), titled “A National Strategy for Economic Growth, Poverty Reduction and Social Development,” was completed in March, 2003. The I-PRSP highlighted the country’s silent ascent on the global map of development as a land of hope and performance rather than of disaster and disarray. This turn-around meant an emergence from a “test-case” of development to one with the promise of a pluralistic democracy having considerable success in a number of areas of social development, food security and the macro-economy. The I-PRSP underscored the significance of Government’s pragmatic economic policies including sound macro-economic management and the courage to “stay the course” which yielded stable economic growth, declining incidence of poverty and the graduation of Bangladesh into "medium human development" league of countries according to UNDP's ranking. There was a clear recognition in the I-PRSP that while good governance presupposes political consensus on key national issues, economic development presupposes good governance and in that order. Consequently a major thrust of any PRS has to be on good governance.

1.22 The I-PRSP was prepared under the constraints of limited opportunities for consultation and thematic review and as such a number of gaps were identified during post-document reviews and consultations as well as in the Joint Staff Assessment of the World Bank and the IMF for appropriate consideration in the preparation of the full-blown PRSP. The major gaps which were identified and duly addressed in the PRSP preparation include the following:

- Environment-poverty interface
- Strategy for water resources management
- Quality improvement in education

- Mainstreaming gender issues in agriculture, rural development and labour market
- Private sector development
- Medium term plan for trade policy reforms
- Financial sector reforms
- Policies and institutions for rural non-farm activities, and,
- Medium term framework on sectoral policy priorities.

1.C Process of Policy Ownership

1.23 The formulation of PRS in Bangladesh has gone through new and vigorous phases after the I-PRSP was completed in 2003. While the Government's commitment to poverty reduction continued to be transmitted through its actions in adopting a wide range of socio-economic reforms during the last two and a half years, the Ministries and Divisions have been associated in an intensive process of reviewing and examining their own policy areas by forming thematic groups for all major cross-cutting, macroeconomic and real sector issues. The process of policy ownership of PRSs in the public sector has thus acquired renewed vigour by ensuring full participation of the principal actors in the public sector and obtaining from them outcome-oriented thematic reports.

1.24 Simultaneously with the preparation of ownership-driven PRS in the public sector, the Planning Commission undertook the task of preparing Annual Development Programmes in line with the major goal of poverty reduction. In consonance with the evolving PRS, the programme contents of the Government's development budget laid emphasis on agriculture, irrigation, rural development, education, health and family welfare and women, children and youth development. Moreover, the recurrent budget of the Government in its resource allocation also has a built-in thrust towards the goal of poverty reduction.

1.25 In line with the acknowledged principle that PRSP should be prepared by a country-driven process, including broad participation that promotes country ownership, the National Poverty Focal Point (NFPF) in the Planning Commission undertook an extensive participatory consultation process. Well-designed and outcome-based participatory consultation meetings took place in six Divisional Headquarters as well as in Dhaka. Participating in these meetings were a broad section of stakeholders in the regions as well as in Dhaka and well-structured consultations took place on pre-designed topics directly relevant to poverty reduction strategies. The participants representing all walks of lives in a region evinced keen interest in the contextual issues of the assigned subject. They were enthusiastic, open-minded and, in many instances, bold in discussing the issues, which directly affect them, and made thoughtful suggestions. In the process, participants showed a sense of inclusion, appeared to be owning the suggestions they were making and requested some sort of assurance that their opinions would be reflected in building PRSs. Above all, the participants were very happy to have been able to participate in the consultation meetings and contribute to the country's economic policy making.

1.26 Discussions in the regional and national consultation meetings regarding problems and solutions of different cross-cutting themes, the macro-economy and various sectors of the economy exuded a sense of pragmatism, practical knowledge and also a degree of wisdom regarding the development

potentials of Bangladesh. Never in the past economic history of Bangladesh had people got this space for voicing their views and owning the policies they were prescribing.

1.27 Participatory consultation meetings were also held directly with different categories of the poor people. Called “Face to Face with the Poor,” these meetings demonstrated the awareness of the poor people about the reasons for their hapless conditions. Participants contended that they wanted to escape from poverty, that they did not want to surrender to their fate and that they perceived the social system to be unjust to them. They asked for the opening up of economic opportunities for them. To them the nuance of the policy ownership translates into getting a productive job and a little human dignity.

1.28 Subsequent to the release of the Draft PRSP in December, 2004, consultations were also held with the Hon'ble Members of Parliament through the Parliamentary Standing Committees as well as three all-party special meetings organized at the behest of the Honourable Speaker through the 'Strengthening Parliamentary Democracy' project. Additional consultations were also held on the Draft PRSP with members of civil society, academia, NGOs, Development Partners, media, eminent persons, women spokespersons, and adivasi/ethnic minorities. Relevant suggestions from these consultations have been incorporated in this final document.

1.D MDGs: Status in Bangladesh

1.29 Bangladesh made noteworthy progress in poverty reduction and the attainment of “Millennium Development Goals” during the 1990-2000 period in spite of pitfalls such as instability, inefficiency, leakage, mis-targeting and erosion of regulatory standards.

1.30 The observed rate of actual progress achieved by Bangladesh during 1990-2000 is consistent with or even higher than the pace of annual progress required for achieving the MDGs by 2015 (set against the benchmark of 1990). A review of the progress at the aggregate level suggests that the country is “on track” in relation to a number of targets such as reduction of infant mortality and child mortality, expansion of primary and secondary education, reduction in many aspects of gender disparity, eradication of hunger (proxied by the prevalence of child malnutrition), and environmental sustainability (proxied by expansion of tree cover). In the case of IMR and CMR, the rates of progress achieved were –2.8 percent and –2.3 percent respectively against the required target rates of –2.7 percent. Similarly, progress achievement rates in the case of primary and secondary enrolment were 3.4 percent and 13.2 percent against the required target rates of 3.1 percent and 10.3 percent respectively. A particularly noteworthy achievement has been the virtual elimination of gender gap in primary and secondary enrolment. However, other areas of gender inequities remain, particularly in maternal health, political representation and labour productivity. There has been a noteworthy increase in tree cover to 15 percent of the land area in 2000 compared to 7 percent in 1990. This has occurred mainly through social forestry which has offset declines in reserved forest cover. Incidence of income poverty decreased from 59 percent in 1991 to 49.8 percent in 2000, giving an annual rate of decline of 1.5 percent, which is however lower than the required rate of 2 percent per annum. A growth of per capita real income of 4 to 5 percent per annum is required to achieve the income poverty target. An overall real income growth rate of 6 to 7 percent per annum on a sustained basis along with a population growth of around 1.5 percent is needed to attain the target per capita income growth and hence reduction in income poverty. The past trend of plateauing of TFR was a cause of concern as it might not only hamper the progress of income-

poverty reduction but might also have a deleterious impact on the attainment of other MDGs, including programme coverage variations. Very recent data shows that TFR has started falling again, albeit slowly.

1.31 Recent researches at the disaggregated level reveal some important features. Findings suggest that the progress in achieving MDGs has also been shared at the disaggregated levels, namely socio-economic categories and spatial dimensions. The progress is shared by almost all socio-economic categories classified by human capital, asset quintile and income-poverty based groupings. Different spatial dimensions such as administrative units and rural-urban locations also share the progress.

1.32 Notwithstanding the progress in social MDGs, there are two emerging concerns. First, there appears to be a high degree of social inequality, which cuts across all the key social targets. Second, the rich-poor divide (however measured) is striking, but more worrying is the gap between the poorest and the rest of the society. Some differences between the poorest and the richest are in the range of 68-93 percent in case of IMR and CMR; 46 percent and 196 percent in case of primary enrolment and secondary enrolment respectively; 64-104 percent in case of child malnutrition; 72-89 percent in case of maternal malnutrition (measured by the “height” yardstick), 32-50 percent in case of maternal malnutrition (measure by “body-mass index”) and 71 percent in case of total fertility rate. The spatial variability of the Human Poverty Index (HPI) estimated for districts (measured by the coefficient of variation) has decreased from 13.16 to 11.98 between 1995 and 2000 indicating modest improvements in spatial inequality. A high level of inequality in spatial dimensions and socio-economic categories needs to be seen as a factor likely to cause divergence in the progress in social MDGs in the coming decade.

1.33 Projections based on past historical trends indicate that Bangladesh may be able to attain most of the MDGs at the aggregate level by 2015. However, one should be aware of the limitation of such an approach. Incorporation of non-linearity and interdependence may provide an outlook different from that from the linear and partial projection. It is noted that the programme coverage for most of the social MDGs (i.e. education, health and gender) depends on the demographic situation of the country. Thus projection of age-cohort population outcomes over the 2000-15 period, based on fertility and related behaviours, may have implications for the attainment of MDG targets. Interdependence between income and social indicators is also observed. Bangladesh’s success in social sectors was largely achieved via favourable public fund allocations to these sectors. Hence, pro-poor but adequate economic growth would help reduce income-poverty and raise Bangladesh’s ability to spend on social needs. Furthermore, this would also generate additional resources for the social sector programmes. From this angle, the halving of income-poverty within a reasonable time frame (perhaps by 2020, if not by 2015) appears to be one of the main preconditions for achieving many of the social goals.

1.E Progress in Cross Country Perspectives

1.34 Bangladesh’s progress in social development also stands out in cross-country comparisons. This supports the proposition that higher social development outcomes can be achieved even at a lower level of per capita national income. Growth and income-poverty reduction performance of Bangladesh was modest relative to her South Asian neighbours, least developed and developing countries. Between 1975 and 1995, Bangladesh’s per capita GDP growth of 2 percent per annum was less than that of India (2.8 percent), Pakistan (3.1 percent) and Sri-Lanka (3.2 percent). During the period between the early 1980s and early 1990s, the incidence of income-poverty decline was 0.8 percent per year in Bangladesh compared with 1.9 percent in India, 1.4 percent in Pakistan and 3.6 percent in Sri Lanka. Notwithstanding the relatively modest growth of income and income poverty reduction, Bangladesh’s

achievements in the broad areas of social and human development were faster and, in some respects, remarkable. Although the level of social deprivation 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 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.

1.35 The relatively rapid progress of social development at a low-income level is also indicated 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 values recorded have been lower for population growth, infant mortality rate, under five mortality rate, total fertility rate, crude birth rate and crude death rate, higher for the contraceptive prevalence rate and life expectancy at birth for both male and female. Review of actual progress of social indicators against their respective predicted values for the 42 LDCs (which were included in this analysis) suggest that Bangladesh and Sao Tome Principe are the only two countries where actual progress in all of the nine indicators was better than their predicted values.

1.36 Such achievements in the above mentioned areas have helped Bangladesh to graduate to the “Medium Human Development League” in 2004. Bangladesh was the only country in the LDC league to attain this status. As of 2004, Sri-Lanka and India were the other two South Asian countries which performed this feat.

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

	Social Indicators	Predicted	Actual	Sample Countries
1.	Population Growth Rate (annual percent)	1.897	1.740	181
2.	Total Fertility Rate (births per women)	4.230	2.950	180
3.	Crude Birth Rate	32.050	28.200	179
4.	Crude Death Rate	12.780	8.200	179
5.	Infant Mortality Rate (per 1000 live births)	76.580	48.000	175
6.	Under Five Mortality Rate (per 1000 live births)	115.80	73.00	175
7.	Life Expectancy at Birth (Female)	57.500	62.700	177
8.	Life Expectancy at Birth (Male)	54.130	61.500	177
9.	Contraceptive Prevalence Rate (percent of women aged 15-49)	33.300	53.800	61

Note: The term “predicted value” is an estimated value for the 2002 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 log of per capita national income expressed in US dollars. The parameters of the relationship are estimated from the cross-country data.

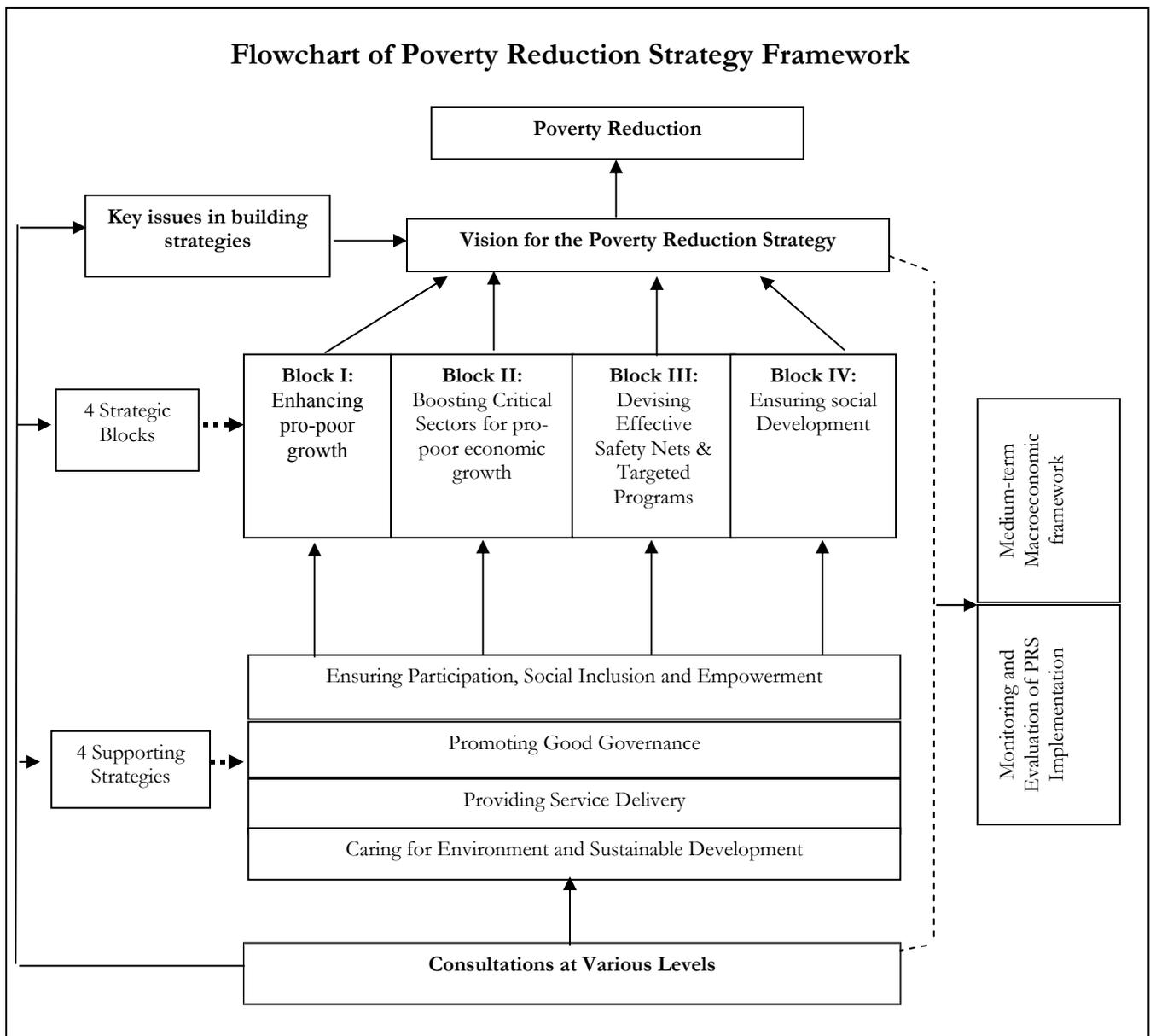
Source: NPEP calculations based on data from the World Bank, 2004, “World Development Indicators, 2004.”

1.F Framework of the PRSP

1.37 The framework for Poverty Reduction Strategy is presented in the following flowchart, which indicates that the main goal of this document obviously is poverty reduction. This goal is based on a vision for poverty reduction formed on the basis of the understanding of key issues of the present state of the economy. To fulfil the vision of poverty reduction, four strategic blocks are identified. These four blocks are enhancing pro-poor growth, boosting critical sectors for pro-poor economic growth, devising effective safety nets and targeted programmes and finally ensuring social development. The framework also identifies four supporting strategies or crosscutting issues. These are (i) ensuring participation, social

inclusion and empowerment of all sections, groups and classes of people, (ii) promoting good governance by ensuring transparency, accountability and rule of law, (iii) providing service delivery efficiently and effectively, particularly to the poor and (iv) caring for the environment and sustainable development on a long-term basis. Identification of problems and recommendations of actions to be taken in four strategic blocks and four supporting strategies are based on nationwide consultations with stakeholders at various levels as well as the Thematic Group reports.

1.38 The Three-year Rolling Investment Programme (TYRIP) attempted to make the Poverty Reduction Strategies and the Millennium Development Goals operational for the period FY05 to FY07. The Medium-term Macroeconomic Framework (MTMF) included in the PRSP has set out a coherent macro framework which brings consistency among savings, investment, external and monetary balances. Though TYRIP will be implemented in consonance with the implied resource envelope as given in the MTMF, the former will have its own dynamism if various pro-poor programmes can be effectively implemented.



Chapter II

Nation's Poverty Situation—Key Dimensions and Determinants

2.1 It is now widely accepted that poverty is a multi-dimensional phenomenon. Given this, it makes sense to read the poverty balance-sheet in a holistic way taking cognizance of all credible quantitative and qualitative evidence. Economists usually define poverty as a situation in which a household or a person is unable to satisfy certain needs or groups of needs (nutrition, shelter, education etc) based on a priori yardstick. The income approach as this is popularly referred to as an indirect approach to the measurement of poverty but generally enjoys wide acceptance because of its simplicity and comparability. Even here, however, differences in method may yield different estimates.

2.2 As distinct from the income approach, poverty may also be measured more directly through people's own assessments. While such assessments may suffer from a degree of subjectivity, experience has shown that careful research in this area can bring out a surprisingly robust understanding of the dimensions of poverty that matter most to the poor and the direction of trends on these dimensions.

2.3 Beyond income measures and self-assessments, a qualitative understanding of long-term structural and behavioural trends impinging on poverty is also critically important to shape policy responses for accelerated poverty reduction.

2.A An Overview of Poverty Trends

2.A.1 Trends in Income Poverty

2.4 By most estimates, Bangladesh has witnessed a modest poverty reduction rate of around 1.5 percentage point a year since the early nineteen nineties. Two alternative estimates based on the Household Income and Expenditure Surveys (HIES) of the Bangladesh Bureau of Statistics show poverty declining from 58.8 percent in 1991/92 to 49.8 percent in 2000, and alternatively, from 49.7 percent in 1991/92 to 40.2 percent in 2000 (Table 2). The methodology of the former estimate does not permit an assessment of longer-term poverty trends unlike the latter estimate.

Table 2: Poverty and Inequality in the 1990s and 2000

Indicator	Estimate 1 : BBS/World Bank using 1990s HIES unit-record data		Estimate 2: Sen & Mujeri using HIES longer-term grouped distribution data	
	1991/92	2000	1991/92	2000
Headcount Ratio				
National	58.8	49.8	49.7	40.2
Rural	61.2	53.0	52.9	43.6
Urban	44.9	36.6	33.6	26.4
Gini Index of Inequality				
National	0.259	0.306		
Rural	0.243	0.271	0.255	0.297
Urban	0.307	0.368	0.319	0.379

Sources: 1. For estimate 1," a) BBS, *Household Income and Expenditure Survey 2000*, Dhaka, 2003

2. For estimate 2," CBN estimates by Sen, B and Mujeri, M., 2002, *Poverty in Bangladesh: Trends, Profiles and Determinants*, Background paper for I-PRSP, using HIES grouped distribution data for comparability with poverty trends in the eighties and using 1983/84 non-food poverty line as the base-year non-food poverty line."

2.5 The observed improvement in the poverty situation also holds true for the distributionally sensitive measures of poverty as revealed by HIES 2000, the poverty gap ratio declined from 17.2 percent to 12.9 percent and the squared poverty gap ratio declined from 6.8 percent to 4.6 percent during 1991/92 - 2000 period - indicating that the situation of the poorest also improved during this period. Notwithstanding this improvement, however, the proportion of the poorest as a sub-category (defined through a lower poverty line) remains worryingly high at around 20 percent of the population in 2000.

2.A.2 Trends in Human-Poverty

2.6 Human-poverty trends have shown faster improvement than income-poverty trends. The human poverty index (based on deprivations in health, education and nutrition) stood at 61 percent in the early eighties (1981/83) but declined to 47 percent in the early nineties (1993/94) and dropped further to 35 percent in the late nineties (1998/00). The index of human poverty declined by 2.54 percent per year compared with 1.45 percent in the national head-count ratio for income-poverty over the last two decades.

2.7 A more detailed look at human poverty trends shows that the infant mortality rate (IMR) has declined from 94 deaths per 1000 live births in the nineteen nineties to 53 in 2002. Over the same period, the under-five mortality rate declined from 108 deaths per 1000 live births to 76. The rural-urban gap on these improvements has also seen a sharp decline: from a gap of 26.8 percent in the infant mortality rate in 1993/94 to 8.3 percent in 1999/00 and from a 34 percent gap in the under-five mortality rate to 16 percent over the same period. There are, however, considerable differences related to socio-economic status: infant mortality is about 70 percent higher for the poorest quintile than the richest quintile.

2.8 Gender discrimination, however, has persisted: in the 1-4 age group, male mortality is about 0.3 percent higher than female mortality. Maternal mortality rate continues to be very high at 320 deaths per 100,000 live births in 2001.

2.9 The gross primary enrolment rate has increased from 75.6 percent in 1991 to 105.7 percent in 2002. Gender parity has been achieved at both primary and secondary levels.

2.10 On nutritional indicators, the stunting rate for children in the age group 6-71 months declined from 68.7 percent in 1985/86 to 49 percent in 1999/00. The proportion of underweight children in the same age group has seen a parallel decline from 72 percent to 51 percent. Notwithstanding these improvements, the absolute level of child malnutrition remains a critical developmental challenge. Additionally, there are considerable rural-urban differences: 47 percent of rural children are stunted compared to 35 percent of urban children. There is also a female disadvantage: female-male gap for the severely stunted has increased from 10 percent in 1996/97 to 16 percent in 1999/00 though the gap is considerably less in the case of moderate malnutrition. Maternal malnutrition (proxied by body-mass index less than the critical value of 18.5) too is high but has seen some improvement: 45 percent of mothers were malnourished in 1999/00 compared to 52 percent in 1996/97.

2.A.3 Trends in Inequality and Its Poverty Consequences

2.11 Income inequality affects the pace of poverty reduction via two major channels. The first channel works through the mechanism of “initial inequality.” It shows that lower initial asset (income)

equality is doubly beneficial for income poverty reduction. It not only increases the aggregate rate of subsequent income growth, but also enhances the poverty responsiveness of growth itself. The second channel operates through the mechanism of “contemporaneous changes in income inequality.” It depicts missed opportunities for poverty reduction when economic growth is accompanied by rising income inequality. This is captured by decomposing the changes in poverty measures into “growth” (often termed “growth elasticity”) and “inequality” components (often termed “inequality elasticity”). The inequality component will capture the extent of poverty reduction that has not taken place because of adverse effects of inequality.

2.12 While absolute poverty measured by the head-count index declined at a faster rate in urban areas compared to rural areas over the nineties, this was associated with a rise in inequality. Consumption expenditure inequality over the nineties increased from 30.7 to 36.8 percent in urban areas and from 24.3 to 27.1 percent in rural areas. Overall, the Gini index of inequality increased from 0.259 to 0.306 during this period.

2.13 The growth-poverty link underlying the observed poverty trends show that Bangladesh has moved from a situation of lower growth with equity having a smaller impact on poverty reduction in the eighties to a situation of higher growth with inequality having a larger impact on poverty reduction in the nineties.

2.A.4 Poverty Trends as per People’s Own Assessments

2.14 While economists tend to measure poverty vis-à-vis a higher yardstick of healthy life, people’s own assessments often assess progress vis-à-vis a more minimalist yardstick of extreme deprivation such as hunger. Of significance here is the popular term *khoraki* that is a sociological expression of a poverty yardstick understood as annual food rations for the family. Poverty is then understood in terms of perceptions on deficit vis-à-vis the capacity to fulfil this minimalist yardstick. While newer popular meanings of poverty are seeping in with the transformations underway in social and economic life, the traditional hunger poverty yardstick provides useful insights on changes occurring in the poverty situation at the lowest rung of the scale.

2.15 Trend data on people’s self-assessment available from the BIDS/PPRC 62 village Poverty Studies bring out an aspect of changes in the poverty situation which is not fully brought out in poverty statistics. Specifically in terms of hunger poverty, improvements have been much more dramatic with the proportion of the ‘always deficit’ category of households dropping from 24 percent in 1989 to 9.9 percent in 2001 (the slight rise to 11.6 percent in 2004 reflects the impact of flood that year). Even within this ‘always deficit’ category, further differentiation carried out in the 2001/2004 surveys shows the ‘stark hunger’ category to constitute 1.9 percent of households. Though pockets of seasonal hunger – the so-called *monga* areas – persist, even the term ‘extreme poverty’ today thus no longer signify going without any meals a day for significant parts of the year. In a critical way, the challenge of poverty today has been transformed from that of hunger per se to a larger challenge of poor diets and other basic needs.

Table 3: Poverty Self-Assessments (percent of rural households)

Self-Assessment	1989	1995	2001	2004
Always Deficit	24	18	9.9	11.6
Occasional Deficit	50	32.2	26.3	31.9
Break-even	17.5	30.7	40.8	33.4
Surplus	8.5	19.1	23	23.1

Source: 62 Village Survey and Re-Surveys: 1989, 1995, BIDS; Analysis of Poverty Trends Project; 2001, BIDS; 2004: PPRC State of the Poor Project

2.A.5 Poverty Situation beyond 2000

2.16 Poverty estimates are generally based on budget surveys such as Household Income and Expenditure Surveys (HIES). The latest HIES data available for Bangladesh is for 2000. In the absence of recent HIES data it is difficult to provide an account of the income-poverty situation beyond 2000. However, two alternative sources have been considered. One alternative is the information contained in the “Poverty Monitoring Survey 2004(PMS2004)” and the other is real agricultural wage data.

2.17 The Poverty Monitoring Survey (PMS) uses the “Direct Calorie Intake (DCI)” and “Food Energy Intake (FEI)” methods to measure poverty. Although the outcomes of these two methods are not comparable, the results of both methods show reduction of head-count poverty between 1999 and 2004. According to the DCI method, head-count poverty declined from 46.2 percent in 1999 to 40.9 percent in 2004. The corresponding estimates under the FEI method have been 44.7 and 42.1 percent for 1999 and 2004 respectively. According to both these measurements, the rate of poverty reduction has been found to be higher for urban areas compared to rural areas, reversing the trend reported for the period 1996 to 2000. The above outcomes thus suggest improvements in poverty situation in Bangladesh beyond 2000.

2.18 Real agricultural wages have also been found to be increasing in recent years. The real agricultural wage rate for male labourers has increased from about Tk.20/day in 1983/84 to Tk.24/day in 1991 and further to Tk.28/day in 2003. Moreover, an improvement in real agricultural wages has taken place in most districts of Bangladesh between 1995 and 2003. The rising trend in real agricultural wages also indicates improvement in the welfare of the rural poor.

2.B Longer-Term Changes: the Lesser Told Story

2.19 Macro statistics tell only a part of the poverty story. From a longer-term process perspective, a more complex story of change emerges.

- *Qualitative change in the experience of poverty*

Though per capita income levels have climbed only so modestly, there has been a qualitative change in the *experience of poverty* itself: i.e. the intensity of seasonal deprivations have marked a significant decline, percentage of population going without three meals a day has been substantially reduced, access to basic clothing has become near-universal, proportion of population living in extreme vulnerable housing has also registered a noticeable decline.

- *Declining Centrality of Land*

Land used to be the source both of wealth and income and of power and status in rural Bangladesh. This centrality has undergone drastic changes. Land is no longer the principal basis of power and status; neither does it serve to limit the livelihood opportunities of the poor. The subsistence orientation of production too has given way to a more complex and fluid livelihood strategy. Land has assumed a new multi-functionality within this multiple livelihood strategy far removed from its earlier connotations of power and dominance.

- *An Emerging Rural – Urban Continuum*

The dramatic expansion of all-weather rural infrastructure which began from the late 1980s has brought about a qualitatively new degree of connectedness between the rural and urban areas. Migration and remittances have emerged as dominant factors in household dynamics. The pattern of migration too is not restricted to uni-directional flows to international or metropolitan centres; migration of varying duration to a variety of destinations both rural and urban as well as near and far is increasingly a critical part of the picture. Initial fears that migration was fuelling an export of poverty from rural to urban areas has now been dispelled by poverty trend statistics; in general urbanisation appears to have been a force for poverty reduction with urban poverty declining much faster than rural poverty. The rural-urban divide is increasingly giving way to a rural-urban continuum.

- *Labour Market Transformations*

Far reaching transformations have also taken place in the labour market. There is a trend towards an occupational hierarchy for the poor in which casual daily labour is the least preferred employment. The competition is for piece-rate labour contracts and fixed-rent tenancies in the farm sector and for non-farm employment in rural construction activities, transport operations and at the lower end of trade and service activities. Within the context of such an occupational hierarchy, the ‘capacity to shift’ becomes the key livelihood concern for the poor. Correspondingly, there is a great emphasis on the finance access, social networking and human capital factors which generate this ‘capacity’ at the level of the individual household.

- *A deepening in market orientation*

There has been a far-reaching deepening in *market orientation* among all classes of economic actors, rural and urban, formal and informal, producer and consumer, large players and small players.

- *Poor loosen ties of dependence but little leverage over the political space*

The poverty literature of the 70’s was replete with references to analytical categories such as inter-locked markets and personal dependence. These described a situation where the poor households were enmeshed in inter-locking ties of dependence on land, labour and credit markets. Three decades on, this situation of personal dependence has significantly weakened. The spread of high-yield agriculture and all-weather road infrastructure has largely done away with seasonal dependence. Possibilities of quick migration have greatly expanded the choice horizon of the poor. The lives of women have also been touched: female mobility is a conspicuous phenomenon and women’s reproductive burden too has gone down. However, while choice horizons have expanded, the political leverage of the poor over decision-making processes shows little evidence of any significant change.

- *A Personality Revolution?*

Perhaps the most important part of the poverty story is one not found in the statistics at all. The poor of Bangladesh have undergone something of a personality revolution and become more

assertive, pro-active towards opportunities, clearer on life-goals. The social reality may not have lost its oppressive features but the poor men and women of rural and urban Bangladesh are new protagonists on the scene and societal outcomes are very much open. With perseverance and determination, they are forging a new ground reality of initiatives and signalling an escalating refusal to remain content with the vagaries of a poverty-laden fate.

2.C Major Determinants of Poverty in Bangladesh

2.20 In order to identify the major factors behind poverty in Bangladesh, regression analysis was employed. Ten variables or factors have been considered in the analysis. Data on the variables was obtained from the Household Income and Expenditure Survey (HIES), 2000. The variables are of three types. First, there are the quality and demographic aspects of households, viz. the gender of the household head, the literacy level of the household head, skill level of the household head, the religion of the household, the size and location of the household (i.e. rural or urban). Then there are the policy intervention variables, i.e. whether the household has electricity connection and is the recipient of female stipend. Finally, land ownership and income from assets owned are the income and asset variables.

2.21 The findings of the regression analysis suggest that households with electricity connection are likely to avert the incidence of poverty. It should be noted that electricity connection is taken as a proxy for the infrastructural facilities available to the households. The female stipend programme is another important factor which is likely to help reduce the incidence of poverty. Households whose heads are literate and have acquired skills are also likely to escape poverty. Households owning cultivable land are less likely to be poor, which is in line with the general perception that land ownership is an important factor in reducing poverty in Bangladesh. Similarly, households who have asset income are likely to be non-poor. An important observation is that the higher the size of the household the higher is the probability of being poor.

2.22 The above findings regarding literacy and skill of household head as they relate to poverty, underscore the need for expansion of literacy and skill development programmes as one of the major factors in reducing poverty in Bangladesh. Similarly, provisioning of basic infrastructure (as proxied by electricity) is likely to pave the way for poor households to engage in productive activities, raising their income and hence reducing poverty.

2.23 The objectives of the female stipend programme are twofold: (i) to influence or induce households to send their girls to primary schools; and (ii) to receive cash transfer from the Government in recognition of their decision, which may also raise the income of the recipient households. It is believed that both of these channels are likely to have a positive effect on reducing poverty incidence by removing superstitions, wrong attitudes towards women and other harmful social practices (for example dowry, early marriage of girls and wasteful consumption habits). This indicates the importance of this programme in reducing poverty in Bangladesh and hence the programme should be continued and may even be expanded.

2.24 One major reason for larger household size contributing to the probability of being poor is the uncertainty arising from a low life expectancy at birth and up to five years of age. It is expected that an expansion of the basic health services aimed at reducing IMR and U5MR will help reduce family size. However, the evidence of TFR remaining on a plateau is a major cause of concern which may have negative impacts on population stabilization, household size and the poverty situation. Thus, attention must be given to reactivate the population programme to attain demographic targets.

2.D The Nexus between Economic Growth and Poverty Reduction

2.25 Empirical evidence suggests that a sustained and high rate of economic growth is essential for sustained poverty reduction. The impact of economic growth on the pace and magnitude of poverty reduction depends to a large extent on the nature of inequality of income arising from the very growth process. Thus, the full impact of growth on poverty reduction is dissipated when the process of economic growth is accompanied by worsening income distribution. The concept of a “pro-poor” growth strategy appears to point out the crucial association of growth and inequality on the extent of poverty reduction. Adoption of a “pro-poor” growth strategy is thus favoured over “growth maximization” as a means of achieving faster decline of poverty.

2.26 Given the pervasiveness of poverty in Bangladesh one needs to clearly characterise the growth strategy required to achieve the target of halving poverty by 2015. The important elements of such a strategy would focus on the character of sectoral growth patterns, feasibility of pursuing “pro-poor” growth and viability of pursuing “growth maximization,” together with a policy of pro-poor distribution of productive assets.

2.27 An analysis of the sectoral growth pattern of the 1990s reveals that manufacturing, construction, services, non-crop agriculture and rural non-farm activities have been the dynamic sectors that contributed largely to economic growth. The faster economic growth of the 1990s relative to that of the 1980s was associated with a moderate decline of poverty at about 1.5 percent per year. Though all three broad economic sectors, namely agriculture, industry and services, contributed to faster economic growth in the 1990s, the highest increase in growth rate, 1.2 percentage points, was reported for industry. Increase in growth rates for services and agriculture were 0.8 and 0.7 percentage points respectively. At a disaggregated level, rapid growth of several sub-sectors was observed during the 1990s. Fishery emerged as the fastest growing sub-sector in agriculture. Manufacturing and construction were the two most dynamic sub-sectors of the industrial sector. In the case of the services sector, wholesale and retail trade, hotels and restaurants, and financial intermediaries emerged as the rapidly expanding sub-sectors. Another important feature of the period is the rise of income inequality measured by the Gini coefficient. Between 1992 and 2000, Gini indices of income inequality for national, rural and urban areas were increased by 0.047, 0.028 and 0.061 respectively.

2.28 Rising inequality continues to prevent the full impact of growth from registering on poverty reduction. An examination of sources of inequality using “Gini Income Elasticity (GIE)” shows that the contribution of daily wage labour income is highest in reducing income inequality, followed by agricultural income. Other income sources such as non-farm enterprises, non-farm employment, transfers and remittances, and property income have in-equalizing effects on overall income distribution in Bangladesh. Thus the growth experience of the recent past suggests that most of the dynamic sectors, including the non-farm sector, generate inequality. This implies that a dynamic sector-based growth process is not “pro-poor” and hence the growth pattern itself offers limited scope to address the growth and equity objectives simultaneously. Furthermore, any attempt to manipulate the growth pattern to give it a “pro-poor” character may not be possible without hurting the dynamic sectors and dissipating the higher growth opportunities. The current growth pattern is in-equalizing, and undermining the sectoral pattern of growth is not advisable as it may limit the scope of higher economic growth.

2.29 As is evident from above, the growth pattern in Bangladesh generates inequality, limiting the full impact of economic growth on poverty reduction. Relative strengths of the growth and inequality components of a growth process determine its effectiveness in reducing poverty. The relative strength of the inequality component over the growth component also reveals the extent of trade-offs between them. The extent of trade-off is usually used to design inequality correcting policies. The Inequality-

Growth-Trade off (IGT) index is generally estimated to assess the extent of such trade-offs and subsequent adoption of pro-poor policies to reduce inequality. The IGTI, composed of growth and inequality components, shows how much growth needs to be achieved in order to offset the adverse impact of inequality on poverty. An IGTI value of less than one indicates dominance of growth over inequality, hence growth maximising policies may be considered adequate for poverty reduction. When inequality outweighs growth, the value of the index is more than one and priority is attached to pro-poor policies.

2.30 Data from the Household Income and Expenditure Survey 2000 was used to calculate the “IGT” index for Bangladesh. The estimated rural, urban and national IGTI values for the poverty gap are 0.75, 1.65 and 0.95 respectively. Similarly, the estimated rural, urban and national IGTI values for poverty severity are 0.99, 1.98 and 1.22 respectively. These results suggest a low trade-off between growth and inequality for rural areas and hence benefits from pursuing a pro-poor growth strategy to reduce inequality are also low. For rural areas, the appropriate strategy is to pursue growth-maximizing policies supported by wide-ranging redistributive/targeted programmes. The values of the IGTI are, however, uniformly higher in the urban areas, which suggests that inequality-reducing policies should be adopted for urban areas. It is expected that urban growth policies with strong pro-poor elements will bring greater benefits for the urban poor.

2.31 In the context of the above findings, inequality and poverty may be addressed in three possible ways. First, as labour is the main asset and income source of the poor, an important means of reducing inequality and poverty is to create an enabling environment for them to get more remunerative jobs. Attention must be given to increase labour productivity and returns in both crop and non-crop activities. Second, lack of appropriate skill and education has prevented unskilled workers from participating in profitable activities and also restricted their upward movement to more remunerative activities. It is thus necessary to upgrade the skill levels of the unskilled workers through greater investment in education and skill development. Third, some evidence suggests that there is a significant impact of infrastructure (e.g. electricity and all-weather roads) on poor people’s income and poverty reduction. It is observed that lack of education, skill and electricity connection (used as a proxy for the infrastructure) increases the probability of being poor in Bangladesh. Acquiring education, appropriate skills and access to the infrastructure may help the poor to exploit the opportunities for more remunerative activities. Fourth, the bargaining power, access to public services and market opportunities of the poor are weakened by an inadequate asset base. Thus the asset base, encompassing the human, physical and financial capital of the poor, must be expanded. Expansion of the asset base will help raise the bargaining power of the poor and ensure access to resources, public services and decision-making and enhance their capability to derive benefit from the policy and market opportunities of higher growth.

2.E Natural Disasters and Poverty

2.32 The discussion in section 2.B has identified a number of factors that determine or are associated with poverty. One important factor that has not been covered in the HIES data is natural disasters which have both short and long-term impact on poverty. Disaster Profiles of the Least Developed Countries, 2001 published by the UNDP would indicate that among these countries, particularly in Asia, Bangladesh has been most adversely affected by natural disasters. Moreover, the history of natural disasters for the last one hundred years or so as obtained from the international disaster-database of the Louvain Catholic University, Brussels reveals that the frequency of natural disasters within what are now the boundaries of Bangladesh has been increasing during recent years. Bangladesh is among the most disaster-prone countries in the world and the death tolls from cyclones and floods are among the highest. However, in terms of the number of people affected and the damage caused to materials and property, floods have been much more devastating than cyclones.

2.33 Natural disasters in Bangladesh have their roots in the nature of its terrain, the physical geographic features, its long coastline and the tropical climate. The increasing density of population, by causing ecological damage, also adds to the misery. Bangladesh is a land of rivers and it has adjusted itself to a wet season when every year about 20 to 25 percent of its land area remains under water. During the period between 1870 and 1990, 12 major floods were reported within what are now the boundaries of Bangladesh. Prior to the floods in 2004, the worst floods in Bangladesh in the recent past occurred in 1998 and 1988.

2.34 The relationships between disasters, growth and poverty are both direct and indirect. When a disaster strikes, it immediately puts an end to economic and social activities, because the organisation of such activities becomes dysfunctional. Secondly, disasters such as floods or cyclones may disrupt communications and the infrastructure and consequently peoples' employment and income may be adversely affected for a period. Most importantly, natural disasters create tremendous human misery, including death, both when they occur and in their aftermath. Often it is the poor and the infirm who fall easy prey to disasters and it is also they who may take the longest to recover from the adverse effects. Also, during a natural disaster the poor are more numerous among those killed because they are least prepared to face such events and they are generally more concentrated in the hazard-prone areas of Bangladesh. Death of the earning member of a poor family brings lasting misery to its members. Thus the gains in poverty reduction suffer a setback. The other direct effects due to natural disasters include damages caused to residential housing, housing goods, crops, fisheries, and livestock. Damage done to transport and communication facilities, capital assets including stocks of food both at the household and the state level have significant indirect adverse effect. The indirect impact and the second-round effects of natural disasters in Bangladesh are often hard to estimate.

2.35 The estimates of the economic impact of disasters like cyclones, tornadoes, droughts and arsenic contamination of water are either hardly made or are not available publicly. Estimates of macroeconomic losses due to floods in Bangladesh do indicate significant impacts on the aggregate output of the country. A comparison of the 2004 floods with the floods in 1988 and 1998 shows that the floods in 2004 have been less severe in terms of inundated area, duration, persons affected and loss of human lives. However, the 2004 floods have caused much greater damage to the economy in areas adjacent to the major rivers.

2.36 Table 4 provides a comparison of the floods in 2004 with those of 1988 and 1998.

Table 4: Comparison of Flood Situation

Item	1988	1998	2004
Inundated Area	61 percent	68 percent	38 percent
Duration of Flood	23 days	72 days	21 days
Persons Affected	45 million	31 million	36 million
Total Deaths	2335 persons	918 persons	800 persons
Loss of Income/Assets	US \$ 330 million	US \$ 2 billion	US \$ 2.2 billion

Sources: 1. 1988 and 1998 data are from the Flood Forecasting and Warning Centre, Bangladesh and the I-PRSP document of Bangladesh
2. Data for 2004 are mostly from the Joint ADB and World Bank Mission on Flood Damage and Needs Assessment, September, 04.

2.37 The analysis of the macroeconomic impact of floods in 2004 points out that the growth of per capita income is likely to fall from 4.5 percent to 3.7 percent due to income loss. The fall in per capita income may be more for the poor and the non-poor households that are very near the poverty threshold.

An estimate of the non-poor household groups within 10 percent above the poverty line in the districts hit by floods in 2004 shows that they accounted for 4.3 million people in 2000. These people risk slipping into poverty unless they are protected under appropriate safety net programmes. In a country where the growth of aggregate output in the recent past has been around 5.5 percent, the magnitude of loss of output and assets due to natural disasters as observed during the floods in 2004 does impact on the economy seriously. It may take two years just to get back to the pre-flood level of GDP, and this will have a consequent negative impact on the pace of poverty reduction.

2.38 Bangladesh being one of the world's most disaster-prone countries, it can ill-afford to ignore the adverse impact of natural disasters on the process of poverty reduction and growth. The disaster risk management is being integrated with development activities. In doing so, the future strategy will begin from the premise that while natural hazards are the starting point of a potential disaster, what turns the potential into a reality is the lack of a nation's capacity to cope with hazards at various levels: national, local, community, household and individual. The desirable strategic thrust in future will therefore be towards disaster risk management, which means avoidance or minimisation of the impact of a disaster through increased coping capacity at various levels, not only within the nation but also globally and regionally. This is possible with proper institutionalisation backed by adequate and regular provision of resources for preparedness against hazards. This preparedness implies the following: (i) an effective early warning system to predict the onset of disaster; (ii) an institutionalised triggering mechanism for response during and after the disaster; (iii) networking among public institutions, non-government organisations, the community and individual household for integrated planning and coordination but decentralised responsibility for implementation of actions by these actors before, during and after a disaster; and (iv) proper development and deployment of institutional, logistics and human capacity and skill through training, research, up-gradation and regular maintenance of facilities for mitigation of damages.

2.39 The Government of Bangladesh has drawn up a Five-Year Strategic Plan for the Comprehensive Disaster Management Programme (2004-2008), which already encompasses some of the elements mentioned above. The Plan, a collaborative effort of the Government and the Development Partners, is in the process of being finalised. It envisages bringing a paradigm shift in disaster management from conventional response and relief practices to a more comprehensive risk reduction culture. The Plan incorporates programmes to strengthen the capacity of the Bangladesh disaster management system in order to reduce unacceptable risk and improve response and recovery management at all levels.

Chapter III

Participatory Consultation in PRS Formulation

3.A Methods and Approaches to PRS Consultation

3.1 The core principles underpinning PRSP require that it should be a country-driven, country-owned and results-oriented document, anchored in broad-based participatory processes. Extensive and effective participatory consultations involving all the stakeholders, as far as possible, are essential for a PRS in order to make it responsive to people's, especially poor people's, needs and priorities. Preparation of the I-PRSP was also preceded by consultations with the rural and urban poor and the civil society, albeit on a smaller scale. The commitment of the Bangladesh Government to prepare the full PRSP as a country-driven and country-owned document made participatory consultation a key element in its preparation process. A major expectation from participatory consultations was to generate important inputs for PRSP. The design of the PRSP participatory consultation process had been made focused and elaborated in terms of its scope, extent, level and design.

3.A.1 Approach

3.2 An inclusive consultation approach was followed to cover all types of stakeholders. The PRSP preparation process opened up new spaces for dialogue on public policy with different stakeholders, members of the civil society and the Honourable members of Parliament. Attempts were made to ensure consultations with a broad class of participants. Particular attention was given to include women, children, the weak and vulnerable groups in the consultation process. Moreover, an outcome-oriented participatory approach was adopted during consultation. Consultations were not entirely open-ended. A combination of structured and open-ended methods of consultation was followed, with care being taken to infuse participatory rigour to the consultation process. Two imperatives were specially considered: (i) ensuring participants' informed, active and committed participation in discussions, and (ii) ensuring a conducive ambiance for participatory discussions. It was anticipated that different constraints and personal biases might affect the quality and output of participatory consultations. To overcome such constraints and neutralise participants' biases, special care was taken at different stages of the consultation process.

3.A.2 Methods

3.3 With the objective of preparing a participatory PRSP, various methods were employed. These included consultation with members of Parliament, participatory consultation meetings at the national and the regional levels, direct consultations with the poor, interfacing with development partners to have a feedback from them, constituting twelve thematic groups under the leadership of relevant Ministries to ensure full participation of concerned Ministries/Divisions (discussed under 3.C below) and national consultation workshops on the draft PRSP.

3.B Structure and Process of Participatory Consultation

3.4 In keeping with the inclusive approach of participatory consultations, such consultations were structured involving different spatial levels, a broad range of stakeholders, policy-makers and the poor themselves. Specifically, consultations were held at the national and regional levels; they were also held with various groups of the poor. These are described as follows:

3.B.1 National Level

3.5 An elaborate arrangement was instituted to undertake participatory consultation with a cross-section of stakeholders both at the national and the regional levels. Such participatory consultation meetings, one at the national and six at the divisional headquarters, were concluded during March and April, 2004. To make the participation broad-based and inclusive, a comprehensive list of potential stakeholders was prepared by the NPPF. The participatory consultation workshop at the national level was enriched by the participation of a wide range of experts, subject-matters specialists and different stakeholder-groups. For example, the participants included: members of the civil society, adivasis/ethnic minorities, physically disadvantaged people and experts on IT, infrastructure, water-resources, environment, governance, co-operatives, health, education, agriculture and other disciplines. Participants also included representatives from various professional groups, think tanks, the mass media, prominent research institutions, specialised hospitals, educational institutions, apex organizations in the fields of micro-finance and legal aid, associations of slum dwellers, old people; professional associations of women lawyers, economists, journalists, government agencies, private sector entrepreneurs, NGOs and civil societies working in different fields.

3.6 The participants were divided into thirteen groups based on topics for group discussion. The topics were: (i) Macro economic stability and pro-poor growth, financial sector reform (banking, trade and globalisation) and domestic resource mobilisation, (ii) Private sector development, (iii) Communication (road, rail, inland water transport, information and communication technology, and telecommunication), electricity, energy and power sector development, (iv) Governance (reform in civil services, judiciary, law and order, and strengthening of local government), (v) Health and nutrition, (vi) Development of women and children and establishing their rights (vii) Education, (viii) Rural development (including food security, disaster management, social safety nets, expansion of micro-credit and rural non-farm activities, employment and development of growth centres), (ix) Agriculture (crops, fisheries, livestock, horticulture and agro and bio-technology) development, (x) Protection and development of the environment, (xi) Water resource management, (xii) Adivasi/ethnic minorities and physically, mentally and socially disadvantaged people, and (xiii) Housing.

3.7 At the national level consultation, group discussion was split into two parts. The first part included general discussion on poverty, its causes, nature and depth, and also on actions to be taken for achieving pro-poor economic growth. In the second part, each group discussed the specific subject or sectoral theme assigned to them. The steps in the discussion on a sectoral theme were as follows:

- Setting sectoral targets to reduce poverty;
- Suggesting strategies to achieve those targets;
- Identifying actions or programmes needed to implement those strategies; and
- Indicating appropriate design and implementation mechanisms to accompany those actions or programmes so as to achieve optimum benefits for the poor.

3.8 Dimensions emphasised in the group discussions involved pro-poor growth, gender equity, sectoral good governance, the rural-urban nexus, and special problems of different socio-economic groups, sustainable development and balanced regional development. Presentation of group reports in the plenary session was followed by comments from the floor. These comments were accommodated in finalising the group reports.

3.B.2 Regional Level

3.9 Regional participatory-consultation meetings were held in all the six Divisions of the country. Regional consultation meetings were organised jointly by the NFPF and the Divisional Commissioner of the respective Division. People from various parts of the region and representing different segments of society participated in Regional Consultation Meetings. Members of the civil society, specialists, academics, Union Parishad and municipality chairmen, female members of Union Parishads, children and youths, adivasis/ethnic minorities, physically disadvantaged people, journalists and people from the media were among the participants. Participants also included representatives from various institutions like education, health and agriculture, co-operatives, professional groups, organisations of the poor, women's groups, business people's forums, labour unions, human rights groups, research institutes, associations like those of farmers, fishermen and weavers and NGOs working in various fields like micro-finance, health, education, environment, infrastructure and social development.

3.10 Table 5 shows a sample of participants in each regional consultation meeting. An outline of regional level consultation meetings spelling out the structure, features, composition of discussion groups and allocation of time for different sessions, general guidelines for effective participation and recording of output was developed by the NFPF and endorsed by the NSC.

3.11 The total number of participants in each regional meeting was around 200. The participants were divided into 12 groups based on 12 broad topics. Discussions in regional consultations were structured into three parts: (i) general discussions on poverty, (ii) detailed discussions on topics designated, and (iii) free discussions on any aspect each participant wanted to engage in. To have outcome-oriented discussions, general and topic-wise discussion guidelines were developed by the NFPF and these were placed before the National Steering Committee for approval. A meeting was held between the chairperson of the NSC, NFPF and six Divisional Commissioners about how best to conduct the regional discussion meetings. The NFPF briefed the Divisional Commissioners on the importance, purpose and structure of regional consultation meetings. Special emphasis was given on the selection of the right kind of participants in each of the twelve discussion groups, on having participation from different areas of the region, and on ensuring adequate representation of women in different discussion groups. Working papers as well as guidelines for regional consultation meetings were sent from NFPF to the Divisional Commissioner well ahead of the date of the meeting. Those were then sent by the Divisional Commissioner's Office to the participants, also well ahead of the meeting.

3.12 Secretaries from different ministries, who are also the members of the NSC, as well as other high officials of the different ministries, attended the regional consultation meetings. The Hon'ble Minister for Finance and Planning inaugurated one regional consultation meeting. The presence of high level policy-makers and government officials reinforced the importance of such consultations and bolstered the enthusiasm of the participants.

3.13 Each discussion group had a moderator to smoothly conduct the group discussions. The role of the moderator was clearly spelt out in the outline prepared by the NPPF for regional consultations. One officer from the NPPF was assigned to each group and s/he would remain present throughout the discussions. The NPPF officer did not participate in the discussion, but s/he helped the moderator whenever necessary to maintain the participatory rigour of discussions.

Table 5: Participation in Regional Consultation Meetings for PRSP Preparation

Category of Participants	Number	Percent
Civil Society, Experts and Academics	14	7.3
People's Representatives	35	18.3
<i>a) Union Parishad / Municipality Chairman</i>	27	
<i>b) Female Union Parishad Member</i>	8	
Journalist/Press and Media (working at the regional level)	12	6.3
Institutions (in the regional level)	20	10.5
<i>a) Education</i>	9	
<i>b) Health</i>	5	
<i>c) Agriculture (Crops, Livestock and Fisheries)</i>	6	
Co-operatives	4	2.1
Women's Organisation's Representatives	11	5.8
Child and Youth Representatives	3	1.5
Professional Groups	11	5.8
Organisations of Poor	12	6.2
Labour Unions	5	2.6
Organisations of Business People	7	3.7
NGOs (working at regional level)	28	14.7
<i>a) Micro-finance</i>	3	
<i>b) Health/ Sanitation</i>	3	
<i>c) Infrastructure</i>	3	
<i>d) Education</i>	3	
<i>e) Environment (BELA, Coast Trust, etc.)</i>	3	
<i>f) Social Development & Others</i>	13	
Human Rights Organisations	6	3.2
Research institutes and others similar organisations	5	2.6
Adivasis/ethnic minorities, Physically disadvantaged people	5	2.6
Associations (Farmer's, Weaver's, Fishermen's, etc.)	13	6.8

3.14 The segment on general discussion focused on participants' perceptions about the meaning of poverty, causes of poverty, poverty among different areas and population groups in the Division and general constraints on poverty reduction. The topical discussions covered a wide range of subjects including agriculture, rural development, water resources, communications, power and energy, health, education, environment, women and children, adivasis/ethnic minorities and physically and mentally disabled people, housing, and governance. Detailed guidelines were prepared for each of these topics. Opinions and recommendations were sought on various key issues and policies for each topic. However, it was necessary to ensure that consultations did not remain confined to the contents of discussion guidelines and participants could discuss issues that were not covered within the guidelines. The open-

ended part of consultation was meant to give space to the participants so that they could discuss any issue they considered important for poverty reduction.

3.15 The views of women and civil society organisations received full attention. The quintessence of the participatory consultation was to collect the unhindered and unalloyed opinion of the people including the poor and the civil society regarding the various routes to poverty reduction. One of the objectives of regional consultations was also to strive to understand the regional dimension of poverty.

3.16 The participatory consultation meeting in the regions as well as in the capital generated a wealth of materials, which guided the policymakers in reviewing the existing poverty alleviation policies and also in formulating new policy initiatives.

3.B.3 Face to Face with the Poor

3.17 Another type of participatory consultation was initiated where policy and development planners directly entered into dialogues with small but uniform groups of the poor and the vulnerable. This type of direct consultation with the poor does give policy makers a chance to hear from them about what they are thinking of their own situation. It was felt that the experiences of the poor, the problems of their livelihood, the impact of various public policies on their lives, their pressing concerns and vulnerabilities should be heard about directly from the poor. Such consultation added a new dimension to the participatory process in that it brought the poor directly into the PRS consultation and preparation process. Direct consultation with the poor was also the first of its kind in Bangladesh for formulating policies for poverty reduction. Consultations were held in the form of group discussions and interviews. Ten groups comprising, among others, garment workers, housemaids, potters, snake charmers, fishermen, cobblers, sweepers, tea garden workers, industrial workers and adivasis/ethnic minorities were consulted. From their deliberations brought under the purview of face-to-face consultation, important insights into the causes of their poverty, problems of their livelihood and their vulnerabilities were gained and consequent policy implications were surmised.

3.18 Participants demonstrated great enthusiasm and interest in consultation meetings and were very candid in describing their problems, giving views on the past and present public policies affecting them and in presenting various suggestions and recommendations.

3.B.4 Major Recommendations Emerging from Consultations

3.19 The participatory consultations turned out to be very fruitful and constructive. The output of consultations worked as general guidelines for preparing the thematic group reports as well as the PRSP. In consultation meetings, various recommendations and suggestions have been made; some of these are general and others are sector or theme-based. Participants have indicated various areas where in their view significant positive achievements have been made.

3.B.4.1 Perception of Positive Achievements

3.20 With respect to poverty reduction or for that matter socio-economic development, participants in the consultation meetings acknowledged notable progress in various areas e.g. population control, reduction of infant mortality, EPI coverage, life expectancy, enrolment in primary school and gender equity in enrolment and exposition of female education. In real and services sectors, people mentioned an increase in agricultural production, expansion of poultries, fisheries, nurseries and social forestry, development of infrastructure and electrification and promotion of export. Progress has also been noted in sanitation, the expansion of health facilities, reduction in maternal mortality and in ensuring safe water supply. In addition, women's participation in development has increased, avenues for women's employment have expanded and this micro-credit programme has become an enviable success story; it has been acclaimed and even replicated globally. The expansion of the safety-net programme in the form of providing allowances to widows and old people has also been recognised as a commendable initiative. There has been a substantial improvement in terms of increase in awareness among people about various development problems and imperatives.

3.B.4.2 Sector or Theme Based Recommendations

Agriculture

3.21 To increase crop production, timely availability of quality and adequate inputs, easy access to agricultural credit, especially for marginal and small farmers, development of an appropriate infrastructure for marketing, and storage and communication facilities have been recommended. Besides motivating farmers to adopt Integrated Pest Management (IPM), reducing the gap between research and extension and the promotion of need-based research were also considered important.

3.22 For the development of fisheries, consultations have pointed out the need for prohibiting the use of electrical nets, undertaking measures to stop indiscriminate fishing, excavating ponds and canals to expand fish cultivation and promoting fish culture in natural depressions, flood plains and paddy fields. Policies to lease out *kebas* ponds and other water bodies to the poor and real fishermen should be adopted and pursued.

3.23 For the development of poultry and livestock, it has been recommended that this sub-sector should be upgraded to a full-fledged sector. Further, availability of insemination, placement of a sufficient number of veterinarians at the Union level, production of feed and fodder and easy access to credit should be ensured.

Targeted Poverty Reduction Programmes, Social-Safety Nets

3.24 The consultation meetings made various suggestions for better targeting and for improving efficiency, effectiveness and coordination of targeted poverty reduction programmes. It is recommended that more thrust should be given at the design stage of poverty reduction projects. In implementing these

projects, emphasis was laid on minimizing leakages, avoiding duplication and ensuring more coordinated endeavours.

3.25 Introduction of special programmes for the extremely poor was suggested. The programmes should include provision for some initial endowment funds as grant, credit at a low interest rate, suitable repayment schedule and a special cushion against shocks. A canal excavation and re-excavation programme should be introduced through a Labour Contracting Society (LCS) comprising poor people, both male and female. Savings and wages to the beneficiaries should be provided through individual bank accounts, wherever possible, because in other targeted poverty reduction programmes such arrangements proved to be effective. It is necessary to ensure co-ordination among different ministries/divisions involved in poverty reduction activities to ensure efficiency and effectiveness and to avoid duplication. Social-safety net programmes should be expanded and a comprehensive social security system should be developed and put in place.

Monga

3.26 Various suggestions have been made for grappling with the problem of monga, These include: identification of monga-prone areas, encouraging establishment of small-scale enterprises in the monga-prone areas, diversification of agriculture, provision of collateral-free micro credit at a lower interest rate, employment generation through infrastructure development work, a special food assistance programme, scheduling the training activities of both GO's and NGO's for targeted poverty reduction programmes during the monga period, special allocation to the local government institutions, implementing the food-for-work programme during monga period, building up the economic capacity of the poor to withstand monga, and special policies to support overseas employment of labour force from monga-prone areas.

Water Resources

3.27 Participants have been of the general view that it is not feasible to undertake river bank protection measures in all places. Hence, river-bank protection measures should be undertaken only in strategically important cases; in all other cases, instead of river bank protection, a compensation system should be introduced for the affected people, including the landless and the poor. A policy shift is needed in this regard. The priority given to irrigation is quite in order and this should be continued. Efficient irrigation networks should be established and the low-cost deep-tube well model developed by the Rural Development Academy, Bogra, should be replicated wherever possible and necessary. Intrusion of saline water should be prevented through augmenting the flow of water and constructing appropriate infrastructure.

Power and Gas

3.28 Power and gas facilities should be expanded and alternative sources of power for remote areas should be developed. Accountability, transparency and modernisation in the management of the power and gas sector need to be ensured. Illegal electricity connections have to be severed and system loss has to be minimised.

Communication

3.29 For developing the communication sector, the imperatives are: timely and proper maintenance of roads, construction of bypasses and alternative roads, introduction of tender advertisement and a procedure for its submission on-line, formulation of a master plan integrating all modes of transport for the entire country, development of a more poor-friendly railway communication system and giving emphasis on cargo transport in air service. Emphasis was also laid on the modernization of Mongla port, regular dredging of rivers using gas-powered dredgers with the involvement of the private sector, on expanding and improving the telecommunications system with emphasis on privatisation, and improving and reforming the postal service.

Housing

3.30 Consultations have highlighted the existence of a close nexus between housing and poverty. To improve the housing situation, some suggestions that have been put forward are: considering the housing problem of the poor as an integral part of poverty reduction programmes, providing house building loans at lower interest rates along with an increase in the ceiling of the loan for both urban and rural areas, and reinforcing the idea of vertical housing instead of horizontal expansion in housing policy. It is also necessary to ensure housing with safe water, sanitation and electricity through GO and NGO collaboration, implement programmes for resettlement of slum-dwellers, the disadvantaged, the destitute and the shelter less poor. It is critically important to give priority to rural development and create employment opportunities in the rural areas to prevent migration of people from rural to urban areas and thereby to ease the housing problem in urban areas.

Education

3.31 To improve the quality of education, recommendations include appointment of qualified teachers, arranging modern in-service training, improving the teacher-student ratio, introducing an effective monitoring, supervision and evaluation mechanism, developing the curriculum, and activating the School Management Committee (SMC). It is considered important to reduce the gap in quality of education between urban and rural areas, accord priority to technical and vocational education and make education more job-oriented. Emphasis was also laid on the modernisation of Madrasha education, arresting the dropout rate, especially of girl students, through expansion of the stipend programme, improving security of girl students, preventing early marriage and bringing within the fold of the education system those children who could not access education due to poverty.

Health

3.32 The participatory consultations have revealed the need for ensuring an adequate supply of medicines, modern diagnostic equipment, logistic supports (including naval ambulance for island and char areas), a modernised disease surveillance system, the presence of doctors, health staff and field workers, a sufficient number of beds at district and Upazila level hospitals and health complexes, improvement of the overall health management system and collaboration among GO, NGO and private sector in health services. The use of Schools, Madrashas and Mosques as centres for dissemination of ideas about primary health care, family planning and nutrition should be encouraged. It is necessary to ensure better health service to pregnant women at different stages especially for the risky pregnancy

cases, provide effective measures for special medical facilities for the disadvantaged groups, prevent adulteration of foods and use of harmful chemicals in food.

Women

3.33 For the empowerment of women and improvement of their conditions, consultations pointed out the need for expanding female education, ensuring women's representation in parliament, local government, administrative and political institutions; preventing early marriage, making marriage registration compulsory, expanding employment avenues for women, developing a mechanism for the proper reflection of the needs and voices of poor women in policy formulation and development programmes. It was felt necessary to take all-out measures to minimise discrimination between men and women, provide adequate credit and marketing facilities, extend legal assistance to women, especially the poor, implement measures to protect women from all sorts of violence, employ all possible means and mobilise all sections of the society to transform the present efforts against dowry into a social movement, check trafficking of women both through internal interventions and cooperation with other concerned countries.

Children

3.34 For the development of children, recommendations have been made to ensure registration of children through base-line survey, prevent involvement of children in risky jobs, take initiatives to stop child labour and trafficking of children, introduce an education system based on the learning and earning model for working children, reduce the child mortality rate through an expansion of the Acute Respiratory Infection and Diarrhoea Disease Control programme, Oral Re-hydration Therapy (ORT) and Expanded Programme for Immunization (EPI). It is considered necessary to establish a separate directorate of children for regular monitoring of children's affairs and to establish more Shishu Polli and Shishu Sadan at Upazila level for the poor and the orphans.

Protection and Development of Environment

3.35 Consultations have provided important recommendations for the protection and development of the environment. The major recommendations include: making EIA mandatory for all development projects, undertaking short and long-term measures in order to maintain ecological balance, putting in place an improved waste management system including industrial waste. Suggestions have been made for expanding forest areas through massive afforestation and reforestation programmes, stopping hill destruction, encouraging use of green manure and IPM, ensuring planned use of land, enhancing the use of environment-friendly fuels and making them available to the poor and undertaking proper measures against arsenic contamination by establishing deep tube-wells, preservation of rain and surface water and creation of awareness.

Good Governance

3.36 Consultations have accorded high priority to improving governance. Major recommendations for improving governance include: establishing good governance in all spheres of the Government, expediting separation of the judiciary from the executive, appointing an ombudsman, making attempts to raise the police force as a neutral institution, keeping the administration free from undue influences, ensuring transparency and accountability and undertaking proper measures to provide appropriate clientele service and reduce corruption in government offices. Promotion in government service should be based on merit, efficiency and seniority and the salary of Government employees should be raised. It

is necessary to make drastic and effective reforms in the police administration by setting up a separate probe unit, increasing the number of police personnel and providing logistic support and arranging intensive training for them, and undertaking special measures to eradicate terrorism.

Adivasi/Ethnic minority People

3.37 Consultations have pointed out the need for giving special attention to the problems and development needs of the adivasi/ethnic minority people. To improve the condition of the adivasi/ethnic minority people, suggestions have been made to restructure the Ministry of Chittagong Hill Tracts Affairs by expanding its scope to include other plain-land adivasi/ethnic minority people, undertake measures to preserve the language of the adivasi/ethnic minority people, take up a special programme for poverty reduction among the adivasi/ethnic minority people, incorporate their culture in the national curriculum of education, formulate a policy for the development of adivasi/ethnic minority people and implement laws to bring peace and order in the hill areas.

Disabled People

3.38 Consultations have focused on the special difficulties and constraints being experienced by this group of people. To improve their condition, it is necessary to arrange free education at all levels, reserve jobs for them in government and private service, allow them to travel free or at a discounted fare and create special infrastructure facilities for their easy movement. Recommendations have also been made to make provision of a regular allowance, arrange rehabilitation programmes give preference to disabled women in distributing *kehas* land and old age allowances, undertake measures for imparting training and creating suitable employment opportunities and make provision of separate wards and counters in government hospitals for disabled people.

Land Management

3.39 Given the scarcity of land and the paramount importance of its optimal use, consultations strongly pointed out the need for formulation of a sound national land-use policy. For better service delivery and transparency, land survey, land records and land registration should be brought under one authority and should be modernised.

Island, Char, Coastal and *Haor* Areas

3.40 Consultations have highlighted the special problems and constraints of some areas e.g. islands, char, coastal and *haor* areas. These areas have more resource constraints, problem of accessibility and more vulnerability to natural disasters. These problems warrant special attention and endeavours for the development of these areas, especially concerning poverty reduction.

Interfacing with Development Partners

3.41 Development partners evinced keen interest in the process of PRSP preparation. On the other hand, their valuable experiences about PRSP preparation in other countries were thought to be extremely useful to the NFPF in discharging its main task. In this regard, two formal meetings were held between the Government and the Local Consultative Groups (LCGs). In these meetings, members of the LCG were briefed about the process of PRSP preparation. The members of the LCG exchanged views with the NFPF and its National Steering Committee (NSC). Many LCG members proffered useful

suggestions to enrich the process of PRSP preparation. The NPFP also exchanged views in meetings organised by different LCG sub-groups. In addition, informal discussions took place off and on between the NPFP and different development partners regarding the process of PRSP preparation.

3.C Thematic Groups: Focus on Major Themes by the Ministries

3.42 The experience of some countries in developing and implementing PRSPs, as reported by the World Bank, indicates a schism between various public sector Ministries in respect of both the process and substance of PRSPs. The source of the problem has been found to be mainly the lack of participation by major public sector Ministries and Divisions in the preparation of PRSPs. Being aware of this problem, the National Steering Committee (NSC) decided to ensure the full participation of all major Ministries and Divisions in the process of PRSP preparation as well as in its implementation.

3.43 Through a process of prolonged dialogue and exchange of views, the NSC decided to constitute twelve thematic groups under the leadership of various relevant Ministries and Divisions. Thematic areas have been chosen for all major cross-cutting issues, macroeconomic and real sector issues and a number of special topics which have a direct bearing on poverty alleviation including those areas mentioned in the Joint Staff Assessment Report of the Bank and the Fund. Annex 1 shows the list of the thematic groups along with the names of the lead and supporting Ministries and Divisions. Though there have been twelve thematic groups, cobbling together various sub-themes into different groups has resulted in twenty distinct thematic reports.

3.44 In preparing the thematic group reports, the lead Ministries generally attempted to adopt a participatory approach and sought views and comments in a series of meetings with different stakeholders. The services of experts and subject-matter specialists were employed for drafting the reports.

3.45 The lead Ministries along with their associates, while producing the thematic reports have also been involved in preparing the respective policy matrices. In the process, the major public sector Ministries and Divisions have fully participated in the task of preparing the major goals and agenda of action in their respective areas. The policy matrices of the PRSP are viewed as instruments through which the poverty reduction strategies will have been made operational. The central focus of some of the major thematic group reports is briefly described below.

3.46 **Macroeconomic Stability and Pro-poor Growth:** This report emphasises that Bangladesh's noteworthy progress in reducing poverty and attaining social MDGs has taken place in the context of extremely adverse circumstances. While there has been considerable progress in reducing income-poverty since independence, Bangladesh at the end of the nineties also appears to be "on track" in relation to most MDG targets. It is argued that strategies for reducing poverty should be based on an analysis of the linkage between economic growth, employment and poverty. Education is cited as a basic ingredient for raising productivity of employment. As a minimum, the report contends, the strategy for sustained poverty reduction and economic growth requires macroeconomic stability underpinned by an appropriate macroeconomic framework.

3.47 **Trade Reforms and Export Response: Post-MFA Policy Implications for Bangladesh:** The sub-thematic report outlines the importance of trade reforms and export promotion for poverty

reduction. The report attempts to provide a review of Bangladesh's trade policy and reform measures with future directions for the post-MFA era. To fulfill this broad objective, several specific issues have been discussed and analysed, which are: (1) trade liberalisation measures undertaken by Bangladesh and the resultant progress made in this regard, (2) policy-induced anti-export bias, (3) further scope of dismantling quantitative restrictions and liberalisation and rationalisation of the import-tariff regime, (4) export response to trade liberalisation, (5) demand and supply side constraints facing the export response, (6) promotion of exports from Bangladesh by addressing various constraints facing the export sector, (7) phasing-out of the MFA quota and the consequent implications, (8) identification of challenges and policy options for the RMG industry, and (9) conceptual issues in the trade-poverty nexus with relevance to the poverty reduction strategy. The report sketches out as many as twenty-five observations and recommendations for promoting trade. Some major imperatives mentioned are: (i) effective measures are needed for dealing with the MFA phase-out situation; (ii) readjustment of tariffs is needed so that the highest duty rate is reduced but on the whole the tariff structure remains revenue-neutral; (iii) ensuring the neutrality of supplementary duty and VAT by applying them to domestic import-substituting activities in a non-discriminatory fashion; (iv) reducing the effective protection can be beneficial to resource allocation; (v) a realistic tariff rationalisation programme can substantially benefit the domestic industry relying on imported intermediate goods; (vi) a proactive and analytical policy regime in the foreign trade sector supports the growth of small and informal sector activities with significant poverty alleviation effects; (vii) mutual exchange of tariff preferences under Regional Trading Arrangements (RTAs) and Free Trade Areas (FTAs) involving Bangladesh may provide a scope for future tariff liberalisation; (viii) exports from the potential industries can be expanded by removing the supply side constraints; (ix) a well-devised integrated approach at policy, institutional, and enterprise levels is to be effected to make intervention schemes or support systems comprehensive; (x) a well-devised contingency plan is needed due to the potential adverse consequences of MFA-phase out; (xi) the supply side constraints of the RMG sector such as weak infrastructure, shortage of skilled workers, the law and order situation, political unrest and invisible and high cost of doing business will have to be systematically addressed while a strong argument is made for reducing the long and extended lead-time, particularly in woven RMG; (xii) serious initiatives are needed to convince the US and EU of the importance of the RMG industry for Bangladesh's economy and how the issues of zero tariff and simplification of Rules of Origin (ROO) could prove to be crucial for the country's continued export success; and (xiii) removal of import duty by our major trading partners might greatly enhance Bangladesh's competitive position especially vis-à-vis those relatively advanced developing countries with a strong backward linkage industry.

3.48 Infrastructure Development & Reforms (Electricity, Power and Transports): The major thrust of this thematic-group report is on developing and reforming the physical infrastructure facilities by constructing and reforming roads, bridges, the railway, river-way, safe drinking-water and sanitation facilities, and electricity, gas, storage, ports and telecommunication services. The report mentions the following imperatives for developing the sector: (i) electricity services need to be improved since electricity is a necessary input for irrigation, industrialisation, commercialisation and human development; (ii) feeder roads, railway and waterway communications need to be improved for giving a fillip to environment-friendly communication; (iii) gender disparity should be removed in implementing infrastructure-related projects; and (iv) sector-based good governance along with the policy reforms has to be ensured. Some possible constraints which might hinder the objectives are: massive systems loss in electricity services; huge losses in the state-owned enterprises; inefficient investment decisions; inefficient management; lack of coordination among the concerned sub-sectors; insufficient gas service in the

northern and southern parts of the country; inefficiency in utilising the existing natural resources and lack of maintenance of the roads.

3.49 Domestic Resource Mobilisation: The report focuses on major issues of domestic resource mobilisation in the public sector. Commensurate with the target of poverty reduction in the country, the GDP growth rate will have to increase to around 7 percent by FY 07 which in turn will require the overall investment to rise. As a consequence, the revenue-GDP ratio will have to rise from about 10.5 percent at present to nearly 12 percent in FY 07. Pointing out that the tax system of the country is inelastic, inefficient, inequitable and distortionary, the report dwells on the principal agenda items of tax reform in the public sector. The report also attempts to sketch a scenario, albeit very briefly, of domestic resource mobilisation at the local level.

3.50 Reforms in Governance: Good Governance is considered to be a sine qua non for development across the globe. The report gives special emphasis on the establishment of good governance. Good governance is defined as “harmony between performance of the state and aspiration of the society.” And the gap between these two is the absence of good governance. In practice, good governance is said to be a “feel good factor” in receiving goods and services from different service providers in the public sector. The report opines that the extent of good governance is negatively related to the magnitude of poverty in a country. Lack of good governance produces disparity, injustice, deprivation and lawlessness in the society in general and for the poor in particular. In order to attain a higher rate of poverty reduction there is no escape from ensuring good governance.

3.51 The report identifies some Ministries and Departments where improvement of the service delivery system through good governance will bring about the coveted objective of poverty reduction within a visible time frame. The lack of sectoral good governance in those institutions stems, *inter alia*, from lack of accountability and transparency, complexity of the system, political interference, unwillingness to provide services, lengthy procedures, degradation of moral values and education standards, weak rule of law, lack of people’s consciousness about their rights, inadequate logistic support, lack of intra and inter-departmental coordination, absence of a proper complaint making system and a feed-back mechanism, low salary levels, and excessive central government control over the local government institutions.

3.52 The report categorically identifies the major problems people face due to lack of good governance: corruption, harassment, humiliation and deliberate wastage of time, lack of respect for common people, unfriendly attitude, negligence to duties, faulty land record and land administration system leading to perpetual land-related disputes, plundering of government-sponsored relief and stipend-related assistance, nepotism, violence against women and children, terrorism and extortion. The report provides some important recommendations to ensure good governance requiring immediate attention and early implementation: separation of the judiciary, the immediate creation of an independent Anti-corruption Commission and effective implementation of its agenda, a time-bound trial system, creation of an independent commission to oversee, investigate and enquire into the malpractices of the police department, enhancing transparency, accountability and efficiency of the public offices, simplification of government rules and procedures, instituting revenue collection, record maintenance, survey and transfer of land from a single office, encouraging people’s involvement in the design and

implementation of development activities, ensuring easy access to the government offices particularly those of the people's representatives, establishing the ombudsman system, introducing a reward and punishment system for all public-sector employees, attempting to free administration from political interference, enhancing social security especially for women and children, emphasising women's participation and empowerment, lessening central government control on local institutions, and ensuring merit-based promotion and posting systems.

3.53 Health including Population Planning, Nutrition and Sanitation: Deprivation in health and deprivation in nutrition (including food security) are the two most important causes and consequences of poverty. The report cites three principal health-problems of Bangladesh: over population, malnutrition and communicable diseases. Children, women and the poor constitute the high risk-groups for ill health and the poorest households bear a disproportionate share of the burden of ill health; their mortality rate is 85 percent higher than that of the richest households. The major objectives of policies and programmes of the sector are to reduce morbidity and mortality and to improve nutritional status, especially of women and children, the elderly and the poor by providing fair access to food, water and sanitation. The Government policy seeks to create conditions whereby people of Bangladesh have the opportunity to reach and maintain the highest attainable level of health. Since the present level of public resources devoted to the health sector falls far short of the requirements, policies are to be designed to harness the resources of the private sector for investing in the health sector. The report dwells on the areas of fiscal space in public expenditure where there is scope for influencing the behaviour of service providers in the health sector.

3.54 Education: The education sector is the centrepiece of human development, helping the overall strategy of poverty reduction, economic growth and social development. The thematic report indicates that the education system in Bangladesh is not equitable, thus not pro-poor, and the contents of the curriculum do not therefore effectively serve the goals of human development and poverty reduction. The key considerations of the thematic reports are a) access to education, b) quality and relevance of education and c) equity in access and participation so that the poor and the disadvantaged are indeed the beneficiaries. For redirecting the education system of the country to support the national strategy of poverty reduction, the report has covered, among others, the following systemic issues: i) a commitment to increase the access to education with quality and equity; ii) proper coordination among all educational institutions; iii) increased public resources for education; iv) greater decentralisation of education planning and management at all levels; v) a longer-term perspective of educational change; and vi) a greater voice of stakeholders at all levels. The report also suggests addressing a host of other issues like the need for a unified approach, support to early childhood education, a nationwide network of community learning centres, attention to marginal groups, a policy and organisational framework for non-formal and adult education, the need for decentralisation of management, professional development and specialisation at the secondary level, expansion and modernisation of VTE with greater benefits for the poor, particularly emphasizing textile education to supply the present and future need of textile employment at all levels and increasing external effectiveness of higher education, along with a long-term and comprehensive vision for education at the tertiary level.

3.55 Women Rights and Advancement: The report mentions that Government policy attaches top priority to the need for women's advancement and gender equality on human rights grounds as well as

for achieving pro-poor growth and poverty reduction. The report extensively discusses the gender-related dimensions of poverty, which are: income and non-income poverty; economic deprivation in terms of inadequate opportunities; burden of “time poverty”; deprivation in terms of basic needs; vulnerabilities due to physical risks and insecurity; political deprivation in terms of inadequate participation and empowerment; international deprivation due to lack of concern about women in international forums and an overall institutional deprivation due to lack of gender awareness in many institutions. The main objectives for women’s advancement highlighted in the report are: ensuring women’s full participation in the mainstream market-oriented economic activities; improving women’s efficiency (reducing time use) in performing their household and reproductive roles and responsibilities and ensuring infrastructure services for women; building women’s capacity in health and education towards improving productive capacity and personal achievements; ensuring social protection for women against vulnerability and risk; enhancing women’s political empowerment and participation in decision making; ensuring women’s participation in the international forums; and strengthening institutions and capacity-building in monitoring and the evaluation of women’s development. The report also reveals some key factors which impinge upon women’s advancement and women’s rights in Bangladesh. These are: high rate of maternal mortality and morbidity; malnutrition among pregnant and lactating women; anaemia and iodine deficiency; sexual abuse, exploitation; women trafficking and prostitution; gross discrimination, exclusion and injustice at social, institutional, economic and political levels, and very little voice of women in the decision-making process. To ensure basic rights and livelihoods for women, some crucial recommendations regarding the needs of women and pro-poor growth for attaining the MDGs and goals of national policies and plans have been suggested in the report.

3.56 **Child Rights:** To attain pro-poor growth and poverty reduction, children’s development has been recognised clearly as a mainstream sector in PRS. The report emphasises that children’s advancement and the projection of their rights are essential for attaining the MDGs as well as goals of national policies and plans. The report mentions that the Government attaches high priority to the child development issues: children’s health and nutrition, child mortality and morbidity, education, safe environment, drinking water and sanitation, child labour, sexual abuse and rape, child trafficking and prostitution, children’s disability and discrimination, and children’s law and security. The key objectives for children’s advancement identified in the report are: to promote convergence of essential services (immunisation, health, nutrition, water and sanitation, adolescent programmes and the others) at the union level; to ensure the full course of primary schooling for all boys and girls; to prevent children from sexual harassment and exploitation; to preserve children’s rights and promote their development; and to take special programmes for the under-privileged and destitute children. The report focuses on some key factors which impinge upon children’s advancement and children’s rights in Bangladesh: high rate of infant and under-five child mortality, child malnutrition, low birth-weight, retarded growth, anaemia, vitamin A and iodine deficiency, high school-drop-out rate (particularly for marginalised, floating and poverty-ridden group in urban slums and rural areas), arsenic contamination of ground water and poor sanitary condition, early marriage and pregnancy, child sexual abuse and trafficking, and the worst form of child labour. These problems are harming the nation by producing a less intelligent and less physically capable population. To ensure the basic rights and livelihood needs of children and attain pro-poor growth through child-centred development, some appropriate recommendations have been suggested in the report.

3.57 **Rural Development:** The thematic-group report on Rural Development consists of five sub-themes: Rural Non-Farm Activities (RNFA), Micro-Credit for economic growth and poverty reduction, Food security for poverty reduction, Disaster Management and Safety-Net Programmes.

3.58 **The Rural Non-Farm Economy (RNFE):** This includes rural manufacturing, cottage industries, trade and marketing services, rural construction, transport, infrastructure and various other services all of which possess strategic importance as a powerful engine of growth in the rural economy. The key constraints to the development of RNF activities are (i) dearth of adequate market demand and market linkages, (ii) lack of quality physical infrastructure and technology, and (iii) lack of appropriate financial and other policies and incentives. The promotion requires (i) targeting RNFE for poverty reduction, (ii) mainstreaming RNFE, (iii) stimulating drives for RNFE growth including development of new ones, (iv) strengthening rural-urban linkages and (v) removal of barriers to entry to make the market function better.

3.59 **Micro-credit:** Micro-credit is an effective and powerful tool for rural development, income generation, food security, human resource development and ultimately poverty alleviation. The main constraints and barriers that prevent the very poor from benefiting from the current micro-credit system are (i) lack of multiple income generating sources and hence the problem in repayment of a loan, (ii) acute seasonal shortfalls in income, (iii) group members' screening out of perceived "higher-risk" members, (iv) adverse household demographics and (v) a higher incidence of ill health. To facilitate the operation of micro-credit programmes and disbursement of public sector funds for these programmes, the Government supports PKSF, the leading wholesaler of micro-credit, as well as several sector specific projects.

3.60 **Food Security:** The report discusses the concept and various definitions of food security; analyses the possible pathways connecting food security, growth and poverty; describes the various dimensions of the food security situation in Bangladesh; critically reviews the food policy in Bangladesh and also its relationship with other dimensions such as disaster relief and safety-net issues; analyses the food administration system and its problems, focuses on the future issues in food security and tries to chart a future food policy in Bangladesh along with certain monitoring indicators for food security. In conclusion, the report notes that the idea of comprehensive food security in Bangladesh is comparatively new. Therefore, the food policy and its operational aspects have so far been geared mainly towards maintaining a balance between aggregate supply and total requirement. A comprehensive food security policy should include the level, periodicity, the availability-access-utilisation of food, its nutritional dimensions, the administration of the food distribution system and a monitoring mechanism. In this context, the report contends that the 1997 National Food and Nutrition Policy and the subsequent National Plan of Action for Nutrition are quite comprehensive and may be put into operation.

3.61 **Disaster Management:** The report on this sub-theme covers the following issues: disaster-related concepts and management; disaster-related concepts and terminology; disasters in the world and Bangladesh; the relationship between disaster, poverty and growth; the impact of disasters on poverty and growth in Bangladesh; issues in disaster management; the present disaster management system and strategy in Bangladesh; and a future disaster management strategy. The report critically discusses the

functions of the major players and the components of the disaster management policy of Bangladesh. It aims to shed light on Bangladesh's Comprehensive Disaster Management Programme (CDMP). Arguing that disaster risk management must be integrated with development activities, the report suggests that the desirable strategic thrust in future must be towards disaster risk management, meaning avoidance or minimisation of the impact of hazards through increased coping capacity at various levels, not only within the nation but also outside, globally and regionally.

3.62 Social Safety-net Programmes: The report on this sub-theme discusses and analyses issues related to the provision of Social Safety-Nets (SSN), their rationale, impact and future in the Bangladesh context for poverty reduction and growth. Acknowledging the fact that the concept of social safety-nets is deceptively simple, the report follows the definition used in a study conducted by IFPRI, Washington DC. SSN is defined as actions, policies and programmes that attempt to reduce poverty through direct transfer of resources to the poor. A safety net thus ensures a minimum level of income and consumption for everyone in the society or a subgroup of people. Providing some theoretic-empirical analyses on the rationale behind SSN, SSNP and growth, beneficiaries of SSNP and types of SSN, this sub-thematic report gives a brief description of SSNP in Bangladesh. In Bangladesh, expansion of targeted income, employment and food aided safety net programmes under the government initiatives have been found to be effective in providing the safety nets.

3.63 The report in conclusion brings out several broad issues and problems that need attention and resolution: (i) a coherent national social protection policy of which safety nets may be a major element has to be decided upon; (ii) rather than embarking upon new programmes, it would be better to extend the coverage of the existing SSNPs in several effective directions; (iii) a kind of clearing and designing house needs to be established for SSNPs; (iv) some of the SSNPs may have to be designed or redesigned to take account of the peculiarities of special disadvantaged groups, geographic areas and gender dimensions; and (v) the labour laws of the country already have provision for several types of social insurance which need to be put into practice.

3.64 Agriculture (Crops, Livestock and Fisheries): The thematic group report on Agriculture is divided into four major areas relating to crops, livestock, fisheries and land issues. The report argues that agricultural growth is to be achieved through increased efficiency and technological progress including those in ICT and biotechnology, crop and non-crop diversification and intensification of rice production. The prerequisites for these to happen are: effective water management, improved rural infrastructure and institutions, strengthened research and development efforts, enhanced credit access and expanded domestic and export marketing and distribution channels. The growth in agriculture affects the macroeconomic balance; and the macroeconomic policies have ramifications for agricultural as well as other sectoral growth. For example, linking the macroeconomic inflation issue with that of the micro level question of balancing consumer and producers' interests requires that food prices may have to be kept sufficiently low without, on the other hand, making them less remunerative for the producers. For the agriculture sector, financing of subsidy for inputs and price support to output may together be a major aspect of the public expenditure policy and thus a major issue in macroeconomic balances as well. Sectoral governance of service delivery in agriculture should improve for output growth benefiting the poor producers; it is they who should get the bulk of the services provided publicly while alternative forms of delivery through other private agents may be encouraged for the relatively well-off farmers. The report emphasises that a special kind of social protection under agricultural financial services like risk

insurance for crop failure or damage to output in poor farms is needed. The report also discusses some aspects of growth in agriculture technology, agricultural extension, input delivery policies, agricultural marketing, agricultural wage and agricultural credit policies.

3.65 **Environment:** The major thrust of the thematic-group report on the environment has been that resources like land, water, air and biodiversity must be kept pollution-free for sustainable development. Pollution affects health, education, energy, livelihood, amenities and heritages and in this way increases poverty as well as the severity of poverty. Hence, environmental balance should be ensured in all sorts of development activities. Importance of proper waste management and recycling activities, an initiative and an action plan to save endangered animals, fish and plants, planned use of land, an environment-friendly energy policy and social forestation are emphasised in the report.

3.66 **Water Resources Management:** The report attempts to focus on water resources management strategies which would contribute to pro-poor agricultural growth and sustainable livelihood. The overriding objectives contained in the strategies are to ensure access of the poor, including poor women, and marginal farmers to water for crop production and sustenance of their livelihood and to reduce vulnerability of the poor to water-related hazards. An important strategy in the water sector is to manage water resources judiciously, which is proposed to be achieved in the dry season by river augmentation, protection of wetlands and by irrigation. During the wet season, the same is proposed to be achieved by rationalisation of Flood Control and Drainage (FCD) projects and erosion protection to FCD projects. The report also dwells on the impact of floods on poverty, coastal flood management and challenges in water resources management. The report has also emphasised proper institutional development in the water resources sector and has suggested that an efficient water-sector institution should have three key components: a legal and regulatory framework, administrative rules for implementation and organisations for carrying out the work-plan to be drawn up in the area.

3.67 **Private Sector and SME Development:** On a theoretical plain, private sector development means expansion of investment commensurate with the factor endowment of an economy that ensures efficient use of scarce resources. The report says that in the context of Bangladesh, it implies employment-intensive investment with optimal use of capital, which constitutes an important element of the poverty reduction strategy. After the political change in 1975, the strategy of private sector-led development was adopted in Bangladesh. It is estimated that over 20-32 percent increase in rice production during 1986-92 is attributable to privatisation of input delivery in agriculture. Opening up of new areas for private investment has led to a significant flow of investment in mineral resources, infrastructure, real estate, services, banking, and manufacturing. Concomitantly, there has been FDI inflow in export processing zones also. The report argues that in facilitating private sector development, the primary role of the Government is to create an enabling environment. A long-term strategic vision for private sector development has to be created in Bangladesh. Moreover, the emerging cross-cutting issues concerning various sectors, which are necessary for private sector development, will have to be resolved. Similarly, for SME development, a consistent policy is needed with appropriate emphasis on labour-intensive industries and employment-generation for women.

3.68 **ICT Development and Technology Policy:** The major thrust of this report is on ICT development throughout the country since it appears to have been playing an important role for poverty reduction. Consequently, the report emphasises some special aspects of ICT development such as

strengthening ICT education and training, improving telecommunications, providing submarine cable, providing easy access to the Internet services, establishing an ICT incubator, expanding the software industry, providing e-governance and establishing a high-tech park. Some of the major objectives mentioned in the report are: to ensure the use of science and technology in development activities, to improve ICT education throughout the country, to provide necessary environment for ICT development and to ensure easy telecommunication access to the poor. The report also figures out some binding constraints to the development of ICT and offers recommendations in this regard.

3.D Consultation on draft PRSP

3.69 During January-July, 2005, an extensive consultation process was undertaken on the draft PRSP document. The draft PRSP document was distributed to all Honourable MPs (MP), Honourable Ministers, State Ministers and Deputy Ministers, all Secretaries to the Government, all Divisional and District Commissioners, all editors and chiefs of the electronic media, all members of the Local Consultative Group (LCG), eminent persons, distinguished women's representatives, noted academics, major NGOs as well as other major stakeholders.

3.70 There were two rounds of consultations with the members of LCG who followed the events with extensive written comments. Besides, consultations have also taken place with some LCG sub-groups. There were also two broad-based consultations with members of the civil society/academics and with NGO representatives. In addition, specialized consultations were held with a group of eminent persons, leading women spokespersons, media representatives, and with adivashis/ethnic minorities representatives. The final PRSP has incorporated relevant suggestions emerging from these consultations.

3.71 **Consultation with the honourable Members of the Parliament:** The most extensive consultation process on the draft PRSP was undertaken with the honourable MPs. At the behest of UNDP's project titled "Strengthening Parliamentary Democracy", three meetings were organized with a large number of the honourable MPs belonging to all the political parties. These meetings were chaired by the honourable Speaker of the Parliament. Besides, fourteen Parliamentary Standing Committees representing either those Ministries who have a big policy-planning role within the Government or those who spend large sums of public money were requested to organize deliberations on the draft PRSP. The Parliamentary Standing Committees on the Ministries of Finance, Planning, Agriculture, Education, Establishment and Industries organized meetings to discuss the draft PRSP.

3.72 The honourable MPs made a number of observations pertaining both to the draft document and the PRSP preparation process. While commending the quality and comprehensiveness of the document, Honourable MPs were unhappy at the lack of opportunities for being consulted during the preparation process. They reiterated the importance of agriculture, specifically the importance of enhanced subsidy. They paid particular attention to the issue of resource availability for the implementation of the PRS. Honourable MPs also cautioned on the negative fall-outs of the globalization process for peasants and workers and pointed out inconsistencies in the position of developed countries which put such emphasis on poverty reduction and yet put up barriers on the meagre exports from developing countries such as

Bangladesh. Honourable MPs also underscored the fact that the theme of global partnership i.e. the 8th MDG, always gets less priority than the other MDGs whereas successful action on them requires greater resource envelope from international actors.

Chapter IV

Key Issues in Building Strategies

4.1 Policy prescriptions burdened with encyclopaedic wish-lists are often a problem rather than an aid in the fight against poverty. Poverty remains so pervasive that a million priorities are unlikely to exhaust the agenda. The challenge is not really so much one of being exhaustive as in the intelligent reading of constraints and in the search for strategic promise. The challenge is also one of a far sharper engagement with issues of implementation and the political viability of policy packages. There are several key issues which need to inform the construction of today's road-map for accelerated poverty reduction.

4.A Building on Past Achievements

4.2 No road-map is or can be wholly new. Remarkable gains have already been achieved in the areas of seasonal hunger, safety nets, primary schooling, girls' education, immunization, micro-credit, female economic participation, birth control and physical mobility. A critical priority in any new road-map will be to consolidate these gains and move on to the next challenges in each of these areas. For example, the gains in primary enrolment now needs to be buttressed by a focus on enhancing completion rates and a sharper overall focus on quality issues. Likewise, the general gains on seasonal hunger needs to be supplemented by a more determined focus on the so-called *monga* areas i.e. persisting poverty pockets in the ecologically vulnerable low-lying belts along the major rivers. A third example pertains to safety net programmes which have demonstrated success in containing major disasters such as the floods of 1998 and 2004 and now need to be extended to address less visible priority groups such as the elderly, pregnant mothers, disabled and river-eroded households. A fourth example pertains to the feeder road network which has been instrumental in making rural areas less remote and integrated into the wider economy as well as in widening opportunity frontiers for the rural poor. The network now has to deepen its benefits by a downward extension to micro-infrastructures identified and implemented under union Parishad (rural local government) aegis.

4.3 Building on past achievements will also imply ensuring coverage of specific sub-categories of the poor who may have been bypassed by generic anti-poverty programmes. Such categories of the poor include minority ethnic groups, people living in remote and ecologically vulnerable areas, people who have lost their traditional occupations, such as fishermen and artisan families, and people suffering from disabilities. Dealing with these sub-categories will require active targeting, both geographic and social.

4.B Preventing Slippages

4.4 It is also crucial that there are no slippages in areas where significant gains have already been achieved. An emerging area of such concern is in the area of population control. Bangladesh has had a major success in fertility decline and that too at a low stage of economic development. The Total Fertility Rate (TFR) of women has declined from over 7 children in the mid 1970s to 3.3 children in 2003. The major conduit of this fertility decline has been the Contraceptive Prevalence Rate (CPR) which has risen from 7 percent in mid-1970s to 54 percent in 2000. However, an emerging concern is the apparent plateauing of the TFR at 3.3 since 1993/94. Data from the 2004 BDHS¹ indicate that this may have declined at best to 3.0. This has serious implications for the rate of population growth. Projections done by the Planning Commission show that Bangladesh population could stabilise at 210 million by 2060 provided replacement level fertility (i.e. Net Reproductive Rate-NRR=1) is achieved by 2010². If this is delayed by another 10 years, population is projected to stabilise a further 25 years later due to the population momentum effect resulting in a population of 250 million in 2085.

¹ Bangladesh Demographic and Health Survey, Bangladesh Bureau of Statistics

² Projected Population Estimates, July 1995, Dhaka, Population Wing, Planning Commission.

4.5 Of particular concern is the data showing differential TFR trends among economic strata (Table 6). It appears fertility of the poorer strata has stagnated if not reversed since the latter half of the 1990s. This has offset the TFR decline among the better-off strata leading to the observed plateauing of TFR. Increased importance of temporary methods over permanent methods in the family planning programme may also be restricting the translation effect of CPR on TFR. A compounding factor here may have been the health sector reform in the latter part of the 1990s which promoted one-stop service centres in place of domiciliary (door-to-door) services. With hindsight, we may consider this reform to have been premature as its effect has been to create dropouts in family planning, particularly among the poor.

Table 6: Trend in TFR by Economic Strata

Year	Economic Quintiles				
	1 (Poor)	2	3	4	5 (Rich)
1993	3.8	3.6	3.6	3.3	2.9
1996	3.6	3.7	3.4	3.3	2.5
2000	4.1	3.5	3.3	2.9	2.5
2001	4.2	3.7	3.2	2.9	2.4

Source: Bangladesh Health and Demographic surveys, Bangladesh Bureau of Statistics

4.6 Any reversal in the population frontier clearly stands to weaken the fight against poverty. Since the problem has been recognised, there is no reason why Bangladesh cannot build on the impressive gains it has already made on this frontier.

4.C Addressing Implementation

4.7 It is perhaps no exaggeration to say that implementation problems have proved to be the bane of policy and programme initiatives on poverty reduction. Indeed, implementation failures have become so generic that improving on implementation is now more correctly seen as a core strategic challenge rather than a mere matter of “administration.” A sharper engagement with implementation challenges is a multi-dimensional task but four strategic challenges stand out.

4.8 The first is about the consistent burden of under-completed and under-funded projects within the Annual Development Programme (ADP). The IMED report of 2002, averaging for four years, indicates a project completion rate of only 56 percent. Further, around 15 percent of projects show zero progress. Compounding such poor completion and progress rates is the practice of under-funded projects which ultimately prove counter-productive in terms of results and cost escalation. Resolving the trade-off between spreading available resources thin over too many projects and making sure that projects undertaken are adequately resourced is of course not a technical decision alone. Howsoever that may be, a determined effort to improve the ADP process on at least these two counts, i.e. unequivocal sanctions against projects with persistently poor progress rates and secondly, non-inclusion of projects for which an effective threshold level of resources is not available, is critical to improving the implementation process.

4.9 The second priority area of concern is the “incentives and motivation” issue pertaining to the civil service. There are several components to this concern: rationalization of civil service pay, greater professionalization of the recruitment and promotion process, revamping training strategies, making

reward and punishment meaningful and real, and strengthening the inspection and monitoring function within the administration. The politically challenging nature of these tasks and the importance of enhancing credibility and trust in administrative intention in this regard can in no way be underestimated. But this does not detract from the urgency of a determined search for entry points to open up this agenda.

4.10 The third area of concern is as much a mind-set issue as an operational issue. Many implementation failures originate in neglect of the “little decisions” i.e. operational manuals, job descriptions, staff planning, logistics and work norms etc which must follow the “big decisions” on policy and legislation. Typically, great energy is spent on setting up institutions but much less so on effective steps to make such entities and programmes operational. Bringing a coordinated and coherent focus on this sphere of “little decisions” is crucial to improving implementation.

4.11 The fourth strategic challenge on implementation has to do with better information flows. Information perhaps constitutes the most promising entry point for three core implementation objectives: coordination, accountability, and transparency. Open budget sessions for local governments, online tendering, grass-roots right-to-information campaigns centred on development projects are some of the examples whereby a strategic focus on information can come to play a critical role in improving implementation.

4.D Bringing Employment and the Meso-Economy to Centre-Stage

4.12 With nearly a million new members joining the labour force every year and with an employment-GDP elasticity of only 0.34 (1.0 percent growth is associated with 0.34 percent growth in employment), any plan for accelerated poverty reduction cannot but address the employment issue with the highest strategic urgency. Though it is well-recognised that employment constitutes a basic route out of poverty, less recognised is the fact that this route has several facets. These include: i) increase in wage employment, ii) increase in real wages, iii) increase in self-employment opportunities, iv) increase in labour productivity, and v) improved terms of trade for the products of labour particularly in agriculture and the informal sector. It would be wrong to see these facets as either-or policy choices, e.g. self-employment over wage employment or vice versa. A coherent employment strategy rather must take its cue from the livelihood realities in which the poor are actually operating.

4.13 Traditional sectoral or integrated approaches to the issue are often failing to grasp the far-reaching changes which are taking place in the occupations of the poor under the twin impetus of global integration and urbanization. The dramatic expansion of the all-weather rural infrastructure which began from the late 1980s has brought about a qualitatively new kind of connectedness between the rural and urban areas. Migration and remittances have emerged as dominant factors in household dynamics; the share of remittances in household incomes has risen from 3.7 percent in 1987-88 to 18.5 percent in 2000. The pattern of migration too is not restricted to uni-directional flows to international or metropolitan centres; migration of varying duration to a variety of destinations both rural and urban as well as near and far is increasingly a critical part of the picture. A silent structural transformation has been underway whereby a growing rural-urban continuum is coming to define the “local.” Within this rapidly changing context, the poor have become highly mobile and they move back and forth between economic sectors and between rural and urban realities in quest of a better livelihood. For them, the

concern really has become one of multiple livelihoods, of market and other linkages and of critical expansion in their opportunity frontiers.

4.14 An employment strategy to accelerate poverty reduction must first and foremost aim to empower the poor in this diversity of livelihood struggles being pursued in transformed local realities i.e. urban agglomerations linked to rural hinterlands. Such local realities increasingly make up a crucial meso-economy in the country. The growth story of the 1990s in many ways signals a coming-of-age of this meso-economy: formal and informal activities in service, trade, construction and small industries proliferating in the rural market centres serving a demand boost coming from agriculture and remittance income among others.³ Much of this meso-economy dynamics has been bereft of policy attention partly because policy-making has tended to follow traditional sectoral approaches which fail to focus on their inter-linkages such as that between agricultural diversification, SME, vocational education or decentralization.

4.15 Adopting a meso-economic perspective will be crucial to devising a more effective employment strategy through which the poor are given a firm stake in the growth process. Three core constituencies have to be targeted: rural poor, women and educated youth. A missing focus has been the issue of productivity, particularly as it pertains to the needs of the poor. Policy discourses on technology and skill-formation have suffered from too strong a middle-class orientation in their goal-setting: nowhere is this more evident than in the area of information technology which puts a skill such as software development on a high pedestal while leaving lower-end skills such as hardware troubleshooting largely out of focus. Yet it is the latter which carry greater promise for the bulk entry of the educated poor into these new sectors.

4.16 An active search for skill and technology opportunities which relate to the circumstances of the poor and carry greater potential to integrate the informal enterprises of the meso-economy to growth sectors will be critical to energizing an employment-oriented scaled-up attack on poverty. A cautionary point to bear in mind here is that traditional vocational education initiatives have suffered from a tendency to create white collar aspirations rather than servicing market needs. Success in a new skill strategy will hinge on institutional strategies which are able to read market needs better and devise effective skill education to service such needs.

4.E Strengthening the Focus on Women's Rights and Advancement

4.17 Women in Bangladesh have won important first round victories of visibility and mobility against great odds of gender-based inequalities and discrimination. Female gains in primary and secondary education, access to birth control measures and micro-credit compare favourably with the situation in other developing countries. Social attitudes looking positively on women's economic participation too have become near universal. However, beyond these first-round victories of visibility and mobility lie old and new constraints and new areas of strategic challenge. Further progress has to contend, in particular, with entrenched patriarchal attitudes which seek to keep many social and political spaces off-limits to

³ S.R.Osmani et al, *Macroeconomics of Poverty Reduction: the Case of Bangladesh*, UNDP, 2003; PPRC, *Profiling Rural Markets: Insights into the Meso-Economy in Bangladesh*, 2004

women, and to the insecurities of public spaces which effectively inhibit fuller engagement by women with the unfolding opportunities. Roads and transports, government offices, police stations, courts, marketplaces i.e. all manner of public spaces, remain extremely women-unfriendly. At issue too are social attitudes which put low priority on maternal health and thereby present a deep-seated obstacle to progress on this critical MDG indicator. The other strategic challenge in enhancing women's advancement is on the question of female labour productivity. While women have made great strides in economic participation per se, this has tended to be mainly at the lower end of the productivity scale. Determined action in this area will be central to a new road-map on accelerated poverty reduction. So will be an upfront engagement with the manifold sources of gender-based discrimination and inequalities.

4.F Upscaling Micro-Credit

4.18 Micro-credit has rightly come to be seen as the most visible of anti-poverty instruments. Upscaling micro-credit and enhancing its poverty impact will be important factors in realizing the goals of accelerated poverty reduction. This is particularly so in a context in which there is a growing void in rural finance due to poor performance of specialised banks and withdrawal of the formal banking sector in response to reform measures. The strategic challenges for the micro-credit sector appear to be fourfold. The first challenge is to ensure that efficiency gains of the sector are shared with beneficiaries, most importantly, in the form of a rational lowering of interest rates. The second is to extend the sector's downward reach to segments of the extremely poor who are likely to be willing participants. The third strategic challenge is to combine micro-credit with other products such as micro-insurance so as to magnify the eventual impact on poverty reduction. The fourth area is on the development of an appropriate regulatory framework which empowers the sector to further improve its performance. Action in all these areas to an extent are already underway and need to be further consolidated. Women borrowers have so far been the major actors in micro-credit and in addressing the above challenges, it is important that their needs and priorities remain critical drivers of the growth of the sector.

4.19 While the above are all necessary issues to be addressed, there is broad consensus that the emerging strategic frontier for micro-credit is in upscaling. There has been a tendency within the policy debate, however, to understand upscaling in terms of one broad micro-enterprise segment distinctly contrasted to normal micro-credit. Ground reality, however, indicates that the challenge for upscaling is really a twofold one. The 1st stage is essentially one of a deepening of existing micro-credit i.e. a rise from the current typical level of Tk.5000 to perhaps Tk.20,000-25,000. The crucial point about this client segment is that demand already exists but it is being insufficiently serviced because of two factors: conservatism of the current MFI management and secondly a lack of micro-credit product diversification. Demand may relate to small-scale agro-technology, processing/storage, business in construction materials since housing demand is high, repair/maintenance of agro-machinery, machinery rental and service, small transports, financing skill education as well as a variety of non-farm activities.

4.20 The 2nd stage upscaling challenge is about a qualitatively different segment, that of micro-enterprises whose credit needs are perhaps more in the region of Tk.50,000 to 500,000. From a lending organization's point of view, the critical point here is that demand cannot be readily assumed for this segment: demand promotion through appropriate business development services may be as important a

requirement as the credit itself. It is a moot point to what extent existing MFIs with their risk-averse lending culture are up to such a task or whether a new category of MFIs with a new institutional culture may be required to service this segment.

4.21 To achieve the goals of upscaling and of sectoral consolidation, it is also necessary to re-emphasize the importance of an enabling regulatory framework. A Steering Committee composed of sectoral representatives and chaired by the Governor, Bangladesh Bank and assisted by a Microfinance Research and Reference Unit within the Bangladesh Bank is working towards developing a legally sound and effective regulatory framework for the micro-credit sector. Early completion of this task will be a key priority. In addition, work has also progressed in the formulation of a banking law which permits MFIs to establish themselves as micro-credit banks. This also needs to be implemented at the earliest.

4.G Bringing the Policy Process into Focus

4.22 Real-life policy-making rarely adheres to linear sequences of optimal choices. Not only do most policies involve trade-offs, and the consequent challenge of making the best judgment on the trade-offs, policy-making is also driven as much by pressures of opinion and action from within and without as also by policy-makers' assessment of the political viability of policy decisions. Ideal solutions innocent of the challenges of grounding policies in political and administrative implementation are thus often off the mark.

4.23 Steering the policy process towards a more effective role in shaping desired outcomes is contingent upon several key considerations.

4.24 The importance of the "pre-decision" stage of policy is often overlooked. This is the stage wherein policy choices get clarified and their political viability secured. Many policies can get stuck at this stage if the underlying contentions are not resolved. A case in point is that of the Upazila regarding which there is currently a stalemate on the question of competing jurisdictions between this local government tier and the local Member of Parliament.

4.25 Equally important is the "post-decision" phase of policy which requires addressing the aftermath of policy initiatives. Policy-making has often suffered from lack of preparedness to deal with challenges and obstacles which emerge in the course of implementation. In the absence of such preparation, even bold policy decisions are easily stymied and rendered impotent if not obsolete.

4.26 Successful policy-making may also depend on a better understanding of where and when policy windows open. Regulatory reform in the telecommunications sector is a case in point. Eschewing a direct challenge to the monopoly of the Bangladesh Telephone and Telegraph Board (BT&T), competition was introduced in the mid-90s only in one segment i.e. the local loop in cellular telephony. The opening of this policy window brought in a highly innovative provider in the form of Grameen Phone which went on to create a new social reality of telephonic connections. Today, the winds of reform appear irreversible for the sector as a whole. Another example pertains to the education sector where quality concerns have become paramount. While the reform agenda here is a daunting one, significant success has come from initiating bold action on one specific policy window since 2002,

namely, to counter the evil of cheating. Perhaps nowhere is this question of policy window more relevant than in the case of decentralization. Political and bureaucratic realities dictate that the prospect of upfront devolution of power remains remote. However, important policy windows exist on the question of incremental strengthening of existing local governments such as the union parishad. November, 2004 has seen such a policy window open in the form of direct allocations to union parishads.

4.27 It is also important to be aware that not all desired outcomes are amenable to immediate policy action. In many areas of social, institutional and political behaviour, the challenge is more for a norm graduation than policy action. The comparatively recent phenomenon of queuing for a bus on the streets of Dhaka is a classic illustration of norm graduation, a change brought about not by policy but through a shared realization by a sufficient number of people that queuing was the proper behaviour. For policy-making to be successful, it is important to be clear about the limits of policy. The citizen's responsibility in the creation of ethical, behavioural and work standards in critical areas of social, political and professional life can hardly be overlooked.

4.H Making Governance Work for the Poor and for Women

4.28 Governance has justifiably emerged as the most critical of issues at the interface of democracy and development. But how compelling have been the poverty arguments for good governance? Where do policy windows come into play and how effectively have these been grasped? Exploring the reasons why governance is germane to a strategy for accelerated poverty reduction is critical to a sharper formulation of priorities. To an important extent, the task here is a better understanding of where the governance "needs" of the poor and disadvantaged groups such as women lie.

4.29 These would appear to be in the following areas: i) better service-delivery particularly in the areas of health and education, ii) reduction of leakage in targeted programmes, iii) access to justice, iv) regulatory support to the informal and unorganised sectors of the economy where a majority of the poor pursue their livelihoods, and, v) reduction of income erosion threats to the poor due to various forms of insecurity and improper application of power. Over and beyond these, the poor and women share with the rest of society two common governance "needs": increasing the strategic efficiency of the state to address growth and distributive justice, and a democratization of the discourse and practice of power.

4.30 Agenda construction may also suffer from insufficient recognition of the real-life constraints impinging on the initiative potential of political actors on governance issues. Three such constraints merit attention. The first is the primordial imperative of maintaining political capacity vis-à-vis contenders. Such preoccupations are often predatory but sometimes also protective and mostly leave little room for active engagement on governance issues. The second is the pressure for responding to the electorate's demand for "development" often translated into visible infrastructural symbols such as roads, bridges, schools and hospitals. There is a real problem here of how society itself understands and appreciates "development" and the concomitant need to foster new development "symbols" which allow for stronger engagement on governance goals. The third critical constraint is an inherited bureaucratic culture which tends to emphasise "administering" (meaning control the capacity to punish) rather than "governing" (meaning foster rules and norms to deepen good governance). Promoting a good governance agenda against such deep-seated constraints is easier said than done. The important

challenge here is to bring such constraints out in the open so that resolving these become as much a part of agenda-building as the identification of programme opportunities.

4.31 There is also a mind-set challenge in being more effective on the governance frontier. The governance agenda is often formulated in the language of “big solutions” while neglecting the window of “small solutions” which can get started right away with much less of a challenge in policy innovation. A recent useful contrast here is between the “big solutions” of reforming the land record system. Though efforts on this are nearly a decade old, progress so far remained elusive. In contrast, an effective “small solution” was the recent change in the Stamp Act, a small administrative innovation by a reform-minded bureaucrat which has brought about multiple areas of benefit. In one stroke, the amendment has led to cost-savings for the government, removed some of the institutional sources of corruption around the printing, distribution and forgery of stamp papers, reduced the bureaucratic load on the sub-registry offices, and reduced the hassle for the buyers and sellers of land. An active search for such “small solutions” has been a missing focus in the governance agenda. Micro-governance agendas are important not only because they can prove to be effective entry points to pry open intractable macro-governance agendas; they can also provide a real-life demonstration of what is doable.

4.I Bench-marking for Monitoring Progress

4.32 An energised strategy for accelerated poverty reduction cannot but be result-oriented. A crucial need here will be to establish credible and conceptually sound benchmarks against which progress can be regularly monitored. A core reference frame for developing such benchmarks will be the MDGs.

4.33 In developing benchmarks for monitoring purposes, it is useful to distinguish between policy action indicators, outcome indicators and intermediate indicators. It is also very important that indicator development must be reflective of the realities on the ground. Take the case of sanitation. Policy action may include motivational campaigns, distribution of slab latrines, engagement of local governments in the task etc. Establishing outcome indicators, however, presents some challenges. Qualitative research shows⁴ that prestige considerations are as important, if not more so, as functional considerations in people’s adoption behaviour on sanitation. Such behaviour is thus not captured in the simple duality of non-sanitary and sanitary latrines. Rather, there is a gradation from “open space” to “kutchha” (non-sanitary but covered) to “slab latrine but not water sealed” to “water sealed slab latrine” to “pucca with septic tank.” Current progress is mostly concentrated at the stage of “slab latrine but not water sealed.”

4.34 At issue also is the question of intermediate indicators. In the case of sanitation, the crucial intermediate indicator is “percent of population washing hands after latrine use.” In the area of primary education, the proportion of trained teachers is an example of an intermediate indicator. Development of such indicators may be crucial not only for assessing progress but also to guide policy towards more meaningful social outcomes.

4.J Quality Education

4.35 During National consultation on PRSP a large number of participants expressed deep concern about the deterioration in education quality, and the failure of the system in providing useful education. Poor quality of education is an underlying theme, which runs across the system and is reflected in poor outcomes.

⁴ PPRC, *Purposive Study to Assist Poverty Analysis in PRSP: Qualitative Surveys on Selected Topics, 2004*

4.36 Quality in education is best reflected in the learning achievements of students. A useful analytical approach often used to look at educational quality is to apply a systems approach where inputs, processes and outputs interact to produce the quality outcome intended from the education programme. In an educational system, the major inputs are students, teachers, curricula and learning materials, and the physical facilities. These inputs brought together in the right manner and the right combination via appropriate processes make teaching-learning happen. The outcome of this transaction is the learning achievement—knowledge, skills, behaviour and attitudes intended to be acquired by learners. In the context of fighting poverty as the national development imperative, the relevant quality question is how the poor perform in terms of learning achievement and how pertinent is that learning for the human and economic development of the poor.

4.37 At the primary level one-third of children after completing five years of schooling are reported to be without functional skills of literacy and numeracy (*Education Watch* 2002). Completion rates are probably the best (although imperfect) proxies for education quality. The picture here is quite dismal. While completion rates at the junior secondary level are high—mainly due to the fact that examinations are school-based—they drop sharply at the secondary and higher secondary levels, where standardised examinations are undertaken. At the secondary level, less than 40 percent of the students pass the standardised examinations at grades 10 and 12. Out of every 100 students who enter grade six, less than 10 complete grade 12 owing to high dropout and low completion rates. This is because many students fail in the school-based screening examination to determine their eligibility to take the SSC and HSC examinations. There has been no upward trend in the SSC and HSC examination results over the past decade. Quality of education in the Madrasha stream is even worse than in the general stream.

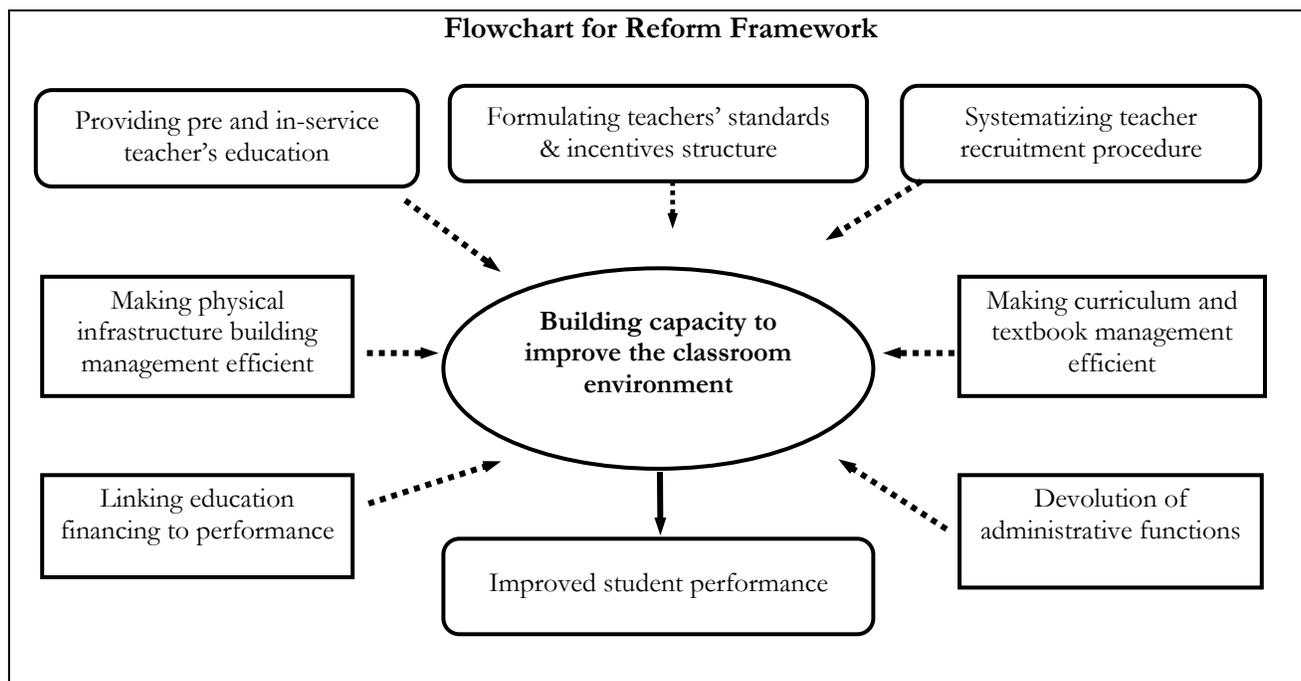
4.38 The quality of education at tertiary and technical vocational levels is also low. The most crucial problem is that the graduates of the education system are unable to get desired jobs and use their knowledge to improve the quality of their lives. The end result is that there are a large number of certificate holding unemployed persons, while employers are unable to recruit suitable candidates, thus making education irrelevant for its recipients.

4.39 Household surveys that have related the economic status of families (measured by their food security status) to their children's primary school participation have shown a strong negative correlation (*Education Watch* 2001). Education divides also exist between urban and rural areas.

4.40 Government has adopted a programme approach to address the concerns on quality and has launched the multi-year multi-component Primary Education Development Programme II (PEDP-II) with a fourfold focus: increasing number of class rooms and improving related infrastructure, improving classroom environment, enhancing training and other incentives for teacher to enable them to deliver effective teaching in the classroom as well as systematizing teacher recruitment procedures so that qualified teachers are recruited, and finally, strengthening management practices in the schools and devolving education planning and administration to district levels and linking education financing to school performance.

4.41 Some other factors which impinge on educational quality also require priority attention. A major facto contributing to drop-out and low achievement in the first and second grades is the absence of pre-schooling opportunities for the majority of the primary children, in particular in the rural areas. Several pilot experiences have been undertaken to introduce pre-schools especially at the community level.

Review of such experiences and formulation of a meaningful strategy to introduce pre-schools is a priority. The other important factor impinging on quality is the spread of private coaching at the expense of classroom teaching with attendant financial burden even on poor families. The issue here is both about educational management and social awareness. The third intervention issue under consideration is that of a school meal at the primary level. Careful review and pilot experiments will be undertaken before a system-wide decision on the matter is arrived at.



4.K Child Rights Issues

4.42 The first step in integrating a child rights perspective into the poverty reduction process is to make a situation analysis of children in Bangladesh. There still remains no consistent definition of a child by law. According to the UN CRC, persons below 18 are defined as children. However, within Bangladesh the Prevention of Women and Children Repression Amendment Act of 2003 defines them as persons below 16. In Bangladesh, there are over 68 million children below the age of 16 and a large proportion of this population is deprived of health care, an acceptable level of nutrition, a hygienic sanitation system, clean water, safety and security. They have very little scope for personal growth through education and lack skills to move out of their current state of misery for a better future. This picture gets even worse when it comes to children with physical or mental disability. Hosts of laws exist in relation to family, cruelty, contacts, and child-labour. However, some of them are inconsistent and contradictory to each other and implementation of these laws is weak.

4.43 Around 10.1 percent of the total labour force comprises child labour (below 15 years). Children in the poor families face the worst hardship. Urban poor children are generally victims of neglect and exploitation; the girl street child is particularly vulnerable to sexual coercion and exploitation. Many of them are picked up and detained without reason. Detained children placed under safe custody experience sexual and physical abuse. Female children are more vulnerable to sexual abuse. Poverty reduction

strategies have to devote special attention to the multitude of difficulties children face in growing up to a fulfilling life and contributing to social and economic progress.

4.L Capturing “Spatiality” in the Planning Process

4.44 Bangladesh has traditionally followed a sectoral approach to planning, focusing on the sectoral allocation of resources. It has been evident that spatial issues are of paramount importance in planning so that an integration of the sectoral and spatial approaches is essential. A healthy macro or sectoral aggregate can result only from vibrant local-level activities reflected in the added sum. The aggregates also reflect the outcome brought about by synergies among those involved.

4.45 There is a special meaning of space with respect to planning and development. With regard to the generation and flow of resources, people, and information, regions vary greatly in their limitations and potentials. Some areas are generative of diverse or specific resources whereas others are just parasitic because of the inadequate utilization of potentials. Formulation of a comprehensive development plan depends on adequate information about these regional phenomena.

4.46 There is a wealth of evidence around the world, which asserts the importance of coordinated urbanization in development. As is typical of most countries, the city’s share of national output is much higher than its share of the population. Further, the growth of income in many cities exceeds that of the rest of the economy. In this context, planned growth of townships, which foster economics of scale becomes important. The essential features of such cities will have to be worked out. However, one can begin with the idea of “Compact Township” (CT), which is a self-governing and self-financing agglomeration of houses, hospitals, schools, markets, rural industries, and local government units that provide all basic services to a population say of about 20,000 people. It is pedestrian friendly and excludes motorised vehicles. Development of CTs, it is argued, is essential to addressing the complex social, environmental, and economic problems facing Bangladesh. The advantages of CTs are that they concentrate population into reasonably dense urban fabrics and free up valuable rural lands for future agricultural and economic development. Such development of CTs on the scale that is proposed, however, is possible only through public consensus, thoughtful planning, and wise investment.

4.M Land Administration Reforms and Land Use Policy

4.47 Given the paucity of land, its intense utilization and the predominance of small-holders, classical notions of land reform based on large-scale redistribution of private land do not represent meaningful policy options in the Bangladesh reality. Yet, this is not to deny that land remains important in a variety of ways in the economic and social life of the country. There has been a growing realization that the critical policy issues pertaining to land have to do with land administration reform and a rational land use policy including ensuring better access to *khas* land by poor and community groups. The Government has introduced a Land Use Policy very recently which aims at reforming the present land administration system, updating the different laws relating to land administration reform, preventing the alarming loss of agricultural land, protecting the state-owned land to meet the needs of the development projects, preventing soil degradation, zoning of land, preventing wasteful use of acquired land, encouraging optimal use of agricultural land and establishing a data bank for *khas* land, fallow land, acquired land, char land and others.

4.48 The present system of land administration is beset with serious problems and is unable to cope with the demands placed on it by a growing population and increased developmental needs. The hallmark of the new land administration system is the proposal to introduce Certificate of Land Ownership (CLO); instead of family-based land record, a plot-based land record will be introduced. Simultaneously legal, administrative and institutional changes are being proposed to buttress the new land management system. The Government expects that the proposed land administration reform will generate a wide ranging positive impact: the immediate impact will bring in positive changes in land tenure patterns, land market, formal credit and court litigation over land. But most social benefits are expected to be in the medium and long-terms including security of land titles, bringing transparency in land administration, reducing public harassment by providing one-stop service, decreasing land dispute and court cases, better identification of '*Khas*' and government lands for future use, establishing community ownership including genuine land holdings by the adivasis/ethnic minority people and ethnic minorities in the hill tracts and other parts of the country, increasing land revenue, raising economic mobility of the people by creating collateral value for land leading to credit availability and increasing the participation of women in land management. The ultimate objective of the land use policy should be to provide a safeguard so that no one can unilaterally or wilfully change the character of the land.

4.49 Introducing the new land administration policy can only bring in intended changes if the policy is strictly enforced. There is a big challenge in enforcing a policy of regaining all *khas* land from illegal land grabbers. The same applies to wetland, sand bodies and stone-quarry called the *sairat mahal*. The cutting of hills needs to be severely discouraged.

4.50 Currently, the Government has two policies to distribute agricultural and non-agricultural *khas* lands respectively. The agricultural *khas* land is being distributed following the policy of 1987, which was amended in 1997. About 93,196 acres of *khas* land have been distributed among 1,81,495 families since 1997. For this purpose, there are agricultural *khas* land management committees at the upazila and district levels.

4.51 Since the landless are not organized and are often found to be incapable of retaining the distributed land, the Government has put emphasis on project approach in order to rehabilitate the landless and rootless families. These projects provide basic housing facilities, land titles and aim at creating dynamic villages stimulating socio-economic development of the people. Currently, in the public sector, there are 35,285 *Jalmahal*, both open and closed. Traditionally, the fishing communities have been depending on the natural water bodies for fishing. However, there is a provision for leasing out the water bodies which makes it difficult for the poor fishermen to have access to those bodies. The Government has adopted a *Jalmahal* Policy to establish the right of the poor fishermen. In addition to *Jalmahal*, a large number of floodplain areas are available for seasonal fishing. In the new 'Land Use Policy', introduction of the proposed 'Certificate of Land Ownership' will provide access to the fishing community for fishing in the floodplain.

4.52 In the context of agricultural production and the optimum utilization of agricultural land, the system of land tenure needs to be streamlined. Securitization of tenurial cultivation by adopting and implementing unified rules will help increase agricultural output, provide income support to marginal farmers and will alleviate poverty by way of providing a kind of safety nets for the landless farmers.

4.N Urban Poverty

4.53 Bangladesh is a rapidly urbanizing country with the proportion of urban population expected to rise to one-third of total population by 2010. Though urbanization has so far been a factor contributing to poverty reduction, growing disparities in living standards within the major cities and the problem of urban poverty in general in both major cities and secondary towns is emerging as an important policy concern. Unplanned city growth, illegal encroachments on public land, poor urban governance and lack of attention to the needs of the informal sector are some of the key factors exacerbating the problem of urban poverty. A tendency, however, to equate the problem of urban poverty with that of big city slum life only and the absence of relevant and up to-date information have militated against adopting a holistic perspective on the issue. While slums represent the most visible face of urban poverty, they are not an undifferentiated category. In particular, the distinction between transient settlements and poor and working class neighbourhoods with relatively stable ownership and land tenure is worth highlighting. The category of new arrivals too requires some attention particularly in terms of information support.

4.54 An effective strategy to address urban poverty is closely linked to an effective urbanization strategy. The critical policy entry points to address urban poverty pertain to public health including sanitation, health-care and prevention of communicable diseases, access to basic services particularly water, power and transport for poor women, slum-dwellers and poor neighbourhoods, minimum housing stock affordable by various categories of urban poor, and, strong and effective policy support to informal sector economic activities. Discouraging land-grabbing and better utilization of urban *kehas* land for community objectives is also a priority.

4.O Critical Infrastructures

4.55 The contemporary infrastructural challenge for Bangladesh is on a qualitatively different plane than when the country was a subsistence-dominated agrarian economy with low level of urbanization. The reference framework for today's infrastructural vision is a rapidly urbanizing market economy aiming to maximize growth dividends from the synergies of a burgeoning domestic market and a competitive globalization process. While important gains have been achieved in rural road connectivity, infrastructure may emerge as a binding constraint on the goal of accelerated poverty reduction unless the emerging challenges are effectively addressed. These include development of strategic national and regional road transport corridors including the Dhaka-Chittagong corridor, construction of the Padma Bridge to link eastern and south-western parts of Bangladesh, an effective and sustainable strategy of road maintenance, development of the full potentials of the Chittagong Port as a national and regional gateway, and, formulation of a long-term strategy to develop inland water transportation.

4.P Technology

4.56 Policy attention to technology has not been robust and in pace with rapidly transforming social and economic demands. The same is also true of civil society discourses. A reluctant mind-set which tends to equate technological progress with labour-displacement and a bookish approach which under-emphasizes the importance of developing application areas appear to have been the major hindrances to upscaling technology as a policy focus. Nevertheless, there have been initiatives which have demonstrated the importance of technology in addressing the needs of rapid poverty reduction and

MDG attainment: ORS in diarrhoea prevention, mobile in enhancing connectivity, pedal thresher and portable husking to deliver improved post-harvest processing at the farmer's door-step to name a few.

4.57 Overcoming reluctant mind-sets, bringing greater attention to bear on application areas and, choosing technologies with low thresholds for entry and high self-dissemination potential are key to upscaling technology as a policy focus. While there are many areas which merit focus, there are two priority fields where effective policy attention on technology is urgently necessary. The first of these is agricultural technology and technology for related fields such as fisheries. The other is ICT.

4.58 Though Bangladesh has an extensive public sector agricultural technology system, it was essentially built for an era wherein food security, especially rice, was the national priority. The system is ill-prepared for meeting the new challenges of market-driven commercial agriculture including technologies for environment-friendly input-use and value addition through improved post-harvest management systems and processing. A significantly upgraded, well-resourced and responsive agriculture technology system is a priority for meeting the current and future technology needs of small and marginal farmers and of the growing commercial agriculture. The technological infrastructure for the growing fishery sector, in particular, the rapidly growing and highly potential aquaculture sub-sector, is in even greater state of unpreparedness. A comprehensive technological policy and research and extension infrastructure to service both the sustainable needs of the sector and the needs of various groups of stakeholders including community-managed floodplains will be a critical challenge to be addressed.

4.59 ICT represents a case of unrealized potential in Bangladesh. The relevance of ICT to the goal of accelerated poverty reduction is threefold: firstly, ICT as an employment frontier, secondly, ICT as a facilitator for strengthening the role of the poor in the market, and lastly, ICT as a bridge reducing the distance between the citizenry including the poor and the state. While the multiple areas of relevance are well-understood, reaping the potential has stagnated on three critical counts: incomplete connectivity, weak development of application areas, for example in integrating the poor to the market, in hardware troubleshooting, in e-governance etc., and finally, in the pronounced lack of quality and system perspective in ICT training. Major thrusts are necessary to overcome the deficiencies in all three areas. A related challenge is the undertaking of a comprehensive initiative to enable rapid acquisition of functional proficiency in English language.

4.Q Risk, Vulnerability and Social Protection

4.60 Risks and vulnerability are mainstream problems in the lives of the average Bangladeshi and are recognized as such by governments, individuals and communities. Safety Net Programmes to address risk and vulnerability have been an integral part of the anti-poverty strategy of this and previous governments. However, with informal safety nets eroding, newer risks emerging from rapid processes of urbanization and global economic integration, and, stronger assertion of mitigation demands from a democratizing polity, a holistic re-thinking on the direction, scope and design of safety net policies in particular and social protection policy in general has become necessary. Social protection includes safety nets, various forms of social insurance, labour market policies as well as processes of self-help existing or emerging within society. Risk reduction and social protection are important not only in themselves but

also because an unaddressed risk atmosphere carry negative psychological consequences for the livelihood initiatives of the poor and for community efforts at social cohesion.

4.61 Effective policy initiative on a holistic approach to social protection will require a sharper profiling of risks, old and new. These include disasters, anticipated risks such as *monga* and seasonal poverty, public health risks associated with the urbanization process, social ills such as dowry, erosion of family-based safety nets and emergence of new vulnerable groups such as the elderly and the disabled, and, the uneven globalization process which may give rise to new categories of poor whether in terms of worker displacement, livelihood losses or victims of environmental disasters.

4.62 A cautionary note to bear in mind here is that upscaling the focus on safety nets and social protection should not come at the cost of a return of the 'relief mentality' which used to be our bane but which the nation has so convincingly put behind itself as evidenced in the aftermath of the flood of 2004. While effective targeting is a perennial concern in this regard, there is an additional design challenge in adopting a net-and-ladder approach wherever opportunities for such externalities effectively exist. A net-and-ladder approach emphasizes the importance of integrating programme elements which not only provide social protection but also assist in the eventual graduation out of poverty.

4.63 An important corollary of moving towards a comprehensive approach on safety nets will be the need to streamline the institutional strategy on implementation. The potential of local government bodies, particularly the Union Parishad, to coordinate a streamlined institutional strategy needs to be actively explored.

Chapter V

Roadmap for Accelerated Poverty Reduction

5.A Outlining the Poverty Reduction Strategy

5.1 Bangladesh faces a triple challenge in building a road map for accelerated poverty reduction: firstly, build on past achievements while preventing slippages, secondly, address the multi-dimensionality of poverty through a strategic choice of priorities, and, thirdly, unlock the agency potentials of the nation through an optimal mix of public action, private initiatives and community mobilization. The policy triangle on which such a road map broadly rests is constituted of pro-poor economic growth, human development and governance.

5.2 There are eight specific avenues - four strategic blocks and four supporting strategies- through which the goal of accelerated poverty reduction will be pursued. These are firstly supportive macroeconomics to ensure rapid growth with particular focus on stable macroeconomic balances, improved regulatory environment, higher private investment and increased inflow of FDIs, effective trade and competition policies, and, poor and gender sensitive budgetary process; secondly, choice of critical sectors to maximize pro-poor benefits from the growth process with special emphasis on the rural, agricultural, informal and SME sectors, improved connectivity through rural electrification, roads, and telecommunications; thirdly, safety net measures to protect the poor, especially women, against anticipated and unanticipated income/consumption shocks through targeted and other efforts; fourthly, human development of the poor for raising their capability through education, health, nutrition and social interventions; fifthly, participation and empowerment of the poor, specially women, and other disadvantaged and marginalized groups such as disabled, ethnic minorities, ecologically vulnerable; sixthly, promoting good governance through improving implementation capacity, promoting local governance, tackling corruption, enhancing access to justice for the poor, and improving sectoral governance; seventhly, improving service-delivery in the areas of basic needs; and finally, caring for environment and its sustainability.

Part A: Strategic Blocks

5.B Strategic Block I: Macroeconomic Environment for Pro-poor Economic Growth

5.B.1 Accelerating Growth for Poverty Reduction

5.3 Economic growth is the rate of increase of the total output of the nation. Economic growth originates from growth of capital stock, growth of labour force and technological change which augments efficiency. Economic growth so generated can improve aggregate economic conditions by-passing the poor which is not desirable especially in a country like Bangladesh, where the incidence of poverty is very high. The Government has therefore opted for pro-poor growth, i.e., growth that reduces poverty. In the prevailing development paradigm private sector is the driving force behind growth and hence the role of government is to provide an environment which promotes private investment. This requires combination of growth promoting policies along with the right policies to assure that the poor

can participate in the emerging opportunities and hence contribute to the growth process. Experience has shown that pro-poor growth is best facilitated in an atmosphere of domestic tranquillity, a stable macroeconomic environment as well as competitive business environment, none of which are insurmountably difficult to achieve if there is a political will.

5.B.2 Economic Growth, Investment and Savings

5.4 The principal factor determining the rate of growth in Bangladesh is the rate at which the nation's capital stock is augmented, i.e. the rate of investment. Indeed, the differential performance of various developing countries in respect of economic growth can be, as a first approximation, fairly satisfactorily explained by the differences in their investment rate. A major challenge of economic growth and poverty reduction in Bangladesh is raising the investment rate which would lead to higher growth rate. The enhanced growth rate is essential to achieve the poverty reduction targets set by the Millennium Development Goals (MDGs). Past improvements in investment rate have taken place through government's determined efforts to mitigate the problems of private sector investment. However, despite government's sustained efforts to provide business or investment-friendly environment some major factors that discourage investment remain which include lack of adequate and reliable supply of electricity and gas, poor transportation network, inadequate telecommunication services, poor port facilities, official harassment, delays and corruption, the law and order situation and frequent political agitations. Many of these problems do not have short-term solutions. However, an effective strategy will be followed to gradually solve these ills to achieve the MDGs.

5.5 The funds for investment come from two sources: national savings and foreign borrowing. Gross domestic savings, comprising both public and private savings, is fairly low in Bangladesh. Remittances from overseas partially compensate for the inadequacy of domestic savings so that the gross national savings come to about 24.5 percent. Despite this modest rate of saving, Bangladesh is unable to find investment outlets for all of it—perhaps a reflection of the difficulties that the investors encounter. The investment rate in recent years has been marginally lower than the national saving rate, resulting in a surplus in the current accounts and a build-up of international reserves to a healthy level. Although savings are currently not a constraint, they could become so if investments were to increase substantially—something that must happen if the growth rate is to be increased. A strategy to raise the investment ratio would, therefore, have to be complemented by a savings policy to mobilise domestic resources to finance investment. Private savings efforts may be restricted by the lack of savings instruments that yield a reasonable return. The capital market that should mobilise much of the savings has had a chequered history in Bangladesh. The confidence of savers in the capital market was severely shaken by the stock market crash of 1996. The government has undertaken wide-ranging reforms of the capital market to make it attractive again to domestic savers and investors. Besides shares, other financial products with varying liquidity, risks and returns would also be developed to provide a range of options for the savings of people with different degrees of liquidity preference and risk-averseness.

5.6 The public sector must also contribute to the saving effort of the nation. The losses of SOEs are a major drain on the government budget. Elimination of these losses will have a salutary effect on public savings. An increase in the efficiency of the revenue collection machinery and reform of the tax system could enhance net domestic resource mobilisation and thereby add to public savings. Efforts are already underway to reform the entire revenue system of the government to make it more efficient.

5.7 An investment policy that maximises employment is likely to be most helpful in reducing poverty. This requires investment in labour-intensive industries and in industries that support them. Since most of the poor people of the country live in rural areas where poverty is more acute, one possible strategy would be to promote the growth of industries in rural areas. This would, however, require a reorientation of the structure of government administration and the provision for public services with greater focus on the rural areas. The other strategy, perhaps less efficient, would be to continue with the current practice of concentrating industrial activities in major urban areas which would encourage migration of the rural poor to the urban centres. This would of course worsen the already serious congestion problem in the major urban centres and necessitate remedial measures to ease congestion and combat associated ills.

5.B.3 Private Sector Investment

5.8 Private investment is determined by a comparison of costs and benefits of investment both of which are influenced by government policies as well as a host of external factors. Given its overriding importance the issue of promoting private investment has been addressed wherever it has appeared in this document. In this section some specific issues not addressed elsewhere in the document are analysed.

5.B.3.1 Providing Appropriate Fiscal Incentives

5.9 Current fiscal incentives for private investment need to be strengthened further and made less discriminatory. Fiscal incentives to export industries, particularly those relating to duty-free access to imported raw materials, should be applied symmetrically across all export categories. Tax administration needs to be improved to make custom procedure and VAT payment simple and free from rent-seeking behaviour.

5.10 Planned changes in trade policy should be announced well in advance, and should be accompanied by adequate measures to relax various supply-side bottlenecks so as to provide a level playing field to domestic producers for competing with imports. Better physical, financial and legal infrastructure facilities are more conducive to export expansion than direct subsidies in the longer term.

5.B.3.2 Arranging for Freehold Land

5.11 Paucity of freehold land around major industrial and commercial belts is a hindrance to setting up new enterprises. Unused public land may be made available for private investment and for setting up private industrial estates. Government can also acquire land and then hand over these through BOI to potential investors for development and setting up of new enterprises. Allowing private investment in infrastructure development has been a step in the right direction.

5.B.3.3 Facilitating Entrepreneurship Development among Women

5.12 The policy induced and structural impediments to private sector development constrain all categories of potential entrepreneurs. But women entrepreneurs find these constraints particularly restrictive as they are often socially disadvantaged in tackling these problems compared to their male

counterparts. This necessitates setting up separate programmes for women's entrepreneurship development. Contribution of women in poverty reduction through their involvement in private sector particularly because of micro credit is essential to recognize. Thus women's entrepreneurship is also important from the perspective of pro-poor growth. Development of women's entrepreneurship contributes towards women's empowerment and has important implications for their intra-household relationships and poverty reduction. The social impediments faced by a potential woman entrepreneur also suggest that the development initiative of women's entrepreneurship should be designed in an integrated manner. Women entrepreneurship and support for women entrepreneurs should be part of all extension Programmes. In particular, a women's entrepreneurship development programme should include a dedicated fund for women in the funding agency, affirmative treatment in the allotment of plots and other infrastructure facilities, preferential access to support services and targeted marketing support.

5.B.3.4 Facilitating Technological Upgrading

5.13 In an ever-changing global market, technological improvement has to be an ongoing process in order to maintain competitive strength. There is a need for constantly monitoring technological developments that are taking place around the world, acquiring the best technologies and adapting them to local conditions. A comprehensive technology development strategy should be put in place for this purpose. There is a need for infusion of dynamism in the working of the technology related institutions. This will require initiative and collaboration on the part of the trade bodies supported by appropriate matching grant facilities. At the same time, the government should provide policy support to stimulate technology transfer and diffusion to local industries from foreign investors and actively participate in regional and global initiatives in support of transfer of technology favouring the developing countries.

5.B.3.5 Improving Business Support Services

Setting Up Information and Data Bank on Private Investment

5.14 There is a lack of reliable and up-to-date data pertaining to production and investment in the private sector. A potential investor can learn very little about current investments and production from official data. An information and data bank needs to be set up with the BOI to serve as a central pool of information to address the requirements of investors relating to investment. The data bank should also gather information pertaining to the investment situation in foreign countries and on technology and markets. There is an urgent need for revamping the industrial statistics wing of the Bangladesh Bureau of Statistics (as well as other wings). Coordination between different registration authorities should also be sought to obtain information on private investments, output and employment. Information should be collected and compiled to show gender break up amongst entrepreneurs and workers so that impact on poverty can be better monitored. It should be mandatory on the private sector to provide information on these matters.

Product Standards and Quality Control Measures

5.15 Bangladesh lacks a national quality policy and institutional arrangements to provide assistance for and monitoring of quality control measures. The Bangladesh Standards and Testing Institution (BSTI) needs to be strengthened with adequate infrastructure and technical facilities and enforcement capacity for it to play a useful role in this regard. There is also the need for trade specific initiatives to set

up standards as per international requirements. With support from matching grant facilities, the trade bodies can play an important role in this regard and also in helping member enterprises get internationally recognised certification such as ISO 9000. The government is finalising a consumer rights protection law to ensure that the consumers are not cheated on the quality of goods and services purchased by them.

Labour Standards and Work Environment

5.16 There are legal provisions in Bangladesh in support of adequate safety and health standards and labour norms. But enforcement mechanisms for the labour standards and other relevant provisions are weak which render the legal provisions obsolete. The labour inspectorate along with other enforcement mechanisms should be sufficiently strengthened for proper enforcement of existing labour laws. These standards cannot be attained through legal provisions alone. The Government needs to play a supportive role in conjunction with NGOs and social organisations on the one hand and employers and trade bodies on the other in creating a decent work environment. Decent work sums up the aspirations of people in their working lives—for opportunity and income, for rights, voice and recognition, for family stability and personal development, for fairness and gender equality. It reflects the concern of any government, workers and employers. A special area of focus will have to be gender sensitivity and gender differentials. To facilitate women’s enhanced participation, there is need for the creation of childcare centres, provision of housing and safe transportation and health and sanitation facilities.

Supportive Credit Policies

5.17 In Bangladesh investors face credit constraints and have to pay high interest on loans. Despite government measures to improve the performance of the financial sector, non-performing loans have remained a cause for concern. The challenge in the credit market is to provide the private sector with adequate credit at reasonable rates of interest and ensure debt recovery. Besides, credit for SMEs and women entrepreneurs merit separate attention. With virtually defunct DFIs and inadequate term finance by the commercial banks, the problem of term finance has to be addressed on an urgent basis. A new investment finance company needs to be set up as a joint venture under the sponsorship of the government. It will generate funds from a wide range of local and foreign sources and will be run in line with the best practices of investment financing by competent staff. The government must guarantee full autonomy of the institution and its purely professional operation at all stages. A new agency also needs to be created for loan recovery for reducing cost of borrowing. Special incentives may be considered for further stimulation of lease financing.

5.B.4 Promoting Foreign Direct Investment

5.18 Private investment can come not only from domestic but also from foreign sources. In fact foreign direct investment has played some role in the early phase of RMG industry and has been critical to the development of the minerals sector. FDI is important not only for foreign exchange and savings gap but also for employment creation, technology transfer, improvement in managerial skills and social transformation. Bangladesh has a very liberal foreign direct investment regime. There are no restrictions on foreign equity participation or on repatriation of profits and income. No prior approval is required

for foreign investment. In spite of the liberal investment regime, the annual flow of FDI has been small—less than US \$ 200 million during the 1990s. The bulk of the investments went into gas, power and telecommunications. Investment in manufacturing was negligible with the lone exception of the cement industry. Investment increased rapidly in EPZs but the annual flow is still low—about US \$103 million in 2002-03 of which about 80 percent is FDI. However, in the recent past foreign investors especially those from neighbouring countries have shown keen interest in investing in Bangladesh.

5.19 The main factor that contributed to the modest inflow of FDI is Bangladesh's poor image with regard to policy discontinuity, bureaucratic red-tapism and corruption, underdeveloped infrastructure, poor port management, deficient legal system, political disturbances and unsatisfactory law and order situation. While improvements in these areas are essential pre-requisites for attracting FDI, Bangladesh needs to address its image problem and come up with well-advertised business support services aimed at reducing the cost of doing business. For example, immigration and baggage handling for incoming business visitors should be streamlined, so that they have minimum waiting time at the airport. Similarly, issuance of multiple entry visa and work permit should be made hassle free for deserving applicants. BOI's business support services should be made sufficiently attractive to potential foreign investors.

5.20 Through these measures, Bangladesh should strive hard to attract foreign investment particularly from those countries that have extended preferential market access to Bangladesh's exports. Thus, for example, duty-free and quota-free access for exports of Bangladesh to several markets including Australia, Canada, EU and Japan provides excellent scope for attracting foreign investors to invest in Bangladesh for exports to these markets.

5.B.5 Macroeconomic Stability

5.21 Macroeconomic stability provides a conducive environment for accelerated economic growth and poverty reduction. It is especially important because the burden of macroeconomic instability falls disproportionately on the poor and the vulnerable as they are least able, on their own, to protect themselves from its harmful effects. Macro instability can exacerbate poverty and adversely affect the vulnerable groups in a number of ways: First, high inflation can erode real wages, particularly for those with a low fixed income, since frequently nominal wages do not keep pace with inflation. High inflation increases risk and uncertainty associated with investment and economic activities both in urban and rural areas. Indeed, agricultural producers in rural areas can be particularly hard hit if the distribution and marketing channels are weak since much of the rise in agricultural prices may be usurped by middlemen. Secondly, high interest rates associated with macroeconomic instability hurt not only investment in the urban and formal sector but also adversely affect the rural and informal sectors, the source of livelihood of the poor. Thirdly, volatility of the exchange rate resulting from macroeconomic instability negatively impacts on foreign trade and foreign investment in the country. Foreign investment may be linked to poverty because of the potential economic opportunities it can provide to the domestic economy through employment, technology and skill transfer, market access and linkages. Fourthly, high inflation can also erode the real value of government revenue and thus the ability of the government to provide adequate social services for the poor as expenditure on social services may be compromised in times of fiscal pressure.

5.22 Macroeconomic instability may inhibit the expansion of investment activities since business decision-making becomes very risky in an environment where the amplitude of fluctuations of the principal macroeconomic parameters is large and uncertain. With stagnant investment, growth in

employment slows down. Thus the main channel of poverty reduction is constricted, depriving a large section of the poor of the opportunity of breaking out of the shackles of poverty.

5.23 The government is committed to maintaining macroeconomic stability that has been achieved through much hard work during the last dozen years or so. The key aspects of macroeconomic stability include low and stable inflation, low budget deficit and a sustainable external balance. Macroeconomic stability will be maintained mainly through a prudent fiscal and monetary policy, a supportive external sector policy and an active capital market.

5.B.5.1 Fiscal policy

5.24 Fiscal policy is a statement of the government's revenue and expenditure plans. A fiscal policy entails the design of these plans in such a manner that the growth opportunities, particularly those benefiting the poor, are maximised. This can be achieved only if revenues are raised in a manner that does not reduce business incentives, and expenditures are made in areas that yield the highest return or have the maximum impact on the productivity of the national economy. Toward this end the government has taken measures to improve the methods of budget preparation with broad-based consultations, ensure sectoral allocations that encourage pro-poor growth, put more effort in implementing the budget efficiently, step up efforts to enhance domestic resource mobilisation in order to reduce dependence on borrowing and efficiently manage public debt to reduce fiscal burden. These measures will no doubt improve fiscal discipline and thereby ensure sustainable budgets.

5.25 In order to help ensure that the PRSP is effectively implemented within a sustainable macroeconomic framework, the government has introduced a new budgeting approach called the Medium Term Budgetary Framework (MTBF). Under MTBF, the budgets for four ministries for the fiscal year 2005-06 have been prepared on pilot basis. These ministries are (1) Ministry of Agriculture, (2) Ministry of Education, (3) Ministry of Social Welfare and (4) Ministry of Women and Children Affairs. The budgets for the fiscal year 2006-07 for six more ministries/ divisions such as (1) Ministry of Health and Family Welfare, (2) Ministry of Primary and Mass Education, (3) Ministry of Communications, (4) Ministry of Fisheries and Livestock, (5) Ministry of Water Resources and (6) Local Government Division will be prepared under MTBF. MTBF will be replicated in all other ministries/ divisions. For efficient budget preparation, implementation and monitoring, Budget Management Committees (BMCs) have been formed in all line ministries/ divisions. A Budget Working Group formed in each ministry/ division will assist the BMC. To ensure the effective participation of departments/ organisations in budget preparation and implementation, Departmental Budget Management Committees have also been formed.

5.26 A Resource and Debt Management Wing has been set up to enhance the resource management and public debt management capacity of the Finance Division. Public Expenditure Management Manual has been published to provide guidance and information on operational process and methodology to all ministries/ division. Information systems and the modelling capacity of the Finance Division will be developed to support policy analysis.

5.27 An increasing proportion of government expenditure will be devoted to sectors that have a large impact on poverty reduction. Total allocation for poverty reducing spending was raised from 6.02 percent of GDP in FY03 to 8.39 percent of GDP in FY06. It will be raised substantially every year.

Medium-Term Budgetary Framework

With a view to maintaining macroeconomic stability, accelerating economic growth and poverty reduction, the government has introduced the Medium Term Budgetary Framework (MTBF) in fiscal year 2005-06. MTBF aims at ensuring efficient and effective allocation and utilisation of resources by establishing an effective linkage between annual budgetary process and PRSP. MTBF 2005/06-2007/08 contains budget estimates of the MTBF ministries for the fiscal year 2005-06 and projections of revenue receipts and public expenditure for the fiscal years 2006-07 and 2007-08. Under the system, indicative ceilings for revenue receipts and expenditures have been given for the MTBF ministries for the period 2005/06-2007-08. One prime objective of the system is to prepare a reliable estimate of available resources, both domestic and foreign, in the medium term and establish a balance between the policy priorities of PRSP and overall availability of resources. Thus the line ministries have been given enhanced responsibilities and authorities for allocation and utilisation of resources. It also involves prioritisation of public expenditure program for achieving the objectives and priorities of PRSP. Two key features that distinguish MTBF from the traditional budgeting system are: (1) the removal of the distinction between development and non-development expenditures and (2) establishment of link between inputs and expected outputs (output targets) so that the performance of the relevant ministries can be measured for improved expenditure monitoring. The new budgetary system is expected to help allocate resources to different sectors/ ministries/ divisions in line with the PRSP objectives and utilise the resources to achieve those objectives. It is also expected that MTBF would bring greater transparency and predictability to resource allocation and budget management and thus develop the basis for better accountability for resource use and results.

5.28 The quality of public expenditure will be improved through enhancing efficiency and accountability of resource use. The recommendations of the Public Expenditure Review Commission will be examined and implemented in a phased manner. Resource allocation will be linked to performance criteria. Internal control guidelines have been developed to ensure value for money and enhance greater financial discipline in all line ministries. Consistent with the MTMF, the Government has decided to introduce Medium-term Budgetary Framework in four Ministries, namely, Agriculture, Education, Social Welfare and Women and Children Affairs.

5.29 Improvement in public financial management will be achieved through performance auditing. Performance audit manuals have been prepared and selected performance audits are being done. Remaining audit manuals will be updated and performance audits will be strengthened.

5.30 The increased demand for resources will be met, to a considerable extent, from enhanced mobilization of domestic resources. Improvement in domestic resource mobilization will be achieved through a number of approaches. Measures have been taken to implement the recommendations of the Commission on Reforming the Public Revenue System to improve the taxation system and to augment domestic resources. Specific measures include establishing a Large Taxpayers Unit, operationalizing the Central Intelligence Cell to tackle leakage of income tax, customs and VAT, rationalizing non-tax revenue rates, simplifying customs clearance system with the application of ASYCUDA Model, developing professional skills of the NBR officials. Steps will be taken to strengthen the measures already taken and also utilize ASYCUDA Model to link shipping agents, port authority and customs. Recently, NBR has drafted a strategic development plan for modernising its administrative structure. The reforms in tax administration and the taxation system will make it possible to raise the revenue- GDP ratio to the desired level.

5.31 Public borrowing from the domestic sources has been restrained in the past and the rein on such borrowing will be maintained in the future to avoid crowding out of private investment and an increased interest burden on the government.

5.B.5.2 Monetary Policy

5.32 An active monetary policy will be pursued to maintain price stability, an adequate flow of credit at a reasonable interest rate and a competitive exchange rate in the economy.

5.33 To this end, Bangladesh Bank will use a number of indirect as well as direct monetary and credit policy instruments, including open market operations of government securities, Repo and Reverse-Repo arrangements, rediscounting facilities, reserve ratio requirement of financial institutions and discount window facilities.

5.34 During the past few years, Bangladesh Bank has pursued a cautious monetary policy that has helped to maintain a relatively low inflation rate even in the face of adverse external and domestic shocks. Recently, the statutory liquidity ratio (SLR) for scheduled bands has been revised upward from 16 percent to 18 percent and cash reserve requirement (CRR) from 4.5 percent to 5 percent to bring down inflation rate and ease pressure on foreign exchange reserve. Given the target foreign exchange reserve build up (determining the net foreign assets) and projected bank financing of the budget, credit to the private sector is projected to increase. Bangladesh Bank will use the indirect monetary instruments, some of which have been introduced recently, to achieve the monetary targets.

5.35 Bangladesh Bank will regulate and supervise the financial system to: (i) safeguard the soundness of the financial system and absorb possible adverse shocks that could be detrimental to economic growth and (ii) improve the efficiency of the financial system and deepen financial intermediation with a view to channelling an increasingly greater volume of financial resources to the productive sectors of the economy at a low interest rate. Without compromising the core objective of price and financial stability, Bangladesh Bank and financial authorities also play a developmental and promotional role through targeted interventions in the financial sector to achieve the national objective in cases where the market does not function efficiently. The initiatives taken in recent years in this respect include supporting micro-finance institutions that extend credit to the poor, promotion of finance to rural/agricultural sectors, SMEs and export-oriented activities.

5.B.5.3 External Sector Policy

5.36 External sector policy will be geared to sustain the export growth achieved in the recent past, enhance remittance flows, ensure steady flow of imports required to attain the targeted growth rate of the economy and to satisfy consumer demand.

5.37 The adverse impact of the phase-out of quota under MFA/ATC on RMG production, export and employment in Bangladesh has so far been minimum thus dispelling the apprehensions of cataclysmic fall in exports.. The resilience of the sector (through efficiency improvement), possible safeguards imposed by the USA and EU on imports from China as well as encouragement provided through real depreciation of taka and other supporting measures are likely to help the industry to tide over the difficulties posed by the abolition of MFA. The activities of the RMG sector for which quota

induced competition is not binding are doing fine while the impact on the quota constrained categories are modest. In order to maintain sustained export growth during the PRSP period strategies have been developed to support the RMG and primary textile sector, promote export diversification and continued trade liberalization. These are discussed later in the section promoting trade.

5.38 Import payments will grow, reflecting mainly the need for intermediate and capital goods imports in support of the growth targets. Import policy will also focus on maintaining adequate flows of essential commodities especially those consumed by the poor and needed for encouraging efficient production of import substitutes. To this end the trade regime will be further liberalised with a reduction in quantitative restrictions, reduction in the highest tariff rate, and reduction of the average protective tariff rate to 20 percent. A three-year import policy (2003-06) has been formulated to ensure greater degree of transparency and continuity of the import policy provisions.

5.39 Bangladesh moved to a floating exchange rate regime in May 2003. In such a regime the role of the central bank is to maintain relative exchange rate stability to ensure competitiveness of tradable sectors and mitigate excessive fluctuation of rates unrelated to economic fundamentals and help build up foreign exchange reserves to cushion adverse external shocks. To this end, it can use the market based instruments like buying and selling of foreign exchange, tightening/loosening of monetary policy, foreign borrowing, and acceptable controls on the exchange payments, all in support of the exchange rate policy.

5.40 Remittance flow through official channels has experienced very rapid growth in the recent past. Several factors have contributed to this trend, notably the operation of the Money Laundering Prevention Act 2002 to purge any handling of money originating from or associated with criminal activities, establishment of banks/exchange houses at different strategic places of the world to facilitate processing of worker remittance, and some real depreciation of the taka. Follow-up measures will be taken to encourage flow of remittance through the legal channels. Efforts will continue for strengthening anti-money laundering surveillance.

5.41 Bangladesh has taken measures to maintain a comfortable foreign exchange reserve position. The higher level of foreign reserves will provide a cushion against any adverse shocks.

5.B.5.4 Capital Market

5.42 There are two principal ways in which the capital market contributes to poverty alleviation. First, it enables entrepreneurs to raise funds in a cost effective manner to finance investments in productive activities and thereby create employment that, in turn, helps alleviate poverty. Second, the capital market can enable small savers to gain access to investment opportunities that can enhance their income through returns on such instruments and/or capital gains.

5.43 The effectiveness of either of the above mechanisms depends on the confidence of the entrepreneurs as well as savers in the orderly and transparent functioning of the capital market. This requires an appropriate regulatory and technological infrastructure, diversification of instruments as well as effective monitoring and supervision of various market actors by the regulatory authority.

5.44 For fair and transparent functioning of the capital market the government has taken some measures including the enactment of the Depository Act 1999 and amendment of major legislation governing securities and exchange. Apart from the regulatory framework, physical infrastructure such as automated trading of securities, and an electronic registry system through the Central Depository of Bangladesh Limited have been put in place for proper issuance of securities and their trading on the stock exchanges. In order to widen the choices available to investors with respect to returns, liquidity and risks, measures have been taken to trade government bonds in the secondary markets and asset-backed securities are being issued. Multinational companies including the public limited companies with good fundamentals are being encouraged to get their securities listed with the stock exchanges. Various fiscal concessions have been given to woo the issuers and investors. Efforts are also on to offload a percentage of government shares in the energy sector companies.

5.45 For restoring confidence of investors in the security market all the intermediaries associated with the capital market have been brought within the regulatory regime of the Commission. The Commission has already taken various measures to ensure good governance in the corporate sector. Rules and regulations guiding the activities of the exchanges would have to be further streamlined. The capacity of the SEC should be enhanced to enforce compliance with the rules.

5.46 In the longer term, the agenda for development of capital market will include improving corporate governance, enhancing the support infrastructure, among others, accounting and audit, system of disclosure and information dissemination etc. strengthening the role of non-bank and other specialised financial institutions, such as housing and rural financial institutions; promoting the development of sources of institutional investments, such as insurance companies, pension and provident funds, mutual funds and venture capital, and developing the secondary market for securities, by facilitating the development of a domestic money market, in particular the government and short-term corporate bond market.

5.B.6 Facilitating Fair and Competitive Business

5.47 The government will create an environment where businesses can thrive without undue hindrances from the government or vested interest groups. To this end the government will facilitate fair and competitive business through a number of strategies and policies.

5.B.6.1 Improving Legal Environment

5.48 The legal and regulatory framework of the country is an evolutionary process and is in need of reforms depending on the demand of time. Reforms have become essential in certain areas for facilitating economic growth and social development. These include lack of or delay in contract enforcement and dispute resolution, inadequate bankruptcy laws, lack of knowledge of rights and obligations under the copyright protection law, labour laws which are inadequate in discouraging politicisation of labour relations and cumbersome and corruption-prone land titling and transfer procedures. Investors have to fulfil a lot of regulatory requirements before an enterprise can be set up. A trade license has to be obtained from local municipal authorities and environment safety clearance from the department of environment; then there is registration with the Inspector of Factories, export registration with the Export Promotion Bureau, import registration with the Controller of Import, and VAT registration with the revenue department. Enterprise registration is needed for the purpose of safety and public health, environmental concerns, fiscal purposes and monitoring. But because of lack of

coordination between different authorities, the entrepreneurs have to obtain these clearances separately from each of the agencies involving duplication of efforts, time loss, harassment and unofficial payments.

5.49 The legal and regulatory framework will be streamlined. The backlog of cases in the courts will be cleared and legal procedures will be modified to deter delaying tactics. Labour laws will be appropriately amended to discourage politicization of labour relations and maintenance of a peaceful environment in the industrial areas. The labour laws should ensure compliance with the newly emerging requirements of the buyers and various conventions on labour. Wage legislation should be responsive to productivity growth in the industrial sector. The land titling transfer procedure will be simplified and made corruption free. The regulatory requirements will have to be streamlined through coordination amongst different agencies so that the One-Stop Service of the BOI may help complete all the formalities within a short period.

5.B.6.2 Competition Policy

5.50 For rapid development of private entrepreneurship and providing equal opportunities for all it is essential that all enterprises, large and small, should be able to freely participate in the marketplace without any undue restrictions or hindrances created by the unfair business practices of others. To provide a level playing field for all entrepreneurs it is essential to enforce competition among all enterprises in the market.

5.51 Competition refers to the process of rivalry among firms and to market structures conducive to such rivalry or potential rivalry. Competitive markets provide the best means of ensuring that the economy's resources are put to their best use by encouraging enterprise and efficiency, and widening choice. Where markets work well, they provide strong incentives for good performance, encouraging firms to improve productivity, to reduce prices and to innovate, and consumers enjoy lower prices, higher quality, and wider choice. A free market is believed to provide the environment for competitive practices under certain circumstances.

5.52 However, the operation of the free market can be hindered by the monopolistic business practices of dominant firms. Such firms tend to restrict market supply in order to raise prices that bring in abnormal profits. The ordinary consumers lose out: they pay higher prices and consume less, their choice is restricted and the quality of service may also deteriorate. Smaller rival producers may also lose out in an unfair competition. The dominant firm may engage in a price war to drive out smaller firms from the market and thereby increase its market share. This further enhances its power to manipulate the market at the expense of the economy's welfare. Lack of competition encourages misallocation of resources, reduces product variety and lessens the impetus for higher efficiency, productivity and innovation. The poor will be hurt if the unfair business practices occur in the market for products that are ordinarily consumed by the poor since their modest purchasing power will be whittled away. In Bangladesh unfair business practices are alleged to be frequent in the market for essential commodities which constitute a large share of the consumption budget of the poor.

5.53 In order to protect consumers, as well as producers, many countries have enacted competition laws that put legal restrictions on the growth or formation of monopoly or oligopoly, and on the adoption of unfair business practices, such as collusion, that reduces competition in the marketplace. Competition policy is generally defined as those government measures that directly affect the competitive behaviour of enterprises and the structure of industry. Such a policy has essentially two

elements. The first involves putting in place a set of policies that enhances competition in the market, and includes such policies as privatisation, trade and foreign exchange liberalisation, and deregulation. The second is the competition law that is put in place to control or prevent anti-competitive business practices and unnecessary government intervention. Thus, a comprehensive competition policy comprises all government policies that affect the state of competition in any sector of the economy including policies that restrict as well as those that promote competition.

5.54 Unfair business practices are alleged to be prevalent in Bangladesh in the production, importation and distribution of some goods and rendering of some services, both in the public and the private sectors. Foreign companies with production facilities in the country have a dominant position in the market, giving them the capacity to engage in monopolistic practices.. Overseas companies exporting their products to Bangladesh may also engage in unfair practices. These include both a reduction of prices below costs (dumping) in order to unfairly capture a greater share of the domestic market, or increase prices above their competitive levels to earn abnormal profits when they have a captive market (cartels). The former may result in the demise of local producers who are unable to withstand the price undercutting for long due to their relatively small size. The latter deprives consumers of part of their purchasing power. If the former is allowed to go unchallenged, it could give rise to the latter once domestic competition has been eliminated.

5.55 Since anti-competitive behaviour adversely affects resource allocation, puts upward pressure on costs, tends to lower productivity and reduces consumer welfare, the nation may be paying dearly because of a lack of adequate and effective legal instruments to control anti-competitive practices. There is a felt need for an operational competition law that can address the complex and difficult problems raised by the anti-competitive practices of domestic and foreign enterprises.

5.B.6.3 Financial Sector Reforms

5.56 Over the last one and half decades Bangladesh has moved from a repressed financial system characterized by a banking system largely owned by government combined with regulated credit and interest rates to a liberalised financial system with extensive private sector participation and deregulated credit and interest rates. The Government also promoted development of specialised financial institutions (to expand term lending, finance to small and medium sized enterprises (SMEs) and the rural poor), took measures to enhance supervision and corporate governance of the private commercial banks (PCBs), introduced reforms of the NCBs and improved the overall capacity of the central bank to regulate and guide the financial system.

5.57 Financial reforms have generally shown positive results. During 199 through 2004, the market share of PCBs in banking sector assets increased from 34 percent in 1998 to 51percent in 2004 while that of NCBs declined from 53.5 percent to about 40 percent. More critically, as a consequence of the reform the overall health of the banking industry improved substantially in recent years: First, capital adequacy ratio of PCBs increased from 10.9 percent in 2000 to 13.3 percent in 2004 as a result of Bangladesh Bank's measure to raise minimum capital requirement on a risk-weighted basis from 8 percent to 9 percent or to BDT 1 billion (whichever is higher). Second, Non-performing loans (NPL) ratios of banks

declined substantially: During 2000-2004 gross NPL of all banks fell from 34.9 percent to 17.6 percent while net NPL ratio fell from 18.7 percent to 9.8 percent reflecting strict supervision and enforcement measures taken by the central bank, including stringent loan rescheduling and loan loss provisioning conditions, effective use of credit information bureau, revamping of money loans courts in 2003 and introducing corporate governance measures. Gains in NPL are shared widely by PCBs and NCBs. During 2000-2004 while decline in net NPL is higher PCBs (from 9.1 percent to 3.4 percent), the NCBs also experienced notable decline in net NPL (from 26.1 percent to 17.6 percent). Third, the overall profitability conditions of banks remained high: During 2000-04, returns on equity of PCBs were in the range of 12-20 percent while that of NCBs remains low: in the range of 2-4 percent. Fourth, corporate governance of PCBs improved substantially: Measures taken by Bangladesh Bank include: introducing stringent fit and proper test for CEOs of banks and bank directors, limiting directorship to two terms (six years), allowing only one director from each shareholding family; strengthening the Audit Committee of banks to assist in financial reporting, audit and internal control, enhancing financial disclosure by mandatory publication of accounts in newspapers.

5.58 As a result of the improvement in the health of the banks as well as overall environment the spread between the lending and deposit rates as well as interest rate on bank lending has generally displayed a downward trend. Financial intermediation increased and bank credit to the private sector, including term-lending, has picked up. The Bangladesh Bank has done a commendable job in taking the initiative to provide improved access of SMEs to financial resources and in promoting financial market development, including development of bond market and securitization.

5.59 However, much more remains to be done to create an efficient and competitive banking system capable of meeting the demand for financial services at a competitive interest rate. First, macroeconomic and financial stability must be maintained in the medium-term in the face of adverse external/domestic shocks and growing demand on public resources. Second, speedy implementation of the reform of NCBs and financial sector development programmes in the face of numerous obstacles will be critical in supporting investment and growth. In particular, the NPL of NCBs continues to remain high, leading to their poor performance and imposing a high burden on the banking system.

5.60 The reform programme of the four NCBs focuses on immediate privatisation of one NCB and implementing resolution strategies for three others leading to eventual privatisation of two other NCBs with a view to turning all the banks from loss-making to profitable entities. The resolution strategy will, among other things, spell out options for restructuring (both operational and balance sheet restructuring), including rationalisation of the branch network, restructuring the banks' portfolios, ways to deal with the NPL, recapitalisation and corporatization of banks. Substantial progress has been made in obtaining management support for NCBs, although on a delayed timetable. In particular, a sales adviser has been contracted for Rupali Bank and a new management team is in place for Agrani Bank and management advisory teams for Sonali and Janata has begun work. The Boards of NCBs will be reconstituted bringing in professionals with relevant experience in the Board.

5.61 To promote lending to the SME sector, Bangladesh Bank has embarked on a programme to expand credit through bank and financial institutions by developing a new refinance window: Small Enterprise Fund (SEF) with assistance from the World Bank (IDA) and the Asian Development Bank. Under the programme, BB's own resources (unutilised refinance facility) has been pooled with IDA and ADB resources into the new fund and the eligibility criteria has been revised to make the access easy and

widely available to all qualifying institutions. Guidelines were issued by the Bangladesh Bank reducing the cut-off size of the SME loan (to target the true SME), relaxing the sectoral restrictions (allowing all activities and sectors to benefit from the facility), and allowing both term loans and working capital to be financed under the programme. The initial IDA contribution (US\$10 million) has already been utilized reflecting high demand and ADB funds are currently being disbursed.

5.62 The Government is fully aware of the importance of improved access to finance and financial services for development of the private sector. Future priorities will include further improving the efficiency of financial system, developing financial markets by introducing new financial instruments such as bonds, securitization, venture capital, mutual funds, contractual savings institutions, and rural financial institutions; encouraging private sector financial institutions to broaden and diversify their lending portfolios and outreach for meeting the financial needs of the private sector, particularly those of infrastructure projects, SME and rural finance by way of promoting risk sharing mechanism. Banking reforms and achievements in recent years have occurred in a stable macroeconomic environment and improvement in monetary policy framework, which was made possible largely by prudent fiscal policy stance.

5.B.6.4 Reform of Micro-Finance Programmes

5.63 Micro-finance has been successful in reducing poverty in Bangladesh. The home-grown Grameen Bank and the PKSF (responsible for routing resources to NGOs providing micro-finance) are considered global models in micro-finance. However, despite the presence of a large number of micro-finance institutions and competition among them, they have not succeeded in reaching the poorest of the poor at a reasonable interest rate. The issue of high interest rate has also featured prominently in the recent discourse, noting the burden it imposes on the recipients of such loans. Questions have also been raised about the transparency of many participating institutions. At present the institutions are not regulated except through the reporting and eligibility requirements of the PKSF. Thus there is a need for a simple but effective regulatory framework to ensure good governance and transparency of the activities of the participating institutions. Besides, the issue of capacity building and institutional development support to MFIs will be adequately addressed.

5.B.6.5 SOE Reforms

5.64 For implementing the declared private sector-led development strategy, the government is committed to reform the state-owned enterprises. The most important reform measure has been privatisation of SOEs. Privatisation is expected to release resources from SOEs, which share about 20 percent lending of the total banking sector, for use in other areas including pro-poor sectors and create scope for investment by the private sector where it has comparative advantage. But the pace of withdrawal of public resources from business enterprises has been quite slow. The Privatisation Commission was set up in 1993 to implement the privatisation programme of the government. The Commission succeeded in privatising only 12 public manufacturing enterprises till 1995. Similarly, between 1996 and 2001 only a handful of such enterprises were privatised. Progress has been slower than expected. The main reasons behind the lack of adoption of a coherent privatisation strategy, faulty rules and regulations, bureaucratic impediments and the lack of firm political commitment. During the

period from November 2001 to July 2005 the Commission handed over 17 enterprises to the private sector. In addition, 4 enterprises were privatised through off-loading of shares during the period. As of July 2005, 8 enterprises were waiting for handover to new buyers.

5.65 In order to accelerate the pace of privatisation, a commission should be set up for working out a comprehensive strategy for privatisation and public enterprise reform. The strategy should allow for varying degrees of private ownership through sale, restructuring and liquidation of SOEs and suggest social safety-net measures to protect vulnerable groups and those adversely affected by the reform programme.

5.66 SOE reforms will also address some key issues like quality of services in the energy sector, particularly in terms of reducing system loss, improving bill collection, and allowing private sector participation. In addition, financial sustainability of SOEs will be improved through restructuring and improved management.

5.B.7 Promoting Employment

5.67 The transition of Bangladesh from a basket case in the 1970s to an economy of sustained moderate growth with macroeconomic stability is the product of millions of labourer working in the fields, factories, mines, water bodies, seas, forests and offices. The contribution of labour to the national economy is often overshadowed by the problem of widespread underemployment and periodic or long-term unemployment primarily caused by lack of complementary capital stock. The major part of income, if not all, of most people are derived from the employment of their labour services and hence labour-employment income determines their income and well being. This is especially true for the poor and for her or him underemployment or lack of productive employment implies being caught in a poverty trap. This is why employment generation is so critical to the accelerated poverty reduction strategy. Economic well being of the ordinary people cannot be improved without raising the total volume of employment and conditions of employment

5.68 The expansion of the economy through growth has created employment opportunities resulting in an increase in the number of employed population from 34.8 million in 1995-96 to 39.0 million in 1999-00 and further to 44.3 million in 2001-02. However, dynamic changes in the labour market especially the increase in the labour force participation rate as well as slow growth of employment have resulted in unchanged unemployment rate at 4.3 percent between 1999-00 and 2001-02 and a jump in the underemployment rate. Bangladesh thus has been less successful in reaping the full benefit of the virtuous circle of economic growth leading to poverty reduction via growth of employment with higher productivity. The policy challenge for Bangladesh is to accelerate the rate of growth and make it more employment friendly. The future growth process must generate employment opportunities for the poorer sections of the population and the returns from employment, both self and wage/salary employment, must generate adequate earnings for them so that they can break out of poverty. In addition to this overall outcome, the growth process must also address some specific features of the labour market. These include low growth in formal employment opportunities, with 80 percent of workers being employed in the informal sector, high rates of unemployment amongst the youth, increase in unemployment and poverty among certain groups who were earlier employed but were laid off or retrenched due to the privatisation and closing down of mills and factories, persistent gender inequalities

with respect to employment and wages in spite of the increase in women's share of wage employment in manufacturing, inadequate coverage of existing social protection schemes, child labour, and trade union rights and representation in general in a liberalised and globalized economy.

5.69 With the increasing role of the private sector in the economy, the future prospect of employment generation depends mostly upon employment-friendly growth of the private sector. The Government will also directly create some employment through public sector employment and generation of employment consequent on public expenditure. However, the basic focus will be to influence the demand for supply of labour and market outcome through labour market and other complementary policies:

- Strengthening role of public investment in employment creation through its direct and catalytic support to economic, physical and social infrastructure building, and fostering growth of private investment and labour market regulation. The labour laws should make the labour market more flexible and at the same time protect the rights of workers.
- Formulating or implementing active labour market policies. Active labour market policies support employment generation in two ways -
 - directly, by public works and enterprise development, also contributing to poverty alleviation by providing work and income; and
 - indirectly, by enhancing worker's skills and capacities by training and retraining.
- Inducing faster growth in labour-using, employment-intensive sectors, e.g., agriculture, small and cottage manufacturing industries, and community, social and personal services.
- Facilitating sustained labour demand through sustained growth of both established and newly emerging sectors like RMG, frozen food, leather and leather goods, tourism, agro-based industries, and pharmaceuticals.

5.B.7.1 Market-oriented Skill Formation

5.70 There appears to be a mismatch between the demand for different types of skills in the economy and their supply, resulting in unemployment and underemployment of labour while there is a lack of skilled labour in different sectors. The vocational training system of the Bureau of Manpower, Employment and Training (BMET), which is an institution coming under the purview of the Ministry of Labour and Employment, is working with fullest capacity. TTC is now providing training to about 16000 trainees annually in its regular evening and special courses with the one time intake capacity of 6000. Trainees are given industrial attachment for two months in a one year course to familiarise them with industrial environment. This provides a linkage between trainees and employers. However, the failure of the education system, particularly the technical education and vocational training (TEVT) system, to adequately cope with the demand for skills, both in terms of quality and quantity will be addressed by focusing on market driven skill formation.

5.71 The skill development system will be upgraded to meet the demand for skilled workers through a number of measures. These include operating the two mutually supportive and complementary programmes, namely the National Skills Standard (NSS) and SSC (Voc) with restructuring of the NSS programme, establishing a system of good governance comprising transparency, delegation of authority, and accountability coupled with a merit-based system of recognition and rewards, establishing mechanisms to provide meaningful follow-up support and placement services to the trainees with a view

to promoting self-employment as a dignified and productive means of livelihood, devising innovative ways of resource mobilisation and cost recovery to keep BMET/TTCs functional and effective, changing the orientation of training institutions and programmes in keeping with the needs of the informal sector and the population living in poverty, responding to the needs of unemployed youth through a change in the VET concept and curriculum, and providing support to the private sector in training, specifically in the sunrise sub-sectors mentioned earlier.

5.72 It should be mentioned here that enhancing skills to increase employability of the labour force would require an overhauling of the nation's education system, including the higher education sector, to ensure that it provides relevant education. The higher education sector must produce not only highly skilled workers for industries; it must also provide qualified trainers for primary, secondary and tertiary education. Emphasis on primary and secondary education without developing a robust tertiary sector is not likely to yield satisfactory results. Higher education has been neglected for long to the detriment of the interest of the nation. An outcome has been that the academic programmes in the seats of higher learning have become divorced from the evolving market realities. They are racked by acrimonious partisan politics that virtually negate the very purpose of their existence. In the interest of education as well as the broader interest of the nation, this state of affairs needs to be ameliorated.

5.B.7.2 Development of Entrepreneurship

5.73 Most poor people derive their livelihood from wage employment or self-employment in low skill and low return jobs. The poor have increasingly demonstrated their capacity to seize market opportunities to enhance their income. However, lack of entrepreneurial capacity often forces them to undertake activities on a scale that precludes graduation from poverty. Development of entrepreneurship will help poor people operating in the informal economy in the urban and in the rural non- farm sector to undertake new activities, scale up the existing ones and raise productivity. Entrepreneurship is to some extent an innate quality but it also depends to a considerable degree on education and training, opportunities and supportive policies. Entrepreneurship culture will be promoted through vocational training centres and educational institutions. Market linkages and linkages to the supply chain also need to be facilitated.

5.B.7.3 Enhancing Good Quality Employment Opportunities for Women

5.74 The labour market has become more open to women in certain sectors like RMG. However, women are more likely to be found in casual daily work, and in the informal sector. The forms of work they are engaged in are likely to be relatively more insecure. There is a significant wage differential between women and men; women's wages are 58.2 percent of those of men's. While the wage differential can be attributed to some extent to monopolistic elements in the labour market, it is largely determined by social attitudes to women's work as well as the education and skill differential between men and women. In this context it is necessary for the Government to actively intervene to open up more opportunities of employment for women, so as to help diversify women's employment in other more skilled areas. This is also essential to ensure equal opportunities and treatment in employment for women, especially given the rather low unemployment rate for better-educated women.

5.75 Skill and educational gaps between women and men will be further reduced by removing the constraints that prevent or discourage girls and women from going to and completing secondary education and participating in technical skills training programmes. These measures include: educational and training facilities that are suitable for girls/women, given our cultural norms; numeracy and literacy classes to support technical skills training programmes; creating women role models in non-traditional and new technical areas; assessment of VET curricula and training delivery methods to identify gender-specific biases and constraints and design innovative ways to address them; actions at local level to mobilise community and family support.

5.76 The legal and regulatory framework for self and wage employment among women will be reviewed to identify direct and indirect forms of discrimination that reinforce inequalities in employment opportunities and treatment, and needed reforms will be undertaken. Women will need to be provided with appropriate utility, infrastructure and social services so that they can make time to fully participate in the labour market. Working women should be provided with housing and childcare facilities.

5.B.7.4 Credit Facilities

5.77 Self-employment with higher productivity will require greater access to productive assets. Credit may act as an important input in this process. During the last two decades a large number of microfinance institutions are providing credit to the poor. MC can be more effective if this is accompanied by other inputs, including training and skill development, transport facilities and marketing facilities. In addition to micro-credit, larger loans should be provided for enterprises using hired labour. This will generate larger demand for hired labour, which in turn is expected to have a positive impact on the wage rate.

5.B.7.5 Development of Services for Migrant Workers

5.78 At present most migrant workers from Bangladesh to the Middle East are unskilled or low skilled and come from the lower income group of the society. Temporary migration offers employment and higher income to the worker with a positive impact on living standards of his/her family as well as on human resource development of his/her children. In order to reduce poverty through migration it is important that adequate services be provided to the prospective and current migrant workers. More specifically, the following services may be delivered:

- Projection plans of feasible labour demand in targeted markets will be identified. Training will be arranged to impart specific skills which are in demand in foreign labour markets.
- Supportive institutions will be built to improve migration management and to disseminate information on job prospects and skill requirements for migrant workers.
- Before embarking on short-term contract migration, it will be ensured that migrant workers receive pre-departure orientation training, including handouts on health services, HIV/AIDS and occupational safety and health conducted in Bangla.

- Migrants will be provided information about the importance of savings to ensure continuous employment and earning upon return.
- Returnee migrant associations, which are already active in Bangladesh, could be made more active to provide schemes for returnee migrants, such as skill development required at home.
- Since the large initial cost of migration prevents many prospective poor workers from even thinking of overseas employment, NGOs might find innovative ways to finance the initial cost.
- The recruitment industry will be regulated more effectively. The renewal of licenses of private recruiters can be made contingent on their performance.

5.B.7.6 Employment Generation during the PRSP Period

5.79 According to different rounds of Labour Force Surveys, employed population increased from 34.8 million in 1995/96 to 39.0 million in 1999/2000 and further to 44.3 million in 2002/03. Thus employment grew at a faster rate in recent years - 4.3 percent between 1999/2000 and 2002/03 compared with 2.9 percent between 1995/96 and 1999-2000 implying a more employment-friendly growth in recent years. Assuming that the recent employment and growth relationship will be sustained, a projection of employment generation has been made for the period up to 2007/08. Employment is projected to increase from 44.30 million persons in FY03 to 58.08 million persons in FY08 thus adding 13.78 million persons to the employed pool. Of these 9.03 million persons are expected to find employment in the rural areas while 4.75 million persons are estimated to be absorbed in the urban areas. During the PRSP period (FY05-FY07), 8.02 million new jobs are estimated to be created in the economy with 5.39 million in rural and 2.63 million in urban areas.

Table 7: Employment Projections (million persons), FY03-08

	FY03	FY04	FY05	FY06	FY07	FY08
Total Employment	44.30	46.73	48.92	51.69	54.75	58.08
Rural	33.60	34.96	36.64	38.30	40.35	42.57
Urban	10.70	11.77	12.28	13.39	14.40	15.51
New Employment	-	2.43	2.19	2.77	3.06	3.33
Rural	-	1.36	1.68	1.66	2.05	2.22
Urban	-	1.07	0.51	1.11	1.01	1.11

Source: PRSP Calculations

5.B.8 Technology and Poverty Reduction

5.80 Technological advance has been instrumental to economic growth and by implication poverty reduction. Steady improvement in per capita income, with unchanged income distribution gradually lifts larger proportion of population out of poverty. However, the impact of growth on poverty depends, as mentioned earlier, on the initial income distribution as well as on whether income inequality improves or deteriorates with growth. The sectoral composition of growth is also important for poverty reduction. While agricultural growth is strongly and unequivocally associated with poverty reduction, the effect of

manufacturing growth on poverty reduction depends on initial conditions like educational attainment, infrastructure, urbanization, and agricultural productivity.

5.81 There are three sets of technological choices for the government for poverty reduction. Firstly, the government (and the international donor community) has to decide how much support it should provide to science and technology development for poverty reduction and how the given support should be allocated. Secondly, the appropriate legal and policy environment that needs to be provided to the private sector to ensure poverty relevant research and at the same time ensure that the poor can access the fruits of the research in time. Thirdly, how does the broad policy framework affect the rate and direction of technology development? In this context, it is important to remember that while in certain cases the poor themselves decide the type of technology to be adopted, e.g., choice of modern seeds by small farmers, in other cases they are victims of technology choice made by others, e.g., factory owners choosing capital intensive technology that reduces labour demand. To provide a level playing field, the government should ensure that factor prices are not biased against natural factor endowment, i.e., capital should not be made cheaper relatively to labour. This holds true especially for imported technology for manufacturing sector.

5.82 In the medium term focus will be on several key areas to promote technological changes. Firstly, the country depends in large measure on importation of technology and, in some cases, its adaptation to local conditions. Here the role of the government will be to facilitate technology transfer through import of capital equipment and intermediates and foreign direct investment. Secondly, for poor people the accessibility to improved technology is important. There is in fact a virtuous circle whereby advances in agricultural technology lead to improvements in health, education, labour productivity and human capabilities to use and develop new technology. The government will enhance access through increased access to credit. Thirdly, institutions play an important role in adoption of new technology by the poor, e.g., public extension services in case of HYV technology and Grameen Bank in case of mobile phone for rural women. The government will provide support or facilitate the development of proper institutions to enhance use of technology by poor people. Fourthly, benefit from general purpose technology like ICT (in contrast with sector specific technology like bio-technology) depends on level of literacy both basic and computer type. Government strategy in education and computer literacy has been discussed in relevant sections.

5.B.9 Promoting Trade

5.83 The export-led growth policy of the Government gives exports a unique position in the poverty reduction discourse. It merits a separate and somewhat broader analysis given its importance in the economy especially in promoting employment for the poor women. Since the early 1980s, Bangladesh has promoted trade mainly through reforms of its trade regime and removal of the structural obstacles to production and trade. The liberalisation programmes undertaken by successive governments focused on simplification of import procedures, reduction of quantitative restrictions (QRs), rationalisation and diminution of import tariffs, and maintaining a competitive exchange rate.

5.84 The liberalisation process has achieved considerable success though progress has been uneven at times. In the latest Import Policy Order (IPO) 2003-2006 the number of items appearing on the control list have been brought down to 63 (from 122 in the previous IPO), of which only 22 are due to trade reasons. Items in the control list have been brought down to 24 recently. The highest tariff rate has been brought down from 350 percent in 1992 to 25 percent in FY05. The number of tariff slabs (including zero) has come down from 24 in the 1980s to 4 (0 percent, 6 percent, 13 percent, and 25 percent) in FY05. The liberalisation and rationalisation of tariff structures have caused the un-weighted customs duty rate to fall from 57.2 percent in 1991-92 to only 16.4 percent in 2005-06. The un-weighted average duty rate has declined from more than 82 percent to 35.5 percent during the same period. Average nominal tariff (customs duty plus para-tariff) has been brought down to 27.4 percent in 2005-06 from 40 percent in 1993-94.

5.85 An important element of trade policy has been the introduction of generous promotional measures for exports which include, inter alia, lower rates of interest on bank loans, duty free import of machinery and intermediate inputs, cash incentives, duty drawbacks, and exemption from value-added and other taxes. A policy of dismantling tariff and non-tariff barriers along with export incentive schemes has led to the reduction of a policy-induced anti-export bias. It has been estimated that when un-weighted protection of import duties is considered, the anti-export bias in Bangladesh's economy appears to have fallen from as high as 59 percent in 1991-92 to 18 percent in 2002-03. On the other hand, with import-weighted protective effects, the estimated comparable figure is found to have fallen from 22 percent to 13 percent during the same period. Consideration of the existence of illegal trade might squeeze the bias to only about 10 percent.

5.86 Liberalisation programmes may be considered to have been successful in energizing export. In the 1990s real exports grew at an annual average rate of 12.5 percent in comparison with a 4.8 percent GDP growth rate and a growth rate of exports of 3.9 percent for the 1980s. The trade-GDP ratio increased to 33 percent in 2000 from only 17 percent in the mid-1980s.

5.B.9.1 Medium-term Issues

5.87 Despite notable export growth, the sector shows some basic weaknesses, which make its future prospects uncertain. First, the export growth is overwhelmingly dominated by the dynamism in the RMG sector, which now contributes about 75 percent of export earnings. The spectacular growth of this sector owes much to the protection provided by MFA which had been phased out by the end of 2004. The end of the MFA quota regime has serious implications for the external sector as well as for the overall economy. Various studies have shown that as a result of the MFA phase-out exports from Bangladesh could fall by as much as 50 percent, GDP volume by 2.3 percent, and employment by 13 percent.

5.88 Second, the export response for all other major commodities such as raw jute, jute goods, tea, leather and leather products, and frozen food and shrimps has been very weak. Indeed, no major export product other than garments has shown sustained dynamism over the last decade or so. Therefore, mere liberalisation of the trade regime (and thus reduced anti-export bias) does not necessarily guarantee export diversification or a greater supply response.

5.89 Third, there are several demand and supply-side constraints that can constrict export response to the incentive structure. Trade policies of important partner countries, standards and quality of products, lack of investment funds and working capital, high interest rate, shortage of skilled workers, lack of entrepreneurial and managerial skills, poor physical infrastructure, inefficient ports along with high transport costs, weak institutions, poor law and order situation, invisible costs of doing business, etc. can obstruct export activity in spite of the existence of an apparent favourable price incentive. Therefore, it is essential to address both the demand and supply bottlenecks for stimulating export response.

5.90 Fourth, Bangladesh's export of RMG to the US is also subject to high tariffs (on average 16.5 percent) that continue to exist even after the expiry of the MFA regime. In value terms, about 46 percent of Bangladesh's exports of clothing products are subject to an ad-valorem duty of 15.1-20 percent. Another 13 percent faces tariffs higher than 25 percent. High tariffs considerably reduce Bangladesh's competitive strength in the US market since as many as 72 Sub-Saharan Africa and Caribbean countries get zero-tariff access in the US market under TDA while Mexico and Canada get the same under North American Free Trade Area (NAFTA). Recently, the USA has also signed Free Trade Agreement (FTA) with Jordan, Israel, Australia and Singapore.

5.91 Fifth, although in the EU market there are no tariff and quantitative restrictions for LDCs, a country nonetheless needs to comply with EU rules of origin (ROO) for accessing preferential treatment. The EU ROO put Bangladesh in a disadvantageous position. Some relatively advanced developing countries with strong backward linkage industries such as China, India, and Pakistan, would be able to expand their exports to EU rapidly by undercutting prices, but the ROO will prevent Bangladesh from availing herself of the GSP and thereby effectively prevent the country from exploiting a major source of competitiveness for an LDC. With the cessation of MFA, Bangladesh is competing with countries such as China, India, Turkey etc. in the EU market.

5.92 Finally, Bangladesh enjoys duty-free preferential market access to Canada, Australia, Norway and New Zealand. However, except Canada, use of this preferential market access is not substantial.

5.B.9.2 Future Strategies and Actions

Trade Policy and Poverty

5.93 Bangladesh's trade policies are devised keeping in view both medium-term imperatives and long-term development outlook. It must be emphasised that linking trade with poverty reduction strategy is a difficult task both analytically as well as practically in terms of formulation of policies. The phasing-out of the MFA regime complicates the task further for Bangladesh. However, an exclusive focus on trade for poverty alleviation may not be meaningful; rather trade should be considered as a component of overall development policy. The objective of sustained poverty alleviation will depend on sustained growth, and development of productive capacities. Sustained export growth will help maintain a favourable trade balance on the one hand, and contribute positively to GDP growth on the other—the latter in turn will lead to poverty alleviation through increased employment and income. The trade policy will therefore seek to achieve adequate export growth with employment generation. Export success will have a direct effect on poverty alleviation if the export-oriented sector generates substantial employment opportunities like the RMG.

Supporting the RMG Sector

5.94 The Government of Bangladesh has played an instrumental role in facilitating the private sector-driven growth of RMG exports by providing a range of generous support policies such as back-to-back LCs, and bonded warehouse facility. It is committed to continuing with such a supportive strategy so that RMG can maintain the momentum. It may be noted that beginning from 2005-06 the Government has decided to pay 5 percent cash assistance to export oriented domestic textiles sector replacing the existing duty bond and duty draw back system.

5.95 The government has also campaigned for duty-free access to the markets of developed and some developing countries. It has obtained such access to virtually all developed markets except the USA. Both the government and BGMEA leadership are continuing their effort to secure duty-free access to the US market—the single largest market for RMG exports of the country. It may be mentioned that a trade bill (Tariff Relief Assistance for Developing Economies Act 2005) has been introduced recently at the US Congress seeking duty free market access to 14 LDCs from Asia and Pacific region.

5.96 In the area of customs services some remarkable improvement has been accomplished by overcoming delays in customs clearance. While in the past each export consignment required 17 signatures by different officials, currently only 5 are needed. All customs procedures are now completed in just one hour and all port paper-work in 2 hours—in contrast to the old practice of a long waiting time. Freight-forwarding charges have been reduced drastically from as high as Tk.15000-20000 to only about Tk.1250 per consignment. A committee involving the private sector is monitoring the functioning of the newly instituted system. All these measures have greatly contributed to reducing costs of business of all traders including the RMG exporters.

5.97 To deal with the problems of the RMG sector on a priority basis a National Coordination Council (NCC) has been formed. The Council has provided specific recommendations on CBW, ROO, SAARC cumulation and trade facilitation aspects. The Cabinet has approved many of these recommendations related to lowering of cost of doing business, improvement of port facilities and infrastructure, simplification of clearance procedure, etc. and implementation of these is in progress. The Ministry of Commerce conducted a study on the Post-MFA Development Strategy, and efforts are underway to implement the recommendations of the study that include, among others, promotion of export trade, development of physical infrastructure, provision for investment incentives, lowering interest rates on exporting activities, human resource development, and marketing support.

5.98 The Ministry of Commerce has also designed a Post-MFA Action Programme (PMAP) to mitigate the negative effects emanating from a possible export shock after the expiry of the ATC and to help reposition the RMG sector. The PMAP will be implemented at a cost of \$40 million in a period of 5 years. There are six components in this programme. First, under the Skill and Quality Development Programme (SQDP), training is being provided in seven areas, namely compliance norms, quality management, productivity management, marketing, merchandising, inventory management, and customs and port procedures. It is estimated that a total of 32,590 participants—representing workers from shop floors to supervisors, managers, marketing officers and executives—will be benefited from it by the end of the programme. Second, there is to be support for the women workers losing jobs as a result of a potential export shock under the Displaced Workers Rehabilitation Programme (DWRP). The retrenched workers would be trained in spinning, weaving, designing & printing, etc. with the objective

of providing employment in the Primary Textile Sector (PTS). Besides, training will be provided on handicrafts, nursing, hotel catering, small business, and entrepreneurship, which could help them find alternative employment. Micro-credit support for this group of women is also planned. Third, the Small Enterprise Capacity Enhancement Programme (SECEP) is designed to provide support to the small RMG producers in forming strategic partnership and capacity building in the face of increased competition and thereby increasing their chance of survival. This component includes separate programme on technological capacity development for SMEs in the textile and clothing sector. This sub-component will help the SMEs to get access to simple and better technology to promote their competitiveness as well as to help achieve the compliance requirements of the buyers. Fourth, there will be support for the primary textile sector in terms of quality enhancement of the products and reduction in costs. Fifth, assistance is planned for the handloom sector so that they can be more competitive. The programme plans to set up separate design and development centres for both the primary textile sector and the handloom sector. Finally, as an essential component of the programme, support to forward linkage industries (such as designing) will be provided. Activities relating to exploring new markets (e.g., market opportunities in the newly acceded EU member countries) will also be promoted. Besides, in the budget for FY06, an allocation of Tk.200 million has been made for the RMG sector for 'retrenched workers training and re-employment'. An action plan is being prepared and a cell has been created to collect information on garment factories, workers, etc. and execute the plan. Several ministries led by the Commerce Ministry, BRAC and the Karmasangsthan Bank will participate in imparting training and re-training and rehabilitation work of displaced RMG workers under this programme.

Supporting the Primary Textile Sector

5.99 Primary textile sector (PTS) can emerge as a self reliant sector to supply textile products to meet the fast growing demand for domestic consumption and export. The Ministry of Textile and Jute is expected to play the role of a facilitator for overall development of PTS and provide policy support and other facilities to make the sector a strong base for backward linkage to RMG.

5.100 Sericulture and Silk Sector activities in which both public and private sector stakeholder's particularly poor rural people are involved is also an important focus. The Ministry of Textile and Jute provides policy measures for integrated development of the sector to make the sericulture and the silk product competitive in the domestic and export market. Bangladesh Sericulture Board (BSB), Bangladesh Sericulture Research and Training Institute (BSRTI), and Bangladesh Silk Foundation (BSF) will have to meet the challenges of providing the necessary extension and training services for the development of HYV of mulberry leaves and silk worm involving the rearer and reelers and NGOs working with them. The sericulture sector carries significant potential for poverty reduction but such potential remains largely unrealized till today.

Promoting Export Diversification

5.101 To help promote export diversification, the Government is offering a number of attractive incentives. The Export Policy (2003-06) has identified 5 products, viz. (1) software and ICT products, (2) agro-products and agro-processed goods, (3) light engineering products (including auto-parts and bicycles), (4) leather goods, and (5) high-value ready-made garments, to be considered as sectors with the highest priority. A number of other commodities, viz., pharmaceuticals, cosmetics and toiletries, luggage

and fashion goods, electronics, CR coils, cards and calendars, stationary items, silk cloths, handicrafts and herbal medicines and medicinal plants have been listed as special development sectors. Sectors with the highest priority and under special development programmes are to receive various generous facilities that include, amongst others: (1) project loans at lower interest, (2) income tax rebate, (3) cash support, (4) export credit on easy terms and reduced interest rates, (5) reduced costs for air cargo, (6) duty drawbacks, (7) infrastructural development support, (8) expansion of institutional and technical facilities for product quality, (9) providing support for marketing of products, (10) to support market search activities abroad, and (11) to help attract foreign investment. In the budget of FY2004-05 a 30 percent cash incentive scheme had been introduced for exporters of agro-products and agro-processed goods. This 30 percent cash incentive scheme will also continue during FY2005-06. 10 other major products are also given cash supports for exports at varying rates.

5.102 Export Policy 2003-06 aims at increasing export, creating job opportunities and alleviating poverty. It is characterised with stressing need on product-based and sector-based development. Three business promotion councils on ICT, light engineering, herbal and medicinal plant, and leather sectors have already been formed and some more council (e.g., pharmaceutical products, agro-processing products, poultry, etc.) are at the formation stage. These Councils are unique examples of public-private partnership. The government has also set an ICT Business Centre in Santa Clara, USA for the promotion and development of the ICT industry in the country. A seal of quality organisation is being set up to ensure quality and traceability at all stages of shrimp hatching, growing, processing, packaging, transporting and shipping of frozen shrimps. Modern slaughtering houses are being set up in major municipal corporations to ensure production of better quality leather. Steps had been taken to establish a leather service centre with financial support from International Trade Centre (ITC), Geneva. The centre will encompass quality testing and certification of leather and leather products. Another project has been taken for the improving the tanning and finishing methods of leather with the financial assistance from EU. The project will be implemented by ITC, Geneva in collaboration with the Leather Sector Business Promotion Council.

Future Strategy of Trade Liberalisation

5.103 Bangladesh is committed to setting up a domestic incentive structure, which is largely non-distortionary in nature and minimises policy-induced anti-export bias. Future trade liberalization will focus on several aspects.

5.104 Since government revenue is heavily dependent on trade taxes, an associated problem of tariff liberalisation is the loss of tariff revenue and its effect on the budget balance. Alternative sources of revenue must be ensured if a sudden rise of the budget deficit, which is already high, is to be prevented. Efforts are under way to increase revenue from direct taxes. If indirect taxes such as VAT and supplementary duty are applied uniformly on both domestic production and imports, it would both reduce anti-export bias and increase government revenue by widening the tax-net.

5.105 The successful launching of the multilateral trade organization WTO has been paradoxically followed by an explosive growth of bilateral and regional free trade agreements around the world. It seems that as the opportunities for discriminatory trade treatment between member countries diminish because of the MFN rule of the WTO, they are positioning themselves in an attempt to create sheltered exclusive markets for themselves through bilateral and multilateral free trade agreements. Bangladesh has been very late in seizing on this opportunity. It is not a member of any operational free trade areas.

Bangladesh has joined three regional free trade blocks namely, South Asian Free Trade Area (SAFTA), Bay of Bengal Initiative for Multi-Sector Technical and Economic Cooperation (BIMSTEC) and Trade Preferential System among the member states of the Organisation of Islamic Countries (TPS-OIC), Although all signatories have agreed upon the broad framework of these three FTAs, the details and modalities are now being negotiated. Whether and to what extent the FTAs will benefit Bangladesh will depend on the details of such matters as tariff concessions, scope of negative lists, rules of origin, disciplines on non-tariff barriers and contingency measures and investment facilities that the members agree upon. Bangladesh needs a very strong trade negotiation team, backed up by adequate analytical research on relevant issues, in the ongoing negotiations of SAFTA and BIMSTEC and TPS-OIC to obtain maximal trade advantages for domestic enterprises. Unless right deals are negotiated, it is possible to end up with modalities that would give disproportionate advantages to the larger, technologically advanced and dynamic enterprises of the more developed member countries to the detriment of the interest of the smaller domestic firms. They may not be able to withstand the uneven competition from these better-resourced foreign firms. The accelerated growth opportunities that trade is supposed to open up may not materialise.

5.106 It is equally important to have a very strong trade team in Geneva to defend the trade interests of the country in the WTO. The rules and regulations of the WTO are binding on all signatories. It will be virtually impossible for a small country such as Bangladesh to wriggle out of any commitment that it has already made. It is absolutely essential that no commitment is made without understanding its full implications. This will require a strong trade team in Geneva that has the capacity to analyse the issues, recognise the undercurrents and negotiate the right deals. To build up such a strong trade team it might be necessary to have a separate mission in Geneva for the WTO only. It should be staffed exclusively by economic and trade specialists.

The relevant Policy Matrix providing major goals and actions to be taken for trade promotion is presented in Annexure 4.

5.C Strategic Block II: Critical Sectors for Pro-poor Economic Growth

5.C.1 Agriculture and Rural Development

5.107 Since three-quarters of the country's total population and 85 percent of the total number of the poor live and earn their livelihood in the rural areas, the Government has identified agriculture and rural development as the topmost priority sector for rapid poverty reduction. With about 25 percent of GDP contributed by agriculture (crops 14 percent, forestry 2 percent, livestock and poultry 3 percent and fisheries 6 percent) and another 36 percent by the rural non-farm sector, the rural economy as a whole contributes more than 60 percent of total GDP. Agriculture generates two-thirds of total employment, contributes a quarter of total export earnings and provides food security to the increasing population.

5.108 Despite an impressive growth in food grain production and considerable synergies created in the rural non-farm sector, poverty and malnutrition remain critical problems. To ensure continuing food security and generate high economic growth required for rapid poverty reduction, the strategic importance of agriculture and rural development stand second to none. The policy framework in place to support this strategic choice focuses on four issues: intensification of major crops (i.e. cereals), diversification to high-value non-cereal crops (i.e. vegetables and fruits), development of non-crop

agriculture (i.e. fishery, poultry, livestock), and promotion of rural non-farm activities (i.e. rural construction, transport and services).

5.109 The overriding objective of the Government is to ensure adequate food supply to its current 140 million people. This is the basic and fundamental issue with respect to food security. Agriculture and the rural economy are recognised as the key driver of pro-poor growth strategy. The overall policy of the Government is therefore to create an enabling environment and play a supportive role so that agricultural production can move from a predominantly subsistence level to a more diversified commercial pursuit with appropriate attention to the challenges of productivity increase and environmental sustainability. While rice and other cereals production will be supported for ensuring food security at the national and household level, high value vegetables, fruits and other horticultural crops will be promoted through a crop diversification programme. The dynamic potentials of the emerging sub-sectors of fisheries, poultry and livestock will be given critical policy attention. The Government is committed to ensuring input supplies, credit deliveries, technological support and marketing services. Along with the Government's pro-poor programme, the private sector and NGOs will be supported, so that they can play a more proactive role in transforming agriculture and the rural economy.

5.C.1.1 Crops

5.110 The crop sub-sector, which accounts for about 73 percent of the agriculture and forestry sector GDP and about 14 percent of total GDP, still remains the single largest economic activity in the country. Rice alone occupies three-fourths of 14.3 million hectares of cropped area and contributes about two-thirds of the agriculture and forestry sector GDP. Rice and wheat production more than doubled from 11.47 million tons in the mid-1970s to 27 million tons in 2002/03 though the amount of land available for cultivation steadily declined. This has been attributed to significant policy shifts towards increased private sector involvement in input distribution, liberalization of equipment imports, deregulation, rationalization of subsidy and restructuring of agricultural research-extension linkages. These pro-market policies will continue and any barriers to market operations will be removed. Market linkages require greater dialogue with the private sector.

5.111 The upsurge in cereal production has enabled the country not only to close the food gap but also attain a modest surplus of cereals in recent years, although year to year fluctuation in production necessitates occasional food imports. There has been a significant increase in maize production at an average annual growth rate of 19.5 percent during 1999-2003. Besides, production of vegetables rose by almost 20 percent a year since the mid-seventies, resulting in more than a 500 percent increase to date. Overall, growth in oilseeds and pulses production over the same period was slower at about 4 percent per year. However, since the mid-90s, the production of oilseeds and fruits has stagnated, while pulses and jute production have actually dropped. The government programmes to increase production of non-rice crops, especially high-value vegetables and fruits will be further intensified.

5.112 The major thrust for reduction of poverty in rural areas will be given to the crop sub-sector. It is estimated that agriculture will have to grow at 4-4.5 percent in order to achieve the targeted growth rate of 7 percent over the medium-term. Crops, being the most important determinant of overall agriculture sector growth, must also grow at the same rate. This is possible as the crops and vegetable sub-sector

already demonstrated a 4.5 percent growth rate during the second half of the nineties, although the growth rate shows some signs of deceleration in recent years. Given the long-term growth trend in the crop sector, this apparent slowing down is a temporary phenomenon which can very well be the result of low profitability caused by declining real rice price, increasing fertiliser/rice price ratio, and declining public sector investment in agricultural research and marketing services. Low rice price has been good for the poor, but bad for the rice producers and for overall output growth. The Government recognises these underlying issues and wishes to adopt appropriate policies so that the crop sector as well as agriculture in general can be revamped quickly. The recent Food and Agriculture Organisation (FAO) supported Agriculture Sector Review (Crop Sector) is a significant positive step; the suggested set of policy briefs is under close scrutiny of the Government and some of the recommendations are being taken care of already.

5.113 Keeping in view the pro-poor growth strategy, the strategic goals and actions are summarised in the policy matrix for agricultural growth. The major issues and policy interventions in the crop sector are outlined below.

5.114 **Productivity Gains:** The crop sector suffers from low productivity. The main reasons include degradation of soil fertility due to unbalanced use of fertilizers, expansion of crop cultivation to more unfavourable and dispersed location, and low investment in seed-fertilizer-irrigation technology. There are significant gaps between yields achieved by experiment stations and farmers in different regions. To close the yield gaps increased investment will be required for the development of suitable crop varieties, seed quality, soil health, pest management, agronomic practices, flood control, irrigation and water management. The government is concerned about supporting farmers to increase productivity to keep ahead of falling prices of their produces. There is a congruence of understanding at high level policy making that productivity gains can only be obtained by putting more scientific resources into research, technological up-scaling and reducing cost of production. Cheap and stable food prices, which can be achieved through productivity gains, are not only pre-requisite for rapid poverty reduction but are also a significant contributor to industrial growth, particularly rural industries, as evidenced in many south-east and north-east Asian countries.

5.115 Biotechnology research on rice and other crops that have already been started in BRRI and BARI on a limited scale will be given priority. It has been found that improvement in yields benefits the poor most. Agro-ecologically disadvantaged regions such as deeply flooded areas; char land, flash flood-prone areas, coastal tidal surge and salinity prone areas, and hilly areas together constitute about 41 percent of the country. A large number of poor people live in these areas. These regions show lower yield and productivity, compared to the national average and therefore need special support for the development of agricultural technologies, communication, transport and marketing systems, disaster mitigation, and agricultural credit and extension delivery systems. These will expand the production base as well as livelihood opportunities for the poor. Overall, productivity gains can only be accomplished through significant increases in investment in agriculture and this is unlikely to occur without adequate price incentives to major crops, especially *boro* rice, which is currently dependent on high-cost groundwater irrigation.

5.116 **Profitability Concerns:** Low profitability of HYV rice culture and most other crops diminishes the competitive strength of Bangladeshi farmers, three-fifths of whom cultivate less than an acre of land on average. Fertilizer-rice price ratio has increased over the years. The higher price of material inputs relative to price of outputs makes crop production a low-profit activity. Irrigation and human labour account for most of the production costs. Net return from family labour engaged mainly in crop farming

is too low for it to provide adequate sustained livelihood. Bangladesh agriculture needs to overcome low yield and low labour productivity. Although a modest increase in agricultural real wages together with gains in rice yields did benefit the poor consumers, low food grain price over the nineties has not given enough incentive to rice producers. It is crucially important to maintain an adequate price incentives environment and smooth availability of fertilisers and diesel as well as paddy price support in the crucial *boro* harvest period and also for *aman*, both of which are becoming more cash intensive. This will require removal of capacity constraints in the paddy trade around harvest time of *boro* when paddy marketing can be seriously hindered by showers and even flooding.

5.117 Bangladeshi farmers need a level playing field to compete with neighbouring countries which have elaborate systems of support for agriculture including heavy subsidies on irrigation and electricity. Bangladesh has reduced subsidy on agricultural inputs and its current level of subsidy to agriculture is much lower than the permissible limit. Bangladesh faces tough competition from cheaper imports of rice from India. Indian exchange rate depreciation is reportedly a major factor, which favours export of Indian rice and most other agricultural products to Bangladesh. Against this backdrop, agriculture as well as the agriculturists deserves appropriate support. Indeed, the main challenge for the Government will be to identify the right type and mix of support programme and prioritize implementation strategy, so that the support package will contribute to productivity gains as well as benefit the poor farmers most. At the same time, appropriate policy measures should be taken with respect to rice imports to maintain a balance so that rice price in the domestic market is not too low to discourage the rice producers or too high to affect the poor consumers. Striking a balance is not an easy job. It requires constant monitoring of food market, food imports, government stock management, early warning system, market intervention when needed. Such monitoring efforts require building up a comprehensive and reliable data base on food and agricultural commodities.

5.118 **Broad-based Support to Agriculture:** Other broad based supports are also under consideration for the development of agriculture and agriculturists in a sustainable manner. These include access to quality seed, fertiliser, diesel and other inputs at right price and time, expanding output price support, making rational choices about input subsidies on critical examinations of their effects on small holders' production, providing credit for small farmers, subsidizing the installation and maintenance of electricity connections to irrigation pumps, maintenance of rural roads, enabling storage, processing and marketing of perishable high-value farm products in the private sector, and enhanced support to technology research and extension, and, agricultural education with particular focus on quality improvement in all production environments.

5.119 **Diversification to High Value Crops:** As part of the drive for commercialization of agriculture, renewed emphasis is given to increase production of other non-rice cereal crops, especially maize and oilseed, which have a better sequence, in addition to high-value horticultural crops. These include fruits, vegetables, flowers, ornamental and medicinal plants. In addition to fiscal and technical assistance, infrastructure and marketing supports will be provided to develop fully integrated supply chains for vegetables and fruits including reliable processing, storage and transportation capacities at the local and national level. To realize these, several issues such as product standardization, food safety, sanitary and phyto-sanitary measures need to be taken care of. Crop diversification or shift to high value agriculture should not, however, be done at the expense of staple food rice which may otherwise jeopardize national food security.

5.120 **Pro-market Input Distribution:** Distribution of irrigation and farm equipment will remain a private sector activity. For supporting spread of irrigation in the private sector, adequate paddy price

support in the main *boro* harvest month (May-June) is crucially important. The private sector will be encouraged to fully participate in quality seed development and its marketing. For quality control and reliable supply, a regulatory framework will be needed. BADC will rationalise its mandated function of ensuring quality seed delivery to farmers and also facilitate effective participation of private sector in seed trade. Fertiliser and pesticides are distributed by the private sector but any market distortion in regard to dealership, quota and restricted movement of fertilisers will be removed to ensure timely availability at fair prices.

Integrated Farming

Shafiqul Islam is the second son of Mir Mohammad Tayebuddin. Shafique lives in a joint family of 13 members. He is married and has two sons. They live in a remote village of Fulbaria Upazila of Mymensingh District.

Shafique came to know about the Development of Sustainable Aquaculture Project (DSAP) through the partner NGO SARA (Social Association for Rural Advancement) in 2003. He attended the aquaculture foundation training organised by SARA and got some understanding of the modern methods of fish culture in rice fields. He learnt that rice-fish cultivation is more profitable, compared to cultivating only rice. Shafique discussed this idea of fish culture in the rice field with his father and three of his brothers. He also told them that he would like to cultivate some fruits and vegetables on the dikes around the rice field.

After getting consent from the family he made a small ditch in a corner of the 22 decimal plot. Mamunur, Field Assistant of SARA, regularly visited his field for necessary counselling and technical assistance. Shafique with the help of his brothers transplanted high yielding rice variety (BRRI dhan-28). He collected papaya seedlings from the upazila nursery and planted them on the dikes. He also planted some gourd seeds (snake gourd, ridge gourd, bitter gourd, sweet gourd) for intercropping. When the rice plants were about a month old, he stocked fingerlings of rohu, Katla, common carp, silver carp and shorputhi in the rice field.

Shafique and his family members started collecting leafy vegetables and gourd for household consumption within the third month of cultivation. They grew plenty of vegetables on the new dikes. The large family of Shafique consumed much of the vegetables grown on the rice field dikes and also sold some for Tk.1,200 in one season. The sale from papaya was Tk 4,300. They harvested 13 maunds (483 kg) of paddy, the value of which was Tk.3,250. Shafique and his father informed that they got two maunds of rice (74 kg) more than in the previous years. They started harvesting fish from June 2003. Shafique and his family members were surprised at large number of fish produced in their rice field. After five months the size of fish in the rice plot was larger than those grown in any of the neighbouring ponds. Shafique's father told that they started consuming fish after two months of stocking. The value of the fish that they consumed would be about Tk.3,000 and the cash income from fish sales was Tk.9,200. The total expense for rice field preparation, fertiliser, transplantation, fish stocking and vegetable cultivation was Tk.6,700. Therefore, the gross income he made from the integrated aqua-agriculture was Tk.17,950. Shafique made a net profit of Tk.11,250 in 2003 from the rice-fish and dike cropping.

Adapted from Mid-term Review of the Development of Sustainable Aquaculture Project, World Fish Centre, Dhaka, May, 2004

5.C.1.2 Fisheries

5.121 The country has experienced significant growth in the fisheries sub-sector. Although fish production from rivers and estuaries has declined, overall fish production has grown at 6-8 percent over the 90s, but it has slowed down since 2000/01. The main spurt came from the rapid growth in aquaculture: pond fishery and shrimp culture. More recently, floodplain fisheries have emerged as a highly potential area with particular significance for poverty reduction goals. The sub-sector contributes over 5 percent to GDP and export earnings and employs about 10 percent of the total labour force. The increased production is reflected in a growth in the share of fishery in the aggregate value of agricultural production. This is also reflected in a modest increase in per capita fish consumption during the nineties. As fish is income elastic, the aggregate demand will continue to rise with a rise in income. A

comprehensive effort to increase fish production can thus draw upon this certainty of an expanding domestic market alongside export opportunities.

5.122 For accelerating fish production, the inadequate supply of quality fish seed is the primary constraint. Fish inbreeding has taken and is taking a very serious toll on inland fish production. The fish industry needs to follow the lead of poultry industry and develop a superior genetic hub consisting of parent stock breeding programmes and hatcheries to supply increasing demand for fish fingerlings.

5.123 Inland open water capture fisheries have declined substantially and losses in output from this source have adversely affected the poor who used to earn a livelihood from subsistence fishing in the floodplain. Traditional livelihood opportunities of the poor in the shrimp sector have been adversely affected. However, the rapid growth in inland culture fishery at about 14 percent per annum has largely offset the loss in capture fishery. The issue of employment and livelihood opportunities in backward and forward linkage activities - fingerling production, fish catching, processing, marketing etc - has also gained prominence. Especially, home-based pond aquaculture involves women and children. The recent innovation of poly-culture in rice fields has opened up further opportunities for small and marginal farmers to exploit whatever little land they have in growing fish in rice plots concurrently and alternately. However, the sector suffers from shortage of quality fish seeds for which brood fish stock, hatchery and nursery management has to be addressed seriously.

5.124 The Government is committed to accelerate fisheries sector growth. The overall strategy of fishery sector development will envisage intensification of aquaculture by species and ecosystems, addition of export-oriented species, ensuring bio-diversity and preserving natural breeding grounds, product diversification and value addition, and development of appropriate marketing infrastructure. The capacity of the Department of Fishery (DoF) will be redefined and strengthened so that it can consolidate and continue to support inland aquaculture through intensification of culture fisheries with improved knowledge of fish culture, brood fish stock, quality fingerlings and feeds. The underlying strategy will be to promote a dynamic rural aquaculture, involving the key actors among NGOs, private sector entrepreneurs and community-based fishing groups, i.e. fish farmers, hatchery and nursery operators, fingerlings vendors, feed manufacturers and fish processors. DoF will preserve, patronise and make more productive use of inland capture fishery through community based participation of fishermen and fishery related stakeholders. Fisheries research will be upgraded to continue flow of technology generation. Various policies of other ministries impinge upon the fishery sector development because these policies regulate the availability of, access to and use pattern of the open water bodies. These will be coordinated and a necessary legal framework will be formulated. Specific programmes will be undertaken to maintain water bodies and make them available for improved aquaculture. Development of water bodies should be planned by BWDB and LGED in coordination with DOF and DLS. The strategic plan for the implementation of the National Fisheries Policy will be finalised so as to increase productivity of scarce fishery resources and also to ensure access of the poor and community groups to water bodies. The plan of action will address development of inland and coastal fishery management, education, research and extension services, organizational as well as commercial policies (i.e. marketing, processing, quality control, export and transportation). Especially quality assurance in fish harvesting and processing will be emphasized.

5.125 The leasing policy of jalmahals will seek to optimize equity and productivity concerns. Three points merit priority consideration: firstly, the importance of appropriate long-term leases, secondly, the

importance of viable production plans against which jalmahal lease rights are to be granted, and thirdly, ensuring adequate opportunities for poor fishermen and community groups to be participant in the process. These steps will not only increase access of the poor to open water resources for fish culture but also increase productivity of inland capture fishery. For all of the above to work effectively, it is also important to consider the vesting of jalmahal ownership in DOF rather than the Land Ministry. In the event of the last, DOF will have to find effective and innovative solutions to the problem of an adequate field presence to deal with the expanded supervisory load.

5.126 Human resource development will be given priority by the Department of Fisheries, while skill development with respect to fish production, processing and marketing at the local level will be accomplished through public sector agencies, NGOs and private sector. Revamping the research infrastructure to support the needs of a dynamic and expanding sector will be given priority.

5.C.1.3 Livestock and Poultry

5.127 The livestock and poultry sub-sector has turned out to be a promising and dynamic sector with enormous potentials for rapid poverty reduction. The sub-sector as a whole has shown a modest secular growth rate of about 2.6 percent annually over the nineties. But poultry and milk production demonstrated an impressive growth of around 10 percent per annum since the mid-seventies. With the rapid urbanization and income increase, the demand for livestock and poultry products (e.g. meat, milk and egg) will continue to rise because of high-income elasticity of demand for these products. However, the major limitation of the sub-sector is that it is primarily a subsistence production organization, which is individual family- based, small-scale and dispersed and is not capable of ensuring stable supplies to the major centres of demand. Productivity is low, which is the result of poor genetic stock, poor herd health, poor nutrition and poor husbandry practices. Therefore, community-based organization of production, processing and marketing of livestock products is required.

5.128 Milk has a huge potential for import substitution if it can be produced, processed and distributed hygienically. But low yield per cow, due to genetically inferior stock and cattle's poor feed conversion rate, high unit cost of production and low farm gate price of milk remain major constraints. The problems are further compounded by the importation of powdered milk, which is cheaper than locally produced raw and pasteurised milk. All these put the commercial dairy farmers, small or large, at a disadvantage. To move out of this situation intervention is needed on many fronts. These include upgrading of genetic stock with inexpensive high quality imported semen, strengthening of animal feeding programme, dissemination of scientific knowledge about animal husbandry, expansion of animal health care services, and marketing of milk and milk products. The community-based production, processing and marketing of milk by Milk Vita and BRAC in some prominent milk pocket areas demonstrate encouraging examples of an integrated milk supply chain through contract growing with small holders. To encourage the private sector to invest more, the Government should gear up its facilitative role, especially in designing clear policy framework under which semi-government agencies like Milk Vita, particularly NGOs and private sector should operate business activities.

5.129 In recent years the private sector has taken up poultry and dairy farming on a commercial scale. These are generally capital intensive, knowledge-based and risky, and therefore the farmers need technological, financial and marketing support. There are millions of small poor households where men, women and children are engaged in rearing animals and poultry birds on a small scale in their home

yards. The husbandry practice is simple and environment friendly and does not compete with crop farming or other home-based economic pursuits. Besides, the poor get employment in various backward and forward linkage activities related to commercial poultry farming. A few private sector firms have ventured into the contract growing of poultry and milk products supporting small farms with improved poultry and dairy breeds, quality input supplies, demand-led extension services and assured marketing facilities for poultry and milk products. Cattle development for meat purpose is also a priority agenda of the Government.

5.130 The Government's strategy is to harness the full potentials of the sub-sector through creating an enabling environment, opening up opportunities, and reducing risk and vulnerability. The private sector will remain the main actor, while the Directorate of Livestock Services (DLS) will play a supportive role. One major shortcoming is that the Government budgetary provision for the livestock sub-sector has been traditionally too meagre to compare with crop sector allocations. This has to be increased manifold if there has to be significant development in this sub-sector, but these will necessitate increased provision of trained manpower linked to expanded nationwide outfit of DLS. The Government is already in the process of preparing a comprehensive livestock policy with FAO support. The proposed livestock development policy will emphasise: (i) enhancement of the knowledge base of small holders on animal husbandry, nutrition and disease control through a community participation approach, (ii) provision of technological support with respect to disease control, genetic stock development, and supply of quality feeds, vaccines and medicines, (iii) training and education on livestock and poultry development, (iv) provision of adequate technical, financial, infrastructure and marketing support for large, commercial farms as well as small-scale home-based farms, (v) strengthening and broadening of livestock extension and veterinary services, integrating community-based participation at the local level, (vi) promotion of a private sector-led supply chain i.e. contract growing of poultry and dairy products involving small rural producers, (vii) introduction of livestock insurance programme, and (viii) enhancing budgetary support for livestock research and extension with necessary institutional strengthening of DLS. Two levels of actions are envisaged. DLS as the principal public good delivery agency should continue to mainstream analysis and prevention of contagious animal diseases and diseases that can pass on to humans and the role of service provision for individual livestock rearers (i.e. animal vaccination, treatment, first-hand diagnosis and technical advice) should be shared with and gradually phased out to private sector and NGOs when they are fully developed.

Contract Growing of Poultry

Aftab Bahumukhi Farm Ltd.(ABFL) in Kishoregonj has started contract growing of poultry birds since the early 90s. The number of parent stock birds housed per year increased from 2000 in 1995 to 220,000 in 2001. Similarly, the number of birds in broiler contract farms increased from 12,500 to 235,000 in 2001. The company imports day-old chicks of parent stock from abroad and distributes them straight away to the contract growers along with provision of essential support services such as quality poultry feeds, medication and vaccination, poultry raising training, credit and technical support. The company then buys back hatching eggs from the contract farmers at a guaranteed price of Tk.2 per egg, meaning a net grower's profit of approximately Tk.30,000 per month from 2500 parent stocks. The day-old chicks are then distributed to the contract broiler growers, who are also provided with high quality poultry feeds, medication and vaccination, poultry raising training and other technical support. On an average, some 12,000 broilers are sold per day (10,000 as live birds and 2000 for dressed boilers to be sold in Dhaka city). The contract growers make an average income of Tk.5 per kg of broiler (production cost per kg is Tk.55 as against the guaranteed price of Tk.60 per kg).

In 2001, 1500 rural households benefited directly with another 600 households benefiting indirectly from broiler contract farming. Major RNF activities in contract poultry farming involve supply of trained labour, manufacturing of poultry farm equipment (i.e. iron cage, trays, brooder, drinker, feeder, etc), making of poultry shades with pucca floor, bamboo platforms, poultry feed preparation and distribution, packaging, transportation and marketing of poultry products, and also processing/dressing of broilers at the local level.

Adapted from M.A.S Mandal, et. al. Hand in Hand with Agriculture: Promoting Rural Non-farm Economy of Bangladesh, (Forthcoming)

5.C.1.4 Forestry

5.131 Although forestry accounts for hardly 2 percent of GDP, its importance is increasing as it has grown at around 4 percent annually over the nineties. Officially, forestry covers about 2.5 million hectares or 17 percent of total land area. However, if one considers the encroachment into reserved forest areas, clearing of forestland for cultivation and felling of trees, actual area under forestry is far less than the official estimates. Fortunately, growth in social and community forestry as a result of vigorous campaign for tree plantation has already made a significant contribution.

5.132 The forestry development programme aims at large-scale afforestation, preservation of forests, increase in timber supplies, and preservation of bio-diversity and wild life. The main objectives of the twenty- year Forestry Master Plan (1995-2015) and the National Forestry Policy are to promote production- oriented and participatory forestry development, so that at least 20 percent of the country's land is brought under the afforestation programme through the coordinated efforts of the government, NGOs, the private sector and the local people. The major areas of intervention include expansion of forest in depleted hills and *khas* land, tree plantation in rural areas on private land and along the roadsides, railway tracks, embankment slopes and courtyards of rural organizations through community participation of the poor. These areas can be used for cultivation of grass simultaneously with trees, which will enlarge the market for green grass so vitally required for improvement of animal farming. The programmes for the integrated bio-diversity conservation in the Sundarbans reserve forest, the coastal green belt and intensive afforestation will get priority.

5.133 The afforestation programme encourages planting of fruit trees alongside timber, fuel wood and non-wood forest products. Women are especially encouraged to get involved in homestead and farm forestry. Attempts are also needed to promote agro-forestry so as to increase land productivity from simultaneous cultivation of crops, trees, grass and herbs. Social forestry, developed through the tripartite arrangements amongst the government agencies, NGOs and poor households, have shown bright prospects in terms of employment and income generation for the poor. The state-owned forest-based industries will be made more competitive and profit-oriented. The institutional capacity building will include strengthening of forestry education, training and research as well as improvement of the operational efficiency of the Forest Department.

5.C.1.5 Cross-Cutting Issues

5.134 **Agricultural Research, Technology Generation and Dissemination:** The improvement of technology generation is crucial for increasing productivity and competitiveness of non-crop enterprises. The agricultural R&D system developed a large number of profitable technologies related to HYV of rice and non-rice crops. Agricultural research will remain largely in the public domain, but efforts are being made to develop programme to involve NGO and private sector in research and dissemination of technology knowledge. The capacity of the ten NARS institutions will be further strengthened through supporting quality research, human resource development, prioritizing farmer's demand-led research and adequate incentive structures for the scientists. Agricultural research gets too small a budget (e.g. about 0.2 percent of GDP) to make any significant progress. The total budget for agricultural research should be significantly increased to at least 0.5 percent to make a breakthrough. Side by side with crop based

research, increased attention will be given to R&D in the non-crop sector including livestock, poultry, fishery and forestry.

5.135 There is a need to seriously address three critical issues facing NARS: (i) need for increasing autonomy of the NARS institutions which requires introducing reforms in public agricultural research system, (ii) need to have uniform service and business rules; and (iii) need for more financial resources, especially revenue budget. Besides, more provisions will be sought for greater private sector participation and out sourcing of research and extension functions.

5.136 Bio-technology research will get high priority in agricultural research programmes. The government emphasizes the need for a regulatory framework for the release of bio-engineered technology, because unfettered releases could seriously damage the environment, put human health at risk and operate against the interests of the poor.

5.137 **Demand-led Agricultural Extension:** The mainstream government extension agency (DAE) has on board the National Agricultural Policy, its Plan of Action, the New Agricultural Extension Policy and the Strategic Plan. All these plans have a pro-poor focus and stress on participatory extension services involving wider rural communities i.e. farmers, landless households, different occupation groups and women. These are to be implemented as per Plan of Action with necessary amendment and clarification in response to changing demands of commercialization. While the DAE has a wider extension outfit up to the local level, fishery and livestock extension services are far less endowed with manpower or budgetary resources. The livestock service especially needs strengthening in terms of manpower, resources and policy supports. Emphasis will be given to facilitate partnership of DAE, DLS, DoF and BRDB cooperatives with the private sector and NGOs, which have evolved many successful approaches to disseminating promising technologies. The DAE, DLS and DOF, the mainstream agricultural extension agencies have been mandated and inspired to improve service delivery system and integrate agricultural extension system (at low additional costs) with proven good extension practices by NGOs and private sector actors.

5.138 **Revamping Agricultural Marketing:** Various marketing services are a prerequisite for developing a vibrant commercial agriculture. To this end, the on-going programmes will continue to develop marketplaces and market outlets. The Department of Agricultural Marketing (DAM) needs strengthening with adequate manpower and resources so that it can take on modern marketing services for not only crops but also high value agro-products. For this, DAM staff network will be adequately equipped and upgraded to support private sector and NGO actors with advice and information flow on prices, processing, handling, storage and transportation services. The DAM will promote an innovative marketing system such as contract growing integrated with a supply chain of high value agro-products in which the private sector has demonstrated success. Overall, the role of private sector in providing agricultural marketing services will be scaled-up and facilitated with regard to use and management of markets and wherever possible in investing in improvement of market facilities.

5.139 **Agro-processing:** Agri-business and agro-processing is given top priority as a thrust sector to promote value addition to crops, livestock, fish and horticultural products. Increased budgetary allocations are made for supporting agro-processing activities, which remain predominantly in the private sector. The Government will continue to support the agro-entrepreneurs through infrastructure

development, concession on import duties, export bonus and income tax exemption. The private sector will also get support for technical training, technology development, and improvement of hygienic standards, handling and packaging of processed products. It is crucially important to recognize that without compliance with the capacity to meet international standards for food safety, sanitary and phyto-sanitary measures, exports are unlikely to become significant. Food safety should be strengthened for the domestic market as a way of strengthening export readiness of agricultural products.

5.140 Land Related Issues: Land has competing uses in agriculture, industry, infrastructure, housing and urbanization. The country loses arable land roughly at 1 percent annually, which together with population growth results in rapid reduction in average farm size and increasing fragmentation of holdings. The unequal land distribution is the major source of rural income inequality. The number of effectively landless households is ever increasing. Given the absolute scarcity of land, limited administrative capacity, a radical distributive land reform is neither possible nor feasible, but stronger directions should be signalled for updating of share-cropping and minimum wage legislation of 1984, protection of tenant's rights and adherence to long-term leasing arrangements. The other and the most crucial task is to up-scale the soil fertility testing facilities involving the participation of the private sector. For enhancing productivity of land when farm size is declining, technology-based changes in production organization need to be promoted. Contract growing of vegetables, integrated farming, and pond poly-culture are promising examples. Some of the other priority areas for improvement of land use include: (i) protection and recovery of public land from illegal occupation, (ii) distribution of available *khas* land to the poor for housing, (iii) modernization of land records, updating and implementation of land use policies, (iv) ensuring access of the poor owners to their new accretion in char land (v) facilitating credit supports to landless and tenant farmers, (vi) prevention of alarming loss of agricultural land, and (vii) prevention of wasteful use of acquired land.

5.141 Women in Agriculture: Women are customarily involved in the post-harvest processing of crops, rearing of livestock animals and poultry birds and home-gardening of fruits and vegetables. They also engage in crop planting, weeding and other intercultural operations. Home gardening contributes to household nutrition intake. To the extent that they sell the products themselves, they do contribute to household savings, expenditures and investment. Indeed, there are poor rural women who earn from lending their small savings to various productive rural enterprises. Women, therefore, deserve to be mainstreamed in agricultural policy discourses. They need to be recognised as producers in the agricultural sector. Therefore they need access to women friendly agricultural extension and training services, literacy and numeracy, space and opportunities in marketplaces, credit support to women entrepreneurs, fair wages for production and processing labour and benefits of mechanization that reduce women's drudgery (i.e. mobile husking machine and power driven harvester). Women's issues need to be mainstreamed in crop, livestock, fisheries, irrigation and water resource management especially in surface water. Women need to play direct role in water management both at the national and community levels. Women's role in crop production also needs to be enhanced and in this respect women access to land ownership need to increase through change in inheritance law and distribution of *khas* land to the poor women.

5.142 Rural Finance: The flow of rural credit from nationalised banks has been drastically reduced over the years. The closure of many loss-making bank branches has also slowed down credit delivery in

rural areas. The majority of small holders have very little access to the credit facilities of the Government (e.g. BKB or PKSf). There should be a strong monitoring system developed to monitor present credit delivery to farmers and performance of delivered credit. The private banks do not have any rural credit programme at all. Micro-credit programmes of NGOs are limited to micro enterprises and bypass agricultural lending. Against this backdrop, the Government has put emphasis on expanding credit flow for the farmers and rural entrepreneurs. The most promising areas for investment include small businesses as well as high value agriculture, i.e. export quality rice, vegetables, fruits, rural aquaculture, poultry and dairy enterprises. Indeed, this will need an enabling environment and infrastructure development so that the banks and financial intermediaries find rural investment profitable. Effective financial institutions are also needed to tap small savings and remittances for productive investment. In fact, development of a vibrant rural capital market should get priority in the banking sector reform programme.

5.143 Development through Cooperatives: Cooperatives can be effective vehicles for the poor to play important roles in rural and urban economic development. While the earlier focus on cooperatives in Bangladesh was in the area of agricultural production, the focus has now extended to floodplain fisheries, agricultural marketing, social forestry, small-scale water development and micro-credit. With the emergence of market-oriented dynamic agricultural and non-farm sectors, traditional approaches to cooperatives as an organizational model and the extant cooperative law require a major review and reform to conform to the needs of the changed social and economic contexts. With success on such review and reform, cooperatives can come to play an important role in the pro-poor growth strategy underpinning the overall poverty reduction strategy.

5.C.1.6 Food Security

5.144 The food security issue is the core element in the struggle against poverty. Food security or insecurity has several dimensions, such as level of aggregation (national, household or individuals), seasonal production of staples, nutritional balance in diet, people's access to and utilization of food, and temporal uncertainty of supplies often caused by natural disaster or price hikes. In this respect it is important to take into consideration women's role in ensuing food security at the household level. Food security is given the topmost priority in Bangladesh. Side by side with domestic food production, greater importance is given to ensure access to adequate and safe food by all people at all times for maintaining an active and healthy life. Especially adequate access of the poor and vulnerable sections of the people to food absolutely requires improvement of their purchasing capacity and this will be accomplished through creation of employment opportunities in farm and non-farm sector. In addition, targeted food distribution programmes will be implemented in a cost-effective manner and to the extent that it does not depress domestic food grain prices too much to reduce incentives of the rice producers.

5.145 Despite significant progress in domestic food grain production, poverty and food insecurity problems are massive in the country. Approximately half of the population lacks the resources to acquire enough food and consequently remain below the poverty line. The proportion of people below poverty line dropped by 10 percentage points between 1985/86 and 2000. Extreme poverty also decreased at a similar rate. The gains in nutritional intake have not been so impressive. While average consumption of calories slightly increased, consumption of protein practically remained unchanged. About three-fourths of the total calorie intake is obtained from cereals, practically rice. More importantly, there are substantial variations in calorie consumption among regions and expenditure groups. At the household level food distribution among the members is not necessarily equal. Generally, women and children have less access to food than adult males. The per capita consumption of meat and eggs by the urban consumers is

almost equal to the desirable of future consumption, but for rural consumers, consumption of these items falls far short of the requirement. The high consumption of cereals but low intake of pulses and other animal-based proteins results in a high level of anaemia and other micro nutrient deficiencies.

5.146 Keeping view these concerns, the Government has formulated several national policies integrating issues of food security. The national food and nutrition policy, 1997 and the national plan of action for nutrition are more comprehensive and these may form a starting point for the implementation of the policies. The Government will continue and strengthen its on-going nutrition and fortification initiatives at the field level through National Nutrition Project (NNP), Nutrition for Education Project (NEP) and VGD fortified ration. These will indeed be revised and updated. The long-term strategy for food security requires actions on two fronts. First is assurance of a continuous, hygienically sound low-cost food supply. Second is an income distribution that provides adequate purchasing power in the hands of the poor. To this end, the Government attempts to ensure affordable food supply through efficiency gains in production, distribution and trade. Indeed, efficient domestic production of food will require increased investment in technology generation through research and its dissemination through effective extension services not only through the government agencies but also increasingly through various private sector participation. Efficiency in food distribution will require credit support to food traders, removal of legal impediments to the grain trade, removal of extortion and harassment in food transportation, and reliable access to the international market for the import and export of grains. Finally, as a part of long-term strategy of food security for the expanding population, provisions and scopes should be kept open for improving understanding and making informed decisions about genetically modified food products.

5.C.1.7 Rural Non-farm Activities

5.147 The rural non-farm (RNF) sector has registered impressive growth over the nineties so that the I-PRSP rightly views it as the “leading sector” of the country’s rural economy. The green revolution driven growth in the grain sector, coupled with diversification into non-crop enterprises, prompted the growth of farm machinery manufacturing, servicing and ancillary services predominantly in the private sector. Increasing flow of remittances from abroad did also provide impetus to the growth of rural non-farm activities, especially those requiring start-up capitals. The RNF sector includes both farm oriented and non-farm oriented activities, encompassing rural manufacturing, transportation, trade and a whole range of services. While some of the RNF activities are being gradually squeezed because they are regarded as a residual type, a vast majority of them are very dynamic, contributing to agricultural production, income and productive employment.⁵ In 1995/96, the sector accounted for over one-third of the country’s GDP. The sector grew at about 4.4 percent per annum and contributed over 40 percent of rural employment and more than a half of rural household income during the nineties.⁶

Irrigation Equipment and Power Tiller Repair Service Market

In Ghatail, Tangail, there are about 15 irrigation equipment shops of which 5/6 deal in diesel engines and electric motors. Others sell irrigation pumps, pipes and accessories. In addition, there are about a dozen engine repair workshops with lathe machine facilities, which also manufacture low-cost engine spare parts.

Repair of Shallow Tube Well (STW) and power tiller engines on a seasonal contract basis has been widespread in the Ghatail area. A few years ago it was started by some rural mechanics who charged 4 maunds of paddy at harvest per STW irrespective of the number of breakdowns in the season. In recent years, the rate has diminished from 4 to 3 maunds of paddy due to

⁵ M.A.S Mandal *et. al.*, Hand in Hand with Agriculture: Promoting Rural non-farm Economy in Bangladesh (forthcoming).

⁶ World Bank study on Rural Non-farm Sector in Bangladesh, Volume 1, April 26, 2004.

competition arising from an increased number of mechanics. In Ghatail area there are about 30 STW engine mechanics but only a few of them have spare parts shops of their own.

Ashraf is an engine mechanic from Shailota village in Ghtatail. He contracted to repair of 39 STW engines spread over eight contiguous villages in Ghatail union in 2000. Costs of spare parts are provided by the STW owners. Since Ashraf also runs his own spare parts shop in the Hamidpur Bazar he supplies spare parts from his own shop on credit. He charges a little higher price if they are paid for in cash. The repair services include machine overhauling and oiling at the beginning of the season as well as mending the engines as and when required. In the 2000 irrigation season, Ashraf earned 117 maunds of paddy as payment for his service. He also contracted to repair of 5 power tiller engines at the rate of 8 maunds of paddy per year (i.e. 4 maunds for Boro land preparation and 4 maunds for Aman). Ashraf has his younger brother Abed Ali to work with him as an apprentice. Ashraf's family also has a new power tiller for hire service. They have a driver who is paid roughly 10 percent commissions on the service fees collected. Last year, Ashraf's power tiller earned approximately Tk 30,000 net of costs. In addition to providing repair services, Ashraf also took up the reconditioning of old engines for STW irrigation. The old engines are bought from the locality through an efficient network of mechanics who have the information about who has what type of engine and in what conditions. In 2000 he sold 18 reconditioned engines for STW irrigation. The prices of the reconditioned engines would be about 25-30 percent lower than for the new ones.

The reconditioned engine market has accompanied the rapid growth of rural repair services and contributed significantly to the rapid expansion of the irrigation water market in the country. The linkage of the growing irrigation water market with the power tiller hire service market has not only contributed to increasing HYV rice production but also generated considerable income and wage employment in the countryside. As Ashraf noted, more facilities for skill training, easy access to bank loans and provision of rural electrification are needed for further development of the equipment market.

Adapted from Mandal, M.A.S. A Review of Bangladesh's Development-2002, Centre for Policy Dialogue, Dhaka., 2003

5.148 The RNF sector is quite diverse in its structure, scale and coverage, meaning that different activities require different working conditions, skills, education and infrastructure support. For example, while the service of a rickshaw van requires maintenance of good road conditions, a machinery workshop needs reliable supplies of electricity and working capital. A roadside restaurant or a rural food vendor needs training on nutrition and hygienic standards. Except for those operating capital intensive engineering workshops, saw mills or retail businesses, most of the others involved in common RNF service activities, either as self-employed or paid workers, come from landless or very small farm households and thus constitute by and large the poorer section of rural population. This warrants promotion of RNF activities as an important component of poverty reduction strategy. The experience of other Asian countries demonstrates that raising productivity in both farm and non-farm activities are the key to reduction of poverty in rural Bangladesh. Thus the key strategy of the Government should be to enable the cultivators to increase agricultural productivity and diversify to rural non-farm activities for income and employment generation of the poor.

5.149 The RNF sector faces several constraints related to market demand for RNF products, infrastructure, technology, institutional support, and macro-economic and trade policies. The promotion of the sector therefore requires several strategic choices and policy actions.

5.150 Firstly, the promotion of RNF activities needs to be highlighted as a poverty reduction strategy. Especially, those left out in the residual segments of RNF sectors will need coping mechanism and effective social protection support.

5.151 Secondly, RNF sector needs mainstreaming in policy discourse so that RNF focus is built into main rural development programme and project formulation process.

5.152 Thirdly, the key drivers of RNF growth need strengthening. For this, agriculture, encompassing crops, livestock, poultry, fishery and forestry should continue to grow as the key driver of rural economic growth. Additional gains from agriculture and allied professions have to be tapped in more dynamic non-farm activities. The other key drivers of RNF growth include focussing on diversifying domestic and export market for RNF products, using rural remittances for productive purpose and finding new drivers. As a policy choice the RNF sector should be left as an “informal sector” to maintain the growth momentum and accelerate poverty reduction.

5.153 Finally, the most important strategy for RNF development will be to allow the market to function more efficiently through removal of barriers and creation of an enabling environment. The candidates for immediate intervention include infrastructure, rural electrification, better physical and electronic communication services, education, training and skill formation, technological upgrading, fostering market opportunities for RNF products and services, appropriate rural financial services, and business development services. Especially, women and girls in RNF activities should be given due attention so that they are not excluded from training, skill formation, credit support and business development services. Although the NGOs and the private sector deliver much of the skill formation training, the Government’s job is to provide all out support to infrastructure and public utilities to harness the full potential of the sector. To create a “virtuous circle of rural growth” through unleashing the potentials of RNF sector growth, a two-pronged strategy is needed: (i) improvement of rural investment climate, and (ii) improvement of the institutional environment for efficient delivery of services⁷.

5.C.1.8 Micro-credit

5.154 Micro-credit operation is one of the success stories of the modern history of economic and social development in Bangladesh. Till December 2002, micro-credit institutions (MCI) disbursed more than Tk.500 billion, 60 percent of which were disbursed by only four organizations (e.g. Grameen Bank, BRAC, ASA and Proshika). Micro-credit has had considerable success in raising the income of the poor and lowering overall poverty. There are limitations as well. The extreme poor are bypassed by micro-credit operations, while the poor do not get credit delivery beyond a certain level. Micro-credit alone is not enough for poverty reduction. The women’s empowerment issue remains unclear. The rules of operation need more flexibility to avoid duplication amongst micro-credit institutions.

5.155 For the micro-credit to become more effective in poverty reduction, a number of recommendations are put forward. The extreme poor must be reached with micro-credit through innovative approaches with respect to changes in credit delivery mechanism, diversified financial services and complementing micro-finance with non-financial interventions. However, it should be noted that micro-credit alone cannot solve the problem of extreme poverty. It has to be combined with VGF, concentrated services in health and education, demand-driven training, food-for-work etc, to make the desirable impact. In other words, many organization both government and non-government should come together to tackle this problem.

⁷ World Bank study on Rural Non-farm Sector in Bangladesh, Volume 1, April 26, 2004.

5.156 The up-scaling of micro-credit is needed to continue support to mature clients, new entrepreneurs and tomorrow's poor. Since micro-credit alone is not sufficient to up-scale poverty reduction, micro-credit institutions should integrate credit with technology, information and marketing services. This will require greater attention from the MCIs for risk management. MCIs should improve their operational efficiency through allowing flexibility in repayment rules, avoiding overlapping of credit disbursement and rationalization of interest rates without compromising with the main micro-credit goals of community mobilization. MCIs may be allowed to borrow from PKSf type organizations or the general capital market, if necessary. There should also be a regulatory framework for savings mobilization and its utilization with elements of transparency and accountability. To pursue women's empowerment, more financial and non-financial support is needed for women to invest in rural enterprises and gain access to women friendly marketplaces.

The relevant Policy Matrix providing major goals and actions to be taken in the agriculture and rural development sector is presented in Annexure 4

5.C.2 Water Resources Development and Management

5.157 Bangladesh is characterised by an extensive network of rivers, which drain around 113 million hectare- meter of water to the Bay of Bengal. Over 90 percent of water flows from the upper catchments in India, Nepal, Bhutan and China. Floodplains of the major rivers and their tributaries constitute about four-fifths of the country. The flat topography, high intensity rainfall and inadequate conveyance capacity of the rivers cause drainage congestion, resulting in extensive inundation during the monsoon. The country faces twin problems- abundance of water in the rainy season, often causing floods, and shortage of water in the dry season, often inflicting severe droughts. Besides, the country suffers from flash floods, rise of riverbeds, recurring cyclones, storm surges and saltwater intrusion. The water resources management thus identifies the major issues of concern as floods, drainage congestion, droughts, cross-boundary flows, river erosion and accretion, cyclones, water quality and rights, surface water salinity, groundwater quality, climate change and environmental management.

5.158 The National Water Policy (NWPo) and the National Water Management Plan (NWMP) guide the management of water resources in the country. The NWPo underscores the broad principles of water resource development and its rational utilization. To this end it puts emphasis on both public and private actions for optimal development and management of water in order to benefit individuals as well as the society at large. In line with the provisions of the NWPo, the NWMP provides a framework at the national and regional level within which the line agencies, local government and other stakeholders will plan and implement their activities and projects in a coordinated manner to achieve the national and sectoral objectives. The WARPO has been given the responsibility to act as a "clearing house" in undertaking water resource projects. It is a 25-year plan rolled over three successive phases, meaning that the implementation of the plan will be monitored regularly and updated every five years. The Plan envisages a total of 84 programmes grouped into eight sub-sectoral clusters. The programmes will be implemented in locations across eight planning regions of the country, putting emphasis on distress/vulnerable pockets such as the Chittagong hill tracts, haors, char lands, chhitmahal, and those areas affected by *monga*, river erosion, arsenic, salinity and drought.

5.159 The NWMP aims at institutional development, which proposes separation of planning and regulatory functions from implementation and operational functions at each level. One prominent step will be to progressively withdraw the central government agencies from activities that can be performed by local institutions and the private sector so that decentralization of decision-making takes place with stakeholders' participation. For integrated water resource management, the Government will create an enabling environment through legal and regulatory reforms, research, reliable information flow and capacity building. Flood protection is given the topmost priority and it will be implemented for zila and upazila towns in phases using both structural and non-structural measures. On the irrigation front, the Government will continue to promote minor irrigation in the private sector, water conservation for multipurpose uses, rational use of the existing FCDI projects, and a limited number of new irrigation schemes where there is not enough response from the private sector. The Government realises that overdependence on groundwater is not wise because its supply is finite and that conjunctive use of surface and groundwater will be encouraged for irrigation and urban water supply. The main river system will be comprehensively developed and managed for multipurpose use through a variety of structural and non-structural measures. Safe and reliable potable water and sanitation services will be provided to all people in the major cities, towns and villages in a phased manner. Attempts will be made to restore and maintain fish habitats and preserve wetlands for protection of bio-diversity.

5.160 The Ministry of Water Resources is engaged in various programmes relating to water sector development. It will continue to handle flood management, irrigation, drainage control, erosion protection, land reclamation, integrated management of coastal polders, river flow augmentation, sharing of water from trans-boundary rivers, and wetland conservation through participation of local people and coordinated programmes of all the ministries dependent on water resources.

5.161 People can be "water poor" if clean and safe water is not available when they are needed. They may not be able to pay for it either. In flood situations, the water supply crisis aggravates and human misery worsens. Lives, property and infrastructures are destroyed. Drying of water bodies for irrigation and reduction of flow in rivers adversely affect inland open water capture fishery. The poor are eventually the most hard-hit. Availability of adequate water is essential for reliable irrigation in the dry season. For this both surface and groundwater will be harnessed. Since groundwater exploitation in difficult aquifer areas may lead to seasonal draw-down and in many parts of the country where there is serious arsenic contamination, more emphasis will be given on the augmentation and use of surface water for irrigation and other purposes. Adequate measures must be taken to mitigate arsenic contamination in drinking water and prevent arsenic transmission to the food chain through groundwater irrigation. The management of small irrigation projects of less than 1000 hectares have been transferred to the LGED for improving efficiency and better coordination with other infrastructure building efforts. Agriculture is now being gradually commercialised and the cultivation of high-value horticultural crops requires well-drained soils. Therefore, adequate provisions for drainage control will be needed.

5.162 Gradual siltation is raising the riverbeds and reducing the dry season flows. This affects people's lives in a multitude of ways. Especially, the poor are deprived of fresh sources of water and open water fishery activities in the rivers and tributaries. Therefore, measures for augmentation of surface water flow are crucial. While large-scale dredging may not be feasible, rivers and canals will be re-excavated by using human labour. This will increase retention of surface water in the rainy season and open new opportunities for irrigation, capture fishery and navigation.

5.163 The sharing of water from the trans-boundary rivers is another issue. In the absence of water sharing agreements on trans-boundary rivers, except for the Ganges water treaty, Bangladesh is deprived of its due share of flows, especially in the dry season. This and other related issues such as the proposed river link project in India are to be discussed at the appropriate level. Indeed, this will require collaboration of all the co-riparian countries in the spirit of regional cooperation.

5.164 The emerging issues that need to be given prime importance to include: (i) sharing of waters of common rivers; (ii) proposed river-link project by India need to be discussed bilaterally between India and Bangladesh to avoid desertification downstream; and (iii) building water reservoir up in the Himalayas for storage of water in order to augment supply downstream during lean season and for generation of cheap hydro-electricity for internal consumption and export purpose.

5.165 The interface between water and poverty has been flagged in the policy framework so that the required intervention can be designed properly. The key areas of intervention and critical location are identified below as a part of the targeted pro-poor growth strategy.

5.166 **Flood:** Floods affect the poor most as they live in the agro-ecologically disadvantaged areas. The critical areas include char lands, coastal areas, haors and other deeply flooded areas. Flood shelter, flood forecasting and flood control measures are suggested as immediate intervention.

5.167 **Irrigation:** Irrigation helps small farmers and wage labourers to alleviate poverty. Where surface water irrigation is possible, it is cheaper and more pro-poor than groundwater irrigation. Critical areas are identified as Barind, upper Teesta belt, Chittagong hill tracts and the southwest region. Other less intensively irrigated areas will also be developed. The suggested interventions include facilitating tube well and surface water irrigation, micro-irrigation, revival of rivers and the Ganges barrage.

5.168 **Salinity:** A high salinity limits the utilization of surface water. The southwest region is the critical area. A Ganges barrage, revival of rivers and salinity protection measures are suggested as interventions.

5.169 **Erosion:** River erosion creates poverty by making people homeless overnight. The poor are affected most. Coastal islands, the southeast region, the Brahmaputra-Jamuna river banks are the critical areas. These areas need interventions in the form of river bank protection, cross-dams, and land reclamation for rehabilitation of the poor.

5.170 **Drainage Congestion:** Drainage congestion for a long time makes land unproductive and reduces the opportunities for intensive cultivation or other uses. Khulna, Noakhali and similar other congested pockets need intervention. The suggested measures include dredging and tidal basin management. Drainage provision is vital to the cultivation of upland crops, i.e. vegetables, fruits, flowers, plant nurseries and so on.

5.171 **Sunderbans and Wetlands:** Many poor people are dependent on wetland resources, e.g. fish, housing materials, etc. The Sunderbans, haor basins, Khulna- Gopalganj beel areas are the critically affected areas. The suggested interventions include ensuring adequate water flow, and legal and institutional measures for sustainable abstraction of wetland resources by the poor.

The relevant Policy Matrix providing major goals and actions to be taken in the water resource sector is presented in Annexure 4.

5.C.3 Small and Medium Size Enterprises (SMEs)

5.172 SMEs play a dominant role in the industrial development of most countries. They account for 90 percent of firms in East and Southeast Asia and provide employment for three-fourths of the industrial workforce. In Bangladesh, too, most of the enterprises are SMEs. They are typically labour-intensive industries with relatively low capital intensity. As such they have a natural comparative advantage in a country that is labour abundant but suffers from capital scarcity, such as Bangladesh. The sheer preponderance of SMEs and their factor intensity advantage suggest that the success of the manufacturing sector of the country is inextricably linked to the success of SMEs.

5.173 The SMEs are spatially widely dispersed, such that the benefits of their growth will be evenly distributed. The flourishing of SMEs also ensures a robust growth of employment across the country—a key condition for poverty reduction. In addition they provide more opportunities for female labour employment. However, the relatively small size of the SMEs frequently implies that they are more vulnerable. They do not have the lobbying strength of the larger enterprises and often do not receive the policy support they deserve. Their vulnerabilities go unnoticed and unattended. Sometimes they are even unable to prevent the adoption of policies that have a deleterious influence on them. Given the importance of SMEs in national development and poverty reduction it is necessary that urgent measures be taken to ensure an enabling environment for their balanced and rapid growth.

5.174 Constraints faced by SMEs can be grouped under three broad heads: (a) policy-induced (b) structural and (c) those relating to poor governance. The policy-induced constraints emanate mainly from controls and regulatory measures on private investment that raise transaction costs. These are more easily borne by large enterprises than by SMEs because they always contain a fixed cost element. The structural constraints, on the other hand, relate to a wide range of bottlenecks experienced by the SMEs involving access to information, finance, infrastructure, skill, technology and markets. The combined effect of these two sets of constraints is compounded by poor governance and weak public service delivery, impairing the ability of SMEs to function efficiently. The resulting business environment imposes a disproportionately greater cost on small business and hinders their growth.

5.175 Efforts have been made to remove policy bias against SMEs. But vestiges of policy-induced constraints still persist and there is need for a more proactive policy framework for rapid development of SMEs in Bangladesh. Bangladesh has also set up specialised institutions and adopted various programmes to provide credit, training and physical facilities to SMEs in a bid to address structural constraints faced by this sector. But the effectiveness of these efforts has been modest.

5.176 The thrust of SME development should be on “modern” SMEs that have higher growth potentials compared to the “traditional” SMEs. The policies towards SMEs should be based on a positive developmental attitude seeking to assist them by promoting efficiency, adaptation to new circumstances and technology, rather than simply protecting the sector from larger or modern enterprises through a distorted incentive structure.

5.177 Suggested actions for the development of SME in Bangladesh include the following: (i) adoption of an unambiguous definition of SME; (ii) strengthening of BSCIC’s capacity to provide market information; (iii) simplification of regulatory procedures; (iv) setting up an appropriate credit guarantee scheme for lending without real estate based collateral; (v) enlarging the base of conduit lending institutions; (vi) making BSCIC’s industrial estate programme demand-driven; (vii) priority development of the road network and supply of gas and electricity; (viii) extension of BOI’s One-Stop Service to cover SMEs, (ix) greater public-private cooperation for the design and implementation of effective business support services; (x) a differentiated and hassle-free indirect tax system for SMEs, and (xi) calibration of trade policy reform to support SME development.

5.C.4 Informal Sector

5.178 The informal sector of the economy encompasses the urban informal sector and the informal part of the rural non-farm economy. The rural non-farm economy has been discussed above in a separate section because of its vastness, diversity and expansion into considerable dynamic segments resulting from the increasing growth trends in crop and non-crop agriculture. This section deals largely with the urban informal sector. The informal sector, rural or urban, includes diverse and heterogeneous activities in manufacturing, construction, trade, transport and other services. The sector is characterised by unregistered small-scale labour-intensive activities mainly by self-employed family labour with self-financed small capital, low level of skill, productivity and wages. The urban informal sector provides over one-third of the total informal private sector employment of which over four-fifths comes from small trade, transport and other services. The rural non-agricultural activities account for about two-thirds of the total informal employment in the private sector.

5.179 In the endeavour to attain accelerated poverty reduction, the informal sector deserves to be given strategic importance merely because of its large size and employment contribution for the poor. The incorporation of the informal sector into the formal sector is neither possible nor desirable, it should rather be kept outside the influence of the government sector. But the incorporation of the informal sector into an overall pro-poor growth strategy can give big dividends in terms of employment and efficiency gains. This will require policy support to be built around the overall goal of employment generation. In particular, import policy and the tax and tariff structure need to be revised so as to remove bias against the informal sector. The informal businesses also need to have adequate access to infrastructure, electricity, working capital, skill training, decent physical space and work environment, business development services and similar other services that will enhance their productivity as well as the quality of their products. The NGOs and the private sector can accomplish the tasks of skill training and business capacity building. Local government agencies should maintain a register of informal businesses and collect taxes appropriate to the taxpayer’s circumstances.

5.C.5 Infrastructure Development

5.180 A good infrastructure is critical for higher economic growth, poverty reduction and social development. It plays a pivotal role, *inter alia*, in product diversification, trade expansion, provisioning of basic services, increasing productivity, decreasing production cost, and thereby, enhancement of quality of life and welfare of people. Infrastructure facilities provide impetus to the growth-poverty nexus through three distinctive channels. First, physical infrastructure services directly affect the socio-economic condition of people (for example, access to health, education, water supply and sanitation, rural roads, electricity and similar infrastructure) and enhance the capabilities of the poor. Second, infrastructure services help the poor in availing themselves of the economic opportunities of growth e.g. through better access to markets and services; increased inter-sectoral and inter-regional labour migration; and investment in more profitable economic activities. Third, infrastructure helps in the realisation of the benefits of policy reforms through providing the needed socio-economic and spatial integration of the economy.

5.181 Notwithstanding all the merits and essential roles that infrastructure may impart, infrastructural deficiencies continue to act as a major drag on Bangladesh's development efforts. Inadequate coverage, poor management and inefficiency of publicly managed utilities have created a huge fiscal burden and restricted the much-needed expansion of infrastructure services to meet the growing needs of the economy. Therefore, it would be appropriate to adopt a new approach to infrastructure development involving reorientation of sectoral priorities and increased private participation so as to alleviate infrastructure bottlenecks. Keeping this in mind, it would be prudent to design and implement a comprehensive reform agenda for infrastructure development and management through a carefully sequenced approach to ensure reduced physical distribution costs and improved service delivery to the poor people and the backward areas.

5.182 Major components of the physical infrastructure in Bangladesh are: power (rural and urban); gas; renewable energy, including solar energy; coal and other minerals; transport (road, railway, inland water and air) and ports (sea, air and land). However, all of these suffer from numerous problems. While addressing the constraints in the infrastructure sector, the recommendations, in general, are structured under five broad aspects: (i) rationalization of sectoral incentives; (ii) setting appropriate pricing policy; (iii) reduction of systems loss; (iv) sectoral restructuring; and (v) good governance. Maximizing the growth and poverty reduction impact of the infrastructure will also depend on successfully linking the infrastructure investments with sectoral infrastructure service requirements. The critical issue in this context is to design and ensure the right combination of sectoral and sub-sectoral infrastructure facilities (e.g. among roads, electricity, communications and other infrastructure services on the one hand, and between well-linked rural roads and national highways on the other) that will support both growth and poverty reduction.

5.C.5.1 Power Sector

5.183 The current state of the power sector is not conducive to accelerated economic growth, poverty reduction and social development. Funding constraint is a hindrance to power development in the country. Only one-third of the population has access to electricity; and access in the rural areas is lower (22 percent). Poorer rural areas have even lower access. In addition to the low access and the low availability, another factor inhibiting pro-poor growth is poor quality of service delivery (interrupted supply, voltage fluctuations). The poor quality is in part due to poor financial performance of the three main utilities—the Bangladesh Power Development Board (BPDB), Dhaka Electric Supply Authority (DESA), and the Rural Electrification Board (REB). Adequate investment in maintenance and expansion of the network has not occurred. Although there has been some addition to the generation capacity recently through both independent power producers (IPPs) and the public sector, poor transmission and distribution systems pose serious bottlenecks. The public ownership of the power grid with its inadequate planning in priority-setting, sequencing, and insufficient commercial orientation in decision making are the main reasons for the poor performance of the sector.

5.184 Last ten years' experience in power sector reforms points to the need for a new approach in implementing reforms based on priorities and appropriate sequencing. Priority should be given to completing the ongoing reforms and formulating an action plan for addressing generation, transmission and distribution problems in a properly planned manner. All relevant stakeholders, including labour, should be involved in the process to ensure successful implementation of the reform measures.

5.185 The Government needs to prepare financial action plans to address the problems of BPDB and DESA along with effective legal and public motivation measures to reduce defaults. Adequate regulatory framework and transparent tariff policies should be worked out in a manner that protects the interests of the service providers and the end users in a fair and balanced manner. Following the recent legislation of the Energy Regulatory Commission Act, 2003 an independent energy regulatory body will be set up in order to attract private investment, increase competition, enhance financial discipline, and exert greater pressure on the infrastructure sector to perform better. Additional power sector reform including measures to attract private capital and know-how into power generation, transmission and distribution, are also necessary to improve the overall efficiency of the sector. To improve cost recovery, a transparent power-pricing framework linked to changes in the actual cost of supplying electricity should be adopted.

5.186 A necessary precondition for improving efficiency of the power sector is restructuring the vertically integrated monopolies and unbundling their generation, transmission and distribution operations. This is also key to rational pricing, competition, private sector participation and capital mobilisation. The process of unbundling of power sector operations will be expedited through transfer of remaining distribution lines from BPDB to REB/PBSs and new entities; and further unbundling of DESA operations. The Government will plan future investment in public sector power generation with due consideration to projected future demand, option for cost effective purchase from IPPs, and BPDB's poor financial performance.

Power: Rural

5.187 Rural electricity has immense potential in accelerating the process of economic growth, poverty reduction and human development. Rural electricity reduces both human and knowledge poverty, and education, health, and gender divides. Therefore, poor people's access to electricity will be increased. The PRSP consultation process underscored the need for expanding the growth impact of electricity through its cost reducing effects on irrigation, impact on industrial development, contribution towards the development of commercial sectors, and favourable influence on human development.

5.188 In the rural areas, household access to electricity decreases with declining income. Mere provisioning of electricity for the rural poor may not enable them to access it due to financial hardship. Hence, to ensure utilisation of power supply by the poor, it is necessary to improve their economic well-being. This would require, among others, an expansion of employment opportunities. Both the Government (including local government) and NGOs should devote part of their resources to ensure availability of power for those who cannot afford to pay by organising income generation activities for the poor based on skill development and backed by a micro-credit mechanism.

5.189 Jobs are currently being created throughout the country through implementation of transmission projects. Rural entrepreneurship at a micro level is developing due to easy access to electricity. Cottage industries are flourishing and creating self-employment as well as wage-employment opportunities. Therefore, further expansion of the transmission network will facilitate pro-poor growth activities.

5.190 In view of the capital intensive nature of investment in the power sector, both grid and non-grid methods for expanding electricity supply to the rural areas shall be considered. Unbundling, rather than decentralization, merits consideration for the institutionalization of the cooperative model and in order to ensure greater access of the poor people to rural electricity. The break-up of national REB into regional REBs, with some kind of benchmarking could prevent the growth of a monopolistic relationship between the REB and the cooperatives (PBSs). The process of taking over Bangladesh Power Development Board (BPDB) lines and installations within the Palli Biddut Samity (PBS)'s geographical area to avoid the duplication of expenditure and make the distribution systems efficient and cost effective needs to be enhanced. Tariff rates that the rural community can afford will be devised. Measures will be taken to improve the financial performance of poorly performing PBSs (e.g., lending terms, capital restructuring and tariff increases).

Power: Urban

5.191 The urban power sector also suffers from multifarious problems including funding constraint, systems loss, unpaid bills, poor management and low tariffs.

5.192 Power sector reforms began in the 1990s. A National Energy Policy was endorsed in 1995, followed by adoption of a private sector power generation policy and measures to create the Power Grid Company of Bangladesh (PGCB), and the Dhaka Electricity Supply Co. Ltd (DESCO) in 1996. Efforts were initiated in 1999 to corporatize two power stations into Strategic Business Units (SBU). The policy and vision statement on power sector reform was approved by the Government in 2000. However, the actual progress of reforms has been slow.

5.193 Effective strategies will be undertaken during the PRSP period to ensure power supply. These will include expansion of indigenous gas-based power plants subject to the availability of gas, expansion of capacity of the Kaptai Hydropower plant by additional 100 MW, exploration of the feasibility of hydropower generation on the Sangu and Matamohuri rivers, construction of a coal-based power plant at Barapukuria and construction of gas-based power plants in the West Zone subject to the availability of gas. Every effort will be made to bring down systems loss to an acceptable limit.

5.194 Opportunities to widen women's empowerment will open up through female employment in activities such as billing and accounts, data entry, one-point service desk, and complaint receiving. Moreover, PGCB will establish a "National Load Dispatch Centre" in Dhaka by the year 2007-08 where there will be a good opportunity for women to engage in high-tech superior quality employment.

5.C.5.2 Gas Sector

5.195 The natural gas sector, with its enormous potential in contributing to the development of the economy, has to be managed effectively to maximise its role in poverty reduction. The gas infrastructure is in a poor condition due to lack of commercial orientation and inadequate funding for maintenance and expansion. The financial and technical capacity of Petrobangla (BOGMC) is poor. Poor financial performance of Petrobangla is largely due to its pricing policies, operational inefficiencies and default by consumers. The operational performance in the gas sector has been affected mainly by high systems loss and to some extent by infrastructure constraints.

5.196 Various measures need to be undertaken to improve the performance of the gas sector. A Gas Act needs to be enacted providing for value-addition based utilisation policies, a regulatory framework for fixing tariffs, enabling private sector participation, and designing and implementing restructuring programmes. An action plan needs to be worked-out to improve the financial performance of Petrobangla and reduce the arrears. The Hydrocarbon Unit needs to be strengthened with adequate and appropriate staff and expertise to assist in policy formulation in the gas sector; a Petroleum Directorate may be set up to manage the petroleum database, adopt gas production policies, and monitor activities of foreign companies.

5.197 The policies will be directed towards expanding the national gas grid to cover western, north-western and south-western zones to promote industrialisation and accelerate balanced regional development. The process of unbundling and rationalisation of gas sector operations, including the transfer of the remaining transmission lines from the gas transmission and distribution companies to Gas Transmission Company Limited (GTCL) to consolidate all transmission activities into one company, will be expedited.

5.198 An improved system to deal with the problem of poor collection of utility charges owed by public sector users for electricity and gas is essential in order to raise financial viability of the sector.

5.199 In Bangladesh, women spend a lot of time in collecting fuel and cooking. Dramatic changes in their life can be brought about by bringing the entire country under the gas network (both piped and bottled gas). The shortage of fuel may be met with high quality coal from the Barapukuria coalmine. This

will also improve women's health by freeing them from various health hazards associated with the traditional system of collecting fuel and cooking.

5.200 The agro-based economy of Bangladesh is highly dependent on irrigation and fertiliser. The expansion of irrigation and production of fertiliser are dependent on natural gas. Gas-based small-scale industries and petro-chemical industries can be instrumental in reducing poverty.

5.201 Gas marketing companies are going to introduce meters for domestic gas supply. This will hopefully reduce wastage and systems loss. Procurement and supply of domestic meters will also be opened to the private sector. Apart from this, CNG marketing has already been given to the private sector together with marketing of gas by-products such as condensate. Besides, oil-marketing companies will be privatised in phases.

5.202 To promote good governance, it has been decided to give full autonomy to all the companies of Petrobangla so that these companies can exercise their full administrative and financial power as per the 1994 Company Act. In addition, the proposal for offloading of Marketing Companies' shares by issuing Bonds in the Stock Market is under consideration. With a view to strengthening the institutional capability of the oil, gas and mineral sector, the Bangladesh Petroleum Institute (BPI) Act, 2004 has been passed by Parliament. The reorganisation of BPI as the Energy and Research Institute would ensure continuous training and skill development of professionals working in the oil, gas and mineral sector.

5.203 At the same time, the Government has taken a pragmatic approach to strengthen the capability of the existing training institute of the Bangladesh Petroleum Corporation (BPC) to provide training to the downstream segment of oil refining and marketing. The hydrocarbon Unit (HCU) of the Energy and Mineral Resources Division, established as part of a reforms programme is now responsible for conducting upstream regulatory functions such as (a) hydrocarbon reserve and resource estimation at regular intervals, (b) data management, (c) formulation of an exploration policy, and (d) domestic and regional gas market analysis. The unit will be further strengthened and put on a permanent footing after the end of the present project. Institutional co-operation between HCU and internationally renowned petroleum institutions will also be continued.

5.C.5.3 Renewable Energy including Solar Energy

5.204 The prospect of depletion of non-renewable energy sources stands out as one of the major concerns of mankind today. Though energy derived from oil, gas and coal will play a vital role in meeting a growing demand for many years to come, the realisation of the possible exhaustion of the world's fossil fuels has focused interest and effort on harnessing alternative energy resources. Renewable energy derives from solar, wind, biomass, small hydro, geo-thermal and tidal sources. Given that efficient utilization of renewable energy resources in Bangladesh is yet to assume commercial dimensions, rational policy dissemination on renewable energy usage is essential.

5.205 Given the very limited supply of non-renewable fuels and the pollution-free nature of renewable energy, efforts are needed to explore this type of energy. Prior attempts to develop renewable energy in Bangladesh have met with limited success due to technical and market-related reasons. The Government's National Energy Policy (NEP), 1996 covers renewable energy, which emphasises optimum development of all the indigenous energy sources (e.g. commercial fuels, biomass fuels, and

other renewable energy sources). Identification of the potential of renewable energy projects and their implications can make a significant contribution to meeting energy needs in the long term.

5.206 The Government's vision of electrifying the whole county by 2020 through grid expansion may not be viable due to inaccessibility and low consumer density in certain areas. It is an established fact that renewable energy is an environmentally sustainable and socially acceptable option in the off-grid locations. To fulfil the GOB's vision of universal electrification, renewable energy sources will have to play a vital role for off-grid electrification. REB has successfully experimented with a pilot project in the Narshingdi district, where 806 consumers were provided with power based on the solar photo voltaic system. REB has taken another renewable energy project for providing 6000 homes with power from a solar photo voltaic system for the isolated and remote areas of the coastal belt. To encourage such efforts, it is necessary to establish a Renewable Energy Trust Fund to finance renewable energy projects and Research and Development (R&D) activities.

5.C.5.4 Coals and Other Minerals

5.207 Energy demand from thermal power plants was projected to be met partially by coal. The Barapukuria Coal Mining Project with a capacity to produce one million tons of coal had been completed in 2004. Out of this, 0.7 million tons of coal will be used for coal-based power stations. On the other hand, the Madhya Para Hard Rock Project will be completed by 2005 and this will facilitate extraction of 1.65 million tons of hard rock. When the hard rock and coal-mining go into full operation, they will substantially reduce coal and hard rock imports. At the same time, availability of coal will reduce dependence on gas and fuel wood.

5.C.5.5 Transport (Road, Railway, Inland Water, Air)

5.208 The transport sector, in general, has expanded rapidly both in terms of passenger and freight movement. The movement of passengers has increased from 35 billion passenger km. in 1984/85 to 72 billion passenger km. in 1996/97. Similarly, the freight movement has increased from 4.8 billion ton km to 10 billion ton km during the same period. This expansion was made possible by the growth of road transport, since there was literally no expansion in water transport, and railway transport declined. Increasing navigability of the inland waterways, improvement in the operational performance of the railway, and inclusion of waterways and railways in the integrated transport network are some of the major problems facing balanced development of the transport network.

Road Transport

5.209 The expansion of the road network has been very rapid. It has grown from only 4 thousand km of roads in 1971 to 182,286 km today, covering six broad categories—national highway, regional highway, Zila road, upazila road, union road and village road. The critical problem facing the road sector is the maintenance and improvement of the network to raise quality and safety of road operations.

5.210 In order to ensure efficiency gains, various options for financing road maintenance and operations will be explored. The establishment of an autonomous road maintenance fund to ensure adequate and stable recurrent financing of roads will be considered. The multi-modal transport system

link will be expanded to include, among other areas, the EPZ, and coal, hard rock, mining fertiliser, cement and tea production areas for speedy and efficient movement of cargo and passengers.

5.211 Monitorable indicators need to be set to assess progress in key areas, such as increased allocations for maintenance, increased level of cost recovery, and more effective road traffic management like road safety, traffic control and overloading enforcement. By developing country standards, Bangladesh already has a relatively high road density. To maintain the roads which are valued at \$7 billion, it is desirable that a fraction of the expenditures meant for construction of new roads should be reallocated to upgrading and routine maintenance, especially of the core network. The same principle of assigning high priority to maintenance should apply to the management of rural roads.

5.212 In order to ensure a sound road transport system, the responsibility for management of different types of roads among the Roads and Highways Department (RHD), Local Government Engineering department (LGED) and municipal local government institutions needs to be clearly assigned. Similarly, effective coordination among relevant ministries/agencies and formal mechanisms of interaction with non-government stakeholders need to be instituted. To ensure satisfactory performance of responsibilities, high priority should be given to build up the capacity of agencies like the Bangladesh Road Transport Authority (BRTA) and local government institutions.

5.213 The rural areas are being served by an extensive road network of 159,853 km. length. Efforts are on to develop 2,100 markets as growth centres. The rural electrification programme covers about 40,000 villages with 4.3 million connections to households, 121,715 irrigation pumps, 90,921 enterprises and 576,842 commercial establishments. Most rural infrastructures were built using labour-intensive technologies under public works infrastructure development programmes implemented by the LGED, and the electrification programme of the REB.

5.214 The rural road network has reached a level where it would be more appropriate to invest in quality rather than network expansion. This will imply putting more emphasis on quality construction using labour-based technologies, maintaining and upgrading the existing network, and undertaking selective expansion to ensure balanced rural-urban linkages. In doing so, more emphasis also needs to be given on developing growth centres; developing rural roads which connect villages with growth centres and feeder roads; and providing drainage structures (e.g. bridges and culverts) on rural roads.

5.215 The pressure on urban transport systems is increasing in most cities. Ownership of motor vehicles is growing faster than the population. This growth exceeds the ability of the road space to accommodate the increased load. This has become a major impediment to the efficient working of the road systems and the urban economy in the mega city of Dhaka. A city of 10 million people living in a very limited area cannot meet transport needs with surface modes of transport only. It is imperative to build underground and other mass transit systems.

Railway Transport

5.216 The role of the Bangladesh Railway (BR) in the economy has been quite limited, largely due to the limited infrastructure and low efficiency of services vis-à-vis competing modes of transportation. BR continues to be a losing concern and its operational performance and efficiency of services continue to be unsatisfactory.

5.217 Sustained reform actions are on the card to enhance the contribution of railways to the economy and contain the adverse budgetary impact of its operations. The reconstruction of BR including corporatization and commercialisation, and private participation are critical to develop the sector and improve efficiency of services. Linking BR with the railways of neighbouring countries through strategic partnership has a high potential for economic growth, poverty reduction and commercial viability of the sub-sector.

Inland-Water Transport

5.218 The inland waterway system carrying large volumes of total freight is not used to its full potential due to silting of waterways, lack of ghat berthing facilities, and obstructions caused by low or narrow road bridges and irrigation channel sluice gates. In order to release the full potential of the inland waterways, among other things the following factors deserve consideration: inter-project coordination to facilitate clearances under road bridges and needs of country boats in siting and designing sluice gates; encouraging local authorities to organise self-financed ghat facilities through user charges; setting and enforcing standards for the bridge network and berthing facilities.

Air Transport

5.219 The Biman Bangladesh Airlines, the national carrier of Bangladesh, has direct links with 8 domestic and 26 international destinations. This has been mostly a losing concern since 1996-97. These losses are attributable to poor management, excessive expenditure in leasing aircrafts and high overhead expenses. The reforms to improve air transport should include reduction of rent through negotiation with leasing companies, reorganisation of routes to reduce the flight operating costs, reduction of at least a quarter of the existing manpower in foreign stations, and more emphasis on cargo transportation.

Port (Sea and Land)

5.220 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, the vested interest of labour unions and other groups, and high unofficial costs not only increase transportation costs but also result in delays and uncertainties that severely undermine the economy's productivity and international trading links. Much of the inefficiency is centred at the Chittagong port, which handles nearly 85 percent of the country's imports and exports. Under-utilisation of the seaports is also attributable to lack of a linked transport system, gradual silting and inadequate dredging, lack of skilled manpower, and lack of apposite planning for upgrading and modernisation. The operations of land ports are similarly constrained by lack of efficient organisation, a weak implementation authority as per the Land Port Act-2001, inefficient enforcement capacity in traffic regulation and vehicle controls and weak commitment and participation by stakeholders.

5.221 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 labour reform programmes, setting performance evaluation criteria, and establishing procedures of accountability. At the same time, the Government will develop and put in place a sound investment guarantee policy to facilitate private sector participation in ports. Contracting out cargo and other services at the two seaports will increase efficiency. Measures to set up free economic-zones at deep seaports at Moheshkhali and Kutubdia and constructing coastal highway link roads will get priority.

5.222 Strategic actions in the service sectors mentioned above include commercialization of port activities, introduction of a corporate culture, according operational autonomy and ensuring accountability for outcomes, giving incentives for better performance; and improvement of management and corporate governance through strategic partnership with private investors.

5.C.5.6 Infrastructure: Concluding Remarks

5.223 In order to accelerate the income multiplier effects and employment generation from infrastructure development, priority will be given to the creation of macro and micro-level interactions, i.e. through close interactions between the central and local government institutions. A proper decentralisation of design, implementation and management of rural infrastructure programmes will have far-reaching implications for cost effectiveness, maintenance and provision for sustainable infrastructure services. To maximise the impact of decentralisation, the formal rural infrastructure programmes (e.g. those implemented by LGED or REB) should 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 best practice examples. To realise this, the overall responsibilities of local level institutions should be enhanced. In order to ensure efficient planning, implementation, and operation and maintenance of the rural infrastructure, a community participation process needs to be adopted with involvement of local government institutions, beneficiary groups, user committees, and the private sector.

The relevant Policy Matrix providing major goals and actions to be taken in the infrastructure sector is presented in Annexure 4.

5.C.6 Tourism for Poverty Reduction

5.C.6.1 Tourism and Poverty Reduction

5.224 Tourism is the world's largest industry in terms of gross output. It has immense potential to contribute to economic growth and poverty reduction; around the globe tourism not only generates a large amount of foreign exchange but also creates highest number of jobs as a single source. In a labour surplus economy like Bangladesh, high labour intensity of the tourism sector may provide a wide range of employment opportunities, mostly for unskilled labour and women. High backward linkages of the sector also boost domestic production specially that of the handicrafts. It also builds country image abroad and promotes cultural events of interest, especially those threatened. Tourism can contribute to ecological development, if it is designed in a careful manner. It also can induce investment in both the

physical and socio-economic infrastructure sector. Therefore, policies aimed at increasing tourism would have a direct bearing on overall development and poverty alleviation. Considering the immense potential of tourism, the Government of Bangladesh has declared it as a ‘Thrust Sector’.

5.C.6.2 Tourism in Bangladesh

5.225 In 2004, Bangladesh’s foreign currency earning from tourism sector has been equivalent to Tk.3967.56 million. The World Tourism Organization predicts an annual growth rate of 6.10 percent for tourism in Bangladesh, and the number of foreign tourists is estimated to reach 0.5 million by 2020. Therefore, adequate investment and creation of required facilities will be of immense help to exploit the full potential of tourism in Bangladesh.

5.C.6.3 Major Tourists’ Spots of Bangladesh

Recreational Spots

5.226 Bangladesh has two very beautiful sandy beaches, namely Cox's Bazar and Kuakata. Cox's Bazar, the world’s longest unbroken sandy beach, is about 120km long at a stretch. The length of the beach is paralleled by evergreen-forest hills. Kuakata beach lies in the south, which has a unique feature that allows glimpse of the rising and setting sun in the water of the Bay of Bengal. Kaptai Lake in Chittagong is also a place of natural beauty with Buddhist temples and statues aside.

Eco-tourists' Spot

5.227 The Sundarbans, another proud possession of Bangladesh, is the largest mangrove forest of the world in one patch which is situated on the southern coast of the country. It is a habitat of myriad species of flora and fauna and a piece of great interest to the nature loving tourists. There is a coral island named Saint Martin, situated off the eastern coast of the country. The island still holds unspoiled nature and has immense scope of development for eco-tourism. Tea gardens, Madhabkunda and Khasia Pungi in Sylhet and the hill districts of Chittagong are paradise for nature lovers and have the potential to be developed as eco-tourist spots.

Archaeological and Religious Spots

5.228 Sonargaon, Paharpur (the largest Buddhist seat of learning), Mohasthanagarh (the oldest archaeological site), Mainamati (the seat of lost dynasties), Kantaji Temple (the ornamental medieval temple), Ramu, (a famous place for pagodas containing images of Buddha), Sitakundo (a sacred place for the Hindus and Buddhists), Moheshkhali (a famous place for Adinath Temple), Langalbandh (a Hindu holy place) and Lalbagh Fort are the major archaeological and religious tourist spots of Bangladesh which can attract a large number of religious and leisure tourists.

Culturally Important Events and Spots

5.229 On the socio-cultural front, Bangladesh has diverse ethnic, adivasi/ethnic minority , age-old traditional fairs and festivals and pilgrimage sites of tourist interest.

5.230 Because of the wide potential and importance of various tourists' spots in Bangladesh, UNESCO has listed three sites in Bangladesh as World Heritage sites, which are: Paharpur, Shat Gambuz Mosque and Sundarban.

The relevant Policy Matrix providing major goals and actions to be taken for Tourism Development is presented in Annexure 4.

5.C.7 Development of ICT for Growth and Poverty Reduction

5.231 The Government of Bangladesh recognises that Information and Communication Technology (ICT) can make an important development impact, because it has the capabilities to overcome barriers of social, economic and geographical isolation, increase access to information and education, and enable poor people to participate in more of the decisions that affect their lives. ICT is seen as an indispensable tool in the fight against poverty and ICT has the potential to provide the nation with an unprecedented opportunity to meet vital development goals such as poverty reduction, basic healthcare, and education far more effectively than ever was thought humanly possible.

5.232 Bangladesh, with a population of 140 million on a land of only about 55 thousand square miles and with limited natural resources, has been making some programmatic approaches to seeing the application of science and versatile ICT in every sector of the economy. ICT has transformed this world into a virtual global village. In order to exploit the potential of ICT, it is essential to convert the vast population into human resources trained in ICT—both in rural and urban areas, supported by adequate and efficient ICT infrastructure facilities connecting the rural and urban men and women to the global village. Through initiating appropriate policies and proper implementation, it is possible to create an information society and drastically change the livelihoods of Bangladesh's people by expanding their horizons beyond the national boundary. The Government has initiated certain moves and also proposed some other programmes through which quality education using ICT can be made accessible to the poor.

5.233 At the policy level, a number of measures have been taken including:

- Formulation of a National ICT Policy;
- Adoption of e-Governance Initiatives in selected areas;
- Formation of a National Task Force on ICT and Biotechnology;
- Amendment of the Copyright Act 2000; and
- Legislation of the ICT Act.

5.234 The National ICT Policy was formulated in 2002 and will be further updated. The ICT Policy has given importance to the development of ICT for capturing a share in the multi-billion dollar

software export market, ensuring good governance, enacting ICT related policies, ensuring gender equity in terms of access to ICT and for developing world class ICT professionals and institutions.

5.235 The Policy includes issues of human resource development, creation of ICT infrastructure, research and development (R&D) on ICT and development of ICT industries on a priority basis. It has highlighted the importance of hardware industries, ITES, e-Commerce, e-Governance, legal issues related to ICT, application of ICT in health care, application of ICT in agriculture to exploit the potential for the development of rural economy and agro-business. Application of ICT in other areas like disaster management, social welfare, transportation and judiciary has also been highlighted. In addition, a National ICT Action Plan is being prepared based on ICT Policy 2002 and the National Seminar on a Road Map for ICT Development in Bangladesh which was held in 2003. The Copyright Law 2000 has been further amended. Moreover, the Government has exempted ICT related equipment from VAT and taxes and has been providing tax holidays to ICT related ventures and creating an equity fund for financing investment in this sector.

5.C.7.1 Expanding Telecommunication Facilities

5.236 It is believed that increased tele-density boosts economic growth and an easy access to telecommunication facilities has been the key to success for any ICT initiative for the poor. The telecom sector was liberalised for private investment in the early 1990s, resulting in appreciable growth in mobile telephone usage in the country. Among the measures taken and proposed, some important ones are:

- Installation and expansion of a digital telephone network in urban and rural areas;
- Development of interconnection facilities between the Bangladesh Telephone and Telegraph Board (BTTB) and other telecom operators;
- Expansion of the internet and data network throughout Bangladesh; and
- Installation of a mobile telephone service by BTTB.

5.237 Appropriate steps have been taken to introduce new services like data communication and countrywide digital networks connecting all districts. BTTB is working to bring 64 districts under a digital network and a National Digital Data Network (DDN) has been implemented, which will integrate the whole country under a single digital network.

5.238 Establishment of the Bangladesh Telecommunication Regulatory Commission (BTRC) has been encouraging private sector participation in fixed telecom-services and thereby increasing tele-density and tele-access in the country. BTRC has authorised fixed-line telephone services (PSTN) in four regions of the country through the private sector and the aim is to add 1.2 million fixed phones in 2 to 3 years. BTRC has made it mandatory to deploy 5 percent of the telephones in rural areas under PSTN. It will allow wireless local-loop (WLL) technology in remote areas to provide access at a low cost.

5.239 Besides encouraging private participation in the sector, the Government recognises the need for further reforms in BTTB and accordingly has been infusing a corporate culture into the BTTB management through various institutional reforms so that it can assume greater and expanding roles to meet present and future demand.

5.C.7.2 Expanding Internet Facilities for Rural People

5.240 With a view to making internet facilities available to the poor at a low cost and to bring about drastic changes in their livelihoods by introducing this modern technology in all sectors of the economy, the Government has initiated a number of projects and programmes.

5.241 The Voice Over Internet Protocol (VOIP) has been made accessible to the private sector to facilitate internet expansion at a low cost. The Government is also exploring the possibility of establishing an alternate broadband network for large-scale data and voice transmission. BTRC has conducted a study in this respect through independent consultants and their recommendations are being reviewed.

5.242 The Government believes that the expansion of internet facilities to the rural areas largely depends on the availability of fibre-optic links. Accordingly, fibre-optic links have already been established in most cities (50 out of 64 districts). Moreover, BT'IB has been working to connect Bangladesh by the year 2005 with the Information Superhighway through a submarine fibre-optic cable project with the landing site at Chittagong. A nationwide internet backbone will be established based on the fibre-optic submarine cable.

5.243 Due to de-regulation of the Very Small Aperture Terminal (VSAT) policy by the Government in February 2000, the number of ISPs has increased, with individual bandwidths ranging from 128 kilobytes per second to 8 megabytes per second, offering broadband internet services through DSL/HDSL modems. All 64 districts have been brought under internet coverage by BT'IB through dial-up connections.

5.C.7.3 Expanding Computer Facilities to Rural Areas

5.244 Analysts have found positive links between communications and access to information and development of communities. Access to information leads to opportunities that generate resources and hence information is linked to resource building. Within this line of thinking, ICT serves as a powerful tool to give equal access to the poorest of the poor and thereby help to create sustainable human development.

5.245 The Government believes that development of an institutional framework for providing the poor with access to computer facilities is essential for the development of human resources and the creation of an information society. Accordingly, the Government has initiated a number of projects to strengthen the Bangladesh Computer Council.

5.246 The Ministry of Science and Information & Communication Technology (MOSICT) has been planning to improve efficiency, productivity, and quality of education by introducing ICT at various levels. In this context, several initiatives have already been taken and some are underway, such as:

- Assistance to secondary schools for introducing computer courses;
- Introduction of computer training and internet facilities for rural secondary and higher secondary institutions;
- Development of SSC (ICT) and HSC (ICT) curriculum in schools and colleges in 64 districts;
- Establishment of a world class research institute as a “Centre of Excellence”;
- Introduction of Olympiad competitions for primary, secondary and university levels in science and ICT; and
- Establishment of six IT training institutions, one in each divisional headquarters.

5.247 Recognising the importance of awareness among the students about computers and information technology, a public-sector project has been providing assistance to NGO secondary schools through distribution of computer hardware, software and peripherals for labs and organising training for teachers. The Government has also planned a new project to provide computer training and internet facilities across the country and to establish a local cyber centre by providing internet facilities in selected institutions. Another new programme, as mentioned above, for introducing SSC (ICT) and HSC (ICT) curriculum in 128 schools and colleges in 64 districts is underway. 1 school and 1 college in each district will be provided with complete lab and internet facilities. The teachers of those schools and colleges will also be trained.

5.C.7.4 Creation of a High-Tech Park

5.248 With a view to developing an information society and creating a Hi-Tech park, the Government recognises that it is essential to develop human resources in ICT. Accordingly, it has initiated a number of interventions. Of which the following interventions have already been taken: standard computer training courses at the Divisional Headquarters have been introduced, a programme for providing special allocation of funds to the universities for conducting a one-year Postgraduate Diploma Course in ICT has been introduced, registration and ranking of Private ICT Training Institutes has been initiated, a National ICT Certification Examination following a standardised course curriculum has been introduced, Computer-aided Learning Packages for students of different levels have been developed, employment of the youth through ICT Training and Enabled Service (ITES) has been introduced, an ICT Business Promotion Council has been established to oversee the development of IT industries in Bangladesh. An institute called the Bangladesh-Korea Institute of ICT has been set up; a National ICT Internship Programmes have been launched, and ICT Training Institutes in 15 of the greater districts will be set up.

5.249 As a step toward setting up a Hi-Tech park and encouraging start-up companies in software and ITES development and export, the Government has set up an ICT Incubator at the heart of Dhaka City, which has been in operation since November 2002. The Incubator Centre has been provided with free internet connection and enjoys a rent subsidy. At present, many software related companies have been using these facilities.

5.250 The Government has been working for establishing a 232-acre Hi-Tech park at Kaliakoir, 40 km north of Dhaka City. The land for the project has already been handed over to MOSICT. This park will

be used for software and ICT-enabled service industries, PCB (electronics and printed circuit-board)-related equipment and products, telecommunications, hardware assembly/ component/VLSI design and manufacturing, opto-electronic equipment, bio-technology and related linkage industries. The Park will include a hi-tech institution to provide technical support and to conduct R&D activities. The Park is expected to promote and facilitate ICT and other hi-tech industries for development and business activities and is likely to play a significant role in Bangladesh's endeavours for poverty alleviation.

The relevant Policy Matrix providing major goals and actions to be taken in the ICT and Biotechnology sector is presented in Annexure 4.

5.D Strategic Block III: Effective Social Safety Nets and Targeted Programmes

5.251 Bangladesh has a robust portfolio of Social Safety Net Programmes (SSNP) which addresses various forms of risk and vulnerability and attempt to reduce poverty through direct transfer of resources to the poor. The portfolio has been responsive to changing risk assessments and has witnessed a fair degree of programme innovation. Thus, a food rationing system gave way food-for-work programme and subsequently to vulnerable group development and food-for-education programmes as well as incentive programmes such as school stipend which combine safety net objectives with human development objectives.

5.252 The arguments in favour of SSN are based on the government's policy to (a) reduce income uncertainty and variability; (b) maintain a minimum standard of living; and (c) redistribute income from the rich to the poor. The basic operational characteristics of an SSN is that it transfers resources in cash or kind directly to a specified group of people (the poor, women, disadvantaged groups, old people) through a delivery mechanism with or without certain condition being binding upon the recipients. A Fact-Sheet on SSNP is included in Annex 2.

5.D.1 Safety Net Programmes (SNPs) in Bangladesh

5.253 During the last two decades, the Government of Bangladesh (GOB) has been pursuing a number of safety net programmes. Expenses for SNPs are less than one percent of GDP and about 4.4 percent of public expenditure. There are about 27 SNPs in Bangladesh (see Annex 3). Some of these SNPs are described below:

5.254 **Old-Age Allowance Scheme (OAAS):** The number of the elderly (above 60 years) has been estimated to be 7.6 million as recorded in the 2000 census. Beginning in April, 1997 the Government has introduced the "Old-Age Allowance Scheme" in all rural areas of Bangladesh as well as in municipal areas. At present, this programme is operating in 42,991 wards of six divisions of Bangladesh. A total of a million elderly poor persons (men and women in equal numbers) are receiving this pension. Each beneficiary receives Tk 165 per month. In the 2003/04 budget, the allocation was Tk 1.8 billion for this programme. The programme was extended to cover 1.32 million people with an allocation of Tk 2.6

billion in 2004/05; the minimum age of beneficiaries in 2004/05 was raised to 65 years. In the budget of 2005/06, the allocation on this head has been further increased to Tk 3.2 billion with the intended beneficiaries to reach 1.5 million people. The Government has also increased the per head old-age allowance to Tk 180 beginning 2005/06.

5.255 Allowances for the Distressed Disabled Persons (ADDP): In the budget of 2005/06, the Government has introduced allowances for the distressed disabled persons and provided an allocation of Tk 250 million for this purpose. This programme has started to cover 0.104 million poor and distressed disabled persons who would receive Tk 200 per person per month. This is a unique programme for the persons with disabilities first ever launched in Bangladesh in the area of Social Safety Net Programmes (SSNPs).

5.256 Allowance Scheme for Widowed and Distressed Women: Women suffer when they become widowed, divorced or abandoned by their husbands. At present, widowed, divorced and abandoned women constitute about 11 percent of total married women. To deal with this problem, the GoB introduced the “Widow Allowance” scheme in September, 1999. Under this programme, 5 extremely poor women in a ward who are either widowed or have been deserted by their husbands are given Tk.150 per month. In 2003/04, the allocation for this programme was Tk.900 million. At present, a total of 4488 Unions are covered under this programme. Besides, some small municipalities have also been included in this programme.

5.257 Rural Maintenance Programme (RMP): The Rural Maintenance Programme (RMP) is basically a “cash for public works” programme with built-in provisions for skill training for women. Starting in 1983, the RMP now runs in 4140 unions. Both the central and local governments (Union Parishad) of the GOB are responsible for funding a part of the costs of the RMP. The focus of the RMP is fourfold: (a) maintenance of roads in the rural areas, (b) creation of employment for disadvantaged rural women, (3) development of the management capacity of the bottom-tier of the government (Union Parishad) and (4) providing women with skill training. The maintenance work under RMP is done by rural destitute women who are widowed, divorced, abandoned or have disabled husbands. They are employed for a period of four years. Under the RMP, a woman works for three years and three months, and for the remaining nine months she receives skill training. However, the beneficiary receives a regular daily wage of Tk.43 for full four years. An amount of Tk.10 is compulsorily saved everyday. The programme employs approximately 41,400 destitute women every year.

5.258 The Vulnerable Group Development (VGD) Programme: The Vulnerable Group Development (VGD) programme is targeted to provide food and development services to the poorest women in rural areas. The programme currently attempts to improve the economic and social situation of VGD women so that they may graduate beyond their existing conditions and be able to sustain themselves above the poverty level. More specifically, the immediate objective of the VGD programmes is to increase the income earning capacities of the beneficiary women by (a) imparting training; (b) encouraging savings and (c) providing credit.

5.259 **Rural Infrastructure Development Programme (RIDP):** RIDP is one of the largest food-based safety net programmes in the country. In 2002/03, the food used for wage payments was nearly 300 thousand metric tons for RIDP. In 2001/02, the budgeted allocation for RIDP (then FFW) was Tk.9.9 billion. Earlier evaluations had found several major problems (discussed later) with the FFW programme.

5.260 **Food for Education (FFE)/Cash for Education (CFE):** There are a large number of dropouts among children aged between 6 and 10. The main cause of this is the pervasive poverty of the parents forcing them to send their children to work. The Food for Education (FFE) programme was designed to encourage poor families to send their children to school. It is designed to ensure that children from the poorest 40 percent of households are enrolled in formal primary schools. The Food for Education has been converted into Cash for Education where households with qualifying pupils receive Tk 100 per month for one pupil and Tk 125 per month if more than one pupil is enrolled. This is now a major component of the education budget, accounting for about one third of the annual development budget earmarked for primary education. This is fully financed by the Government and it is the largest conditional cash transfer programme in the country with an annual budget of about Tk 6.6 billion. Till June 2001, the programme has been in operation in 1,254 Unions of 464 Upazilas, with coverage of 17,811 schools. An estimated 5.5 million pupil benefit from this programme.

5.261 **Female Secondary Stipend Programmes:** Female secondary stipend programmes are targeted at all girls in rural areas, to encourage them to attend secondary schools. The objectives of the programmes are to increase and retain female students in grades six to ten, increase the likelihood of employment or self-employment of the students once they complete the study, and reduce early marriage among girls. The programmes have operated since 1993 and have led to a significant increase in the enrolment of girls. There are four female secondary stipend programmes: The Female School Stipend Project (FSSP), financed by the Government and covering 282 Upazilas; the Female Secondary School Assistance Project (FSSAP), financed by the Government and the World Bank and covering 118 Upazilas; the Secondary School Development Project (SSDP), co-financed by the Asian Development Bank and covering 53 Upazilas; and the Female Secondary School Education Stipend Project (FSSESP), financed by NORAD, and covering 17 Upazilas. Currently, about 4 million girls receive stipends from these four programmes.

5.262 **Quantity Rationing:** Bangladesh has a large public grain-distribution system. There are both priced channels and non-priced channels. Additionally, under the monetised channel, small amounts of grain are diverted for subsidised open market sale at times of a sudden rise in prices. This type of sale was much larger previously but has been discontinued except during periods of natural disasters.

5.263 **Other Programmes:** There are some other safety-net programmes in Bangladesh. Some of these are: (i) Vulnerable Group Feeding programmes which aim at assisting households over several months at times of distress. Selected cardholders receive 8 kg of rice per month. (ii) Food Security Enhancement Initiative (FSEI) programmes started in the year 2000 and will continue up to 2005. (iii) The Rural Social Service (RSS) is a micro-credit and training programmes in the areas of primary health care, occupational skill and informal education. (iv) The Urban Social Service provides collateral free

small credit and skill training to slum and pavement dwellers. (v) The Rural Mother Centre (RMC) provides the distressed rural mother with interest-free micro-credit, training in primary health care and family planning, and informal education. About 12,965 mother centres have been established in 318 Upazilas. (vi) The Programme for Acid Burnt Women and the Physically Handicapped plans to alleviate both the socio-psychological and income poverty of women who had suffered acid-burns. (vii) The Social Investment Programme Project provides finances for community-based development activities for poverty-alleviation.

5.264 Apart from the programmes mentioned above, there are various other programmes that may be categorised under “safety net.” In short, Bangladesh has several SSNPs, which are running; several others that exist in name only and yet others, which exist though little is known about them.

5.D.1.1 Natural Disaster Programmes

5.265 Bangladesh regularly faces natural disasters such as flood, tidal bore, tornado, cyclone, droughts etc. The shocks of these disasters have a disproportionate impact on the poor. In response to such shocks, households adopt coping strategies such as reducing food intake, sale of productive assets, resorting to high interest loans, and contracting family members to hazardous labour that compromises their well-being.

5.266 The frequently adverse impact of weather-related disasters has given rise to two reactions in Bangladesh. First, there is the inevitable need for emergency gratuitous relief operations. This is a Government programme run by the Department of Relief and Rehabilitation. It is designed to provide emergency relief to disaster victims. While it is a relatively small programme, it is the main instrument through which the Government provides immediate, short-term relief to disaster areas. Another programme, Vulnerable Group Feeding (VGF), is triggered by disaster and is used purely as an emergency programme. Second, there is considerable interest in risk mitigation programmes. Another government programme is the Fund for Mitigating Risks for Natural Disasters. This has a total budgetary allocation of Tk 1.5 billion. The programme is intended to respond to natural disasters such as drought, rain from the hills, floods, river erosion, cyclones and tidal waves. It covers about 22,000 beneficiaries each year. Victims of disasters are eligible for interest-free loans from Tk 5,000 to Tk 25,000, with a one to three years’ period for loan repayment and a one-time 5 percent service charge. PKSF is also implementing a pilot programme titled “Disaster Fund for the Poorest” specifically to protect those who have borrowed micro-credit under the programme.

5.D.1.2 Provision of Shelter

5.267 **Asrayan/Abashan Programme:** After the independence of Bangladesh the Government inaugurated a “Cluster Village” project to rehabilitate the landless people in a particular district. In line with this activity, a number of Cluster villages were later established.

5.268 After the cyclone of 1997, the Government took steps to build strong houses and shelters and the project Asrayan were launched. It is a programme to provide shelter and self-employment for the poorest people of the society. Asrayan residents also get training in disaster management, team building, women’s empowerment, primary healthcare, skill development, and income generating activities.

Recently, the Government has undertaken a similar programme named Abashan. The objectives of this programme are to: (i) provide homeless and landless families with homesteads and basic facilities on *Khas* (Government owned) land; (ii) enhance community development, crisis-coping capacity and increase self-reliance; (iii) facilitate provision of basic necessities, i.e. education, health and nutrition, family planning; and (iv) promote income-generating activities.

5.269 **The Housing Fund:** The Government has started a housing loan scheme, called the Housing Fund. The main purpose of the programme is to improve the quality of life of the poor people by providing loans to construct safe and durable houses. The Housing Fund programme was introduced in 1997-98 all over the country. Till now, the Government has allocated Tk.980 million for the Housing Fund. The Housing Fund is a small programme. The project provides (i) housing loans to low-income households to construct houses through partnership agreements with NGOs; and (ii) micro-credit to the loanees through implementing agencies/NGOs for income-generating purpose. The target groups of the Housing Fund are the rural poor, the landless, small and marginal farmers, people who are rendered homeless because of calamities.

5.D.1.3 Social Safety Net Programmes (SSNP) and their Impacts

5.270 Most of the interventions described above have not been rigorously evaluated. The absence of evaluation makes it difficult to draw definitive conclusions about past impacts, and future policy directions for safety net programmes in Bangladesh. All the SSNPs have immediate economic improvement effects, some development effects as well as empowerment impacts. The crucial question to ask is if safety nets programmes work as a ladder to move people out of poverty. The majority of the households benefiting from the safety net programmes based on cash transfer have been able to increase household income. Research findings further indicate that with enhanced household income these households also alleviated their food and health insecurity. Cash transfer, even though it is relief-oriented, encourages beneficiaries to make some investment. Programmes targeted at women have (a) increased women's participation in household decision-making; (b) improved health conditions of women and their family members; (c) encouraged small investments for income generation in the future; and (d) revived the traditional system of in-family care.

5.271 Vulnerable Group Development (VGD) and Test Relief (TR) also have a development impact. VGD currently attempts to improve the socio-economic condition of beneficiary women so that they may graduate beyond their existing conditions and be able to sustain themselves above the level of extreme poverty. Research shows that implementation of stipend programmes increased enrolment rates and school attendance, and reduced dropout rates in primary schools. In case of RMP, studies show that over 60 percent of the phased-out RMP participants were able to maintain their previous (i.e., during RMP period) standard of living. Safety net programmes in Bangladesh have also become successful to a certain extent in alleviating human poverty. Findings from a BIDS study show that about 70 percent of children (aged 5-14 years) from the beneficiary households are enrolled in school, while in the non-beneficiary households, 64 percent of such children are enrolled in school.

5.272 Evidence on the impact of conditional transfer programmes indicates positive impacts on human capital accumulation. For example, the FSSAP and the FFE/CFE programmes impacted long-term development by fostering human capital formation through increasing the primary enrolment rate, promoting school attendance, and reducing drop-out rates.

5.273 Girls constitute about 55 percent of enrolment at the secondary level, compared to around 33 percent in 1993 when the FFSAP programme was initiated. In the case of the FFE programme, the overall enrolment rate had risen by 34 percent (27 percent for boys and 41 percent for girls), compared with a rise of only 2.5 percent for non-FFE schools. Similarly, it is found that attendance rates for FFE schools are 10 percentage points higher than for non-FFE schools, and drop-out rates were just about six percent compared to 15 percent for non-beneficiaries among FFE schools, and 11 percent in non-FFE schools.

5.D.2 Weaknesses in Bangladesh Safety Nets Programmes

5.274 **Lack of an Integrated National Policy:** There is no integrated national policy for social protection and safety net programmes based on a comprehensive and updated risk and vulnerability mapping. Often, the extent, nature and mechanisms of many safety net programmes change with a change of government. There is also lack of integration and coordination among various safety net programmes and providers. A number of ministries are involved in implementing and monitoring safety net programmes. Many are funded with donor money. Budgetary provisions are ad-hoc and given as block allocations.

5.275 **Limited Coverage of Safety Net Programmes:** Though SNPs have played a role in mitigating poverty, their coverage remains limited given the magnitude of extreme poverty that exists in the country. A BIDS survey reveals that SNPs cover about 10 million people, and consequently fall short of the needs of 23.9 million people who belong to the “extreme poor” category. Furthermore, SNPs cover mainly the rural poor, whereas the nature of urban poverty is more severe than rural poverty in certain respects. Recently, GOB has started a new safety net programme, namely the Urban Social Service (USS) for the urban poor. Through this programme, the slum and pavement dwellers are provided with collateral-free small credit and skill training. But the coverage of this programme is extremely limited.

5.276 **Missing Poor and New Vulnerabilities:** Current social safety-nets also lack coverage of specific socially excluded and marginalised groups. Some outcast groups in Bangladesh like cobblers, sweepers and fishermen are living in extreme poverty for years together. Tea plantation workers are another group found to live for years in extreme poverty. In Bangladesh, farmers, particularly the small farmers, are exposed to large-scale vulnerability due to various natural uncertainties, price fluctuation and low price of output. This may be exacerbated by the globalization process. If prices suddenly fall due to large-scale imports, there are no means to protect these farmers. There is also a lack of understanding of the poverty implications arising from globalization-induced shocks and their gender dimensions for the garment sector.

5.277 **Insensitivity to Geographic and Agro-Ecology Specific Poverty:** The nature of extreme poverty varies with variations in geography and agro-ecology. Separate safety net programmes are needed to alleviate poverty arising from area specific problems like river erosion, salinity and arsenic pollution. Geographic targeting taking these characteristics into account is still lacking.

5.278 **Inadequacy of the Amount of Transfers:** The “widowed and distressed women’s” allowance/Inadequacy of the amount of allowance/grain/wages/loans provided under the safety net programmes is one of the main weaknesses of these programmes. Almost all beneficiaries of the Old Age Pension Scheme reported that during old age, health care is a basic need and for this a more substantial amount of money is required every month. About 97 percent of the beneficiaries of those widowed and distressed women’s allowance reported the amount of allowance as inadequate. The dissatisfaction related to micro-credit disbursements is also universal.

5.279 **Inadequacies of Poverty Criterion:** For all the safety net programmes, the poor have been identified mainly on the basis of land ownership and income criteria. It is possible to identify the poor with respect to various socio-economic characteristics such as land ownership, income, housing condition, food security and consumption expenditure. The use of these characteristics should be applied, based upon the particular focus of the safety net programme subject to the provision that they should not be too complex to understand and apply.

5.280 **Inadequate understanding of the Gender Dimension of Poverty:** In the existing safety net programmes, the gender dimension of poverty has been addressed inadequately. All the safety net programmes undertaken for women addressed their income poverty whereas social and psychological poverty is pervasive among women in Bangladesh. Human poverty, particularly health poverty, is more acute in case of women but there is no safety net programme addressing the health insecurity of poor women. Access to education and skill training is highly restricted to poor women but no women-focused safety net programme was undertaken to provide education to girl children of poor families.

5.281 **Gender specific risks and insecurity in the labour market** are also by-passed by the existing safety net programmes. Poor women-workers face specific risks and insecurity. Risk of violence is also rampant for them in the workplace. Safety net programmes addressing these risks and insecurities are inadequate both in number and magnitude. Only recently, the GOB has undertaken a safety net programme to provide protection to the victims of acid throwing. But the size of this programme is as yet quite small. Victims are also in great need of counselling and health services as well as marketing services to sell what they produce through self-employment. Therefore, together with providing small credit, health and counselling services an outlet for marketing their products should also be provided to help their proper rehabilitation.

5.282 **Targeting and leakages:** Despite the successes of SSNP in Bangladesh, there have been causes of concern on several counts. There have been various administrative problems obstructing the smooth running of the programmes. Targeting has been off the mark in some of the programmes. In some cases, leakages have been more of a problem than targeting. Also in-kind transfers such as food may have depressed prices somewhat, and this could be a disincentive to small producers.

5.283 In FFE, as indicated earlier, the beneficiaries were poorer than non-beneficiaries but it did not clearly show that the former were actually drawn from the poor. The old age and widow allowance beneficiaries appeared to be well targeted. So were the VGD programme participants. In FFW, the

leakages have been estimated at 26 percent. But the main mechanism seems to be padding of the work done and falsification of pre-work and post-work estimates of earthwork. Other estimates put leakages at 34-59 percent for VGD and 30-65 percent for VGF. These leakages occurred due to administrative lapses and high administrative costs. More rigorous evaluation of these programmes would help to clarify the actual scale of the leakage and other implementation problems and where remedial measures can be best pursued.

5.D.3 Development of Effective SNPs: Issues of Governance and Development Contents

5.284 Given that the expenditure on safety net programmes is less than 1 percent of GDP, an increase in the allocation for social assistance programmes is warranted. However, it is difficult to be prescriptive about how big this should be. Safety net programmes have an important role to play in Bangladesh. The challenge is to base programme choice on an effective and updated risk and vulnerability mapping and ensure that chosen programmes serve both to limit total cost and reduce opportunity cost. Based on the experiences of other countries in the implementation of safety/social assistance programmes, a number of steps can be taken in Bangladesh in the area of SSN:

5.285 First, a coherent and integrated national social protection policy based on a comprehensive mapping of existing and emerging vulnerabilities needs to be developed. This policy will have to decide upon what to include and what to exclude for public action. Particularly, the variety of social assistance and the social insurance programmes that may be undertaken over phases needs to be clarified. Second, coverage of existing programmes which have proven track records can be expanded. For example, the Rural Maintenance Programme (RMP) needs to be continued. The old age pension scheme may also be expanded in phases. Third, the labour laws of the country that already have provisions for several types of social insurance related to employment need to be reviewed by a body composed of government representatives, employers, employee unions and other stakeholders. These laws should be further strengthened and implemented. A strong regulatory role by the Government may be needed. Fourth, rigorous evaluation of current SNPs to identify weaknesses and improve their effectiveness will have to be undertaken. Fifth, programmes need to be developed which address emerging vulnerabilities such as urban poverty, livelihood loss due to economic integration and policy reforms, and disadvantaged groups not covered by existing SNPs. Sixth, holistic strategy needs to be developed to provide long-term solutions to entrenched problems such as seasonal poverty in northern districts and other affected areas. Seventh, introducing health and nutrition related assistance programmes towards reducing maternal mortality and improving child nutrition. An active exploration of a viable school meal programme will be a priority. Eighth, facilitating the growth of insurance programmes targeted to the poor and vulnerable groups as viable alternatives for their social protection needs. In addressing all of the above, gender concerns will have to be accommodated as a matter of priority.

5.286 Consideration could be given to (i) establishing a clearing and designing house for keeping track and coordinating optimal utilization of scarce resources by avoiding duplication and dovetailing programmes so that the needs of the special groups may be catered to; (ii) minimizing the number and improving the accountability of intermediaries who are involved in administering safety net programmes; (iii) establishing a standing arrangement for monitoring and overseeing the development and implementation of policies and programmes for safety net programmes; (iv) coordinating the views and activities of the government and non-government organizations in SSN areas; (v) outsourcing responsibility for implementing safety net programmes at the local level; (vi) introducing periodic evaluation of programmes to throw light on what is working and what is not; and (vii) allowing for reform and consolidation of programmes where needed.

5.E Strategic Block IV: Human Development

5.E.1 Investing in People: Education

5.287 Deprivation from education itself is a key element of poverty. The number of poor people deprived of education is disproportionately high, and lack of education in turn limits their capacity to overcome income poverty, thus creating a vicious and intergenerational cycle. Empowering people with knowledge and skills is the most vital component of human development for poverty reduction. Education and learning have thus become key elements of poverty alleviation. The education system in Bangladesh is not pro-poor; and the quality and content of education do not effectively serve the goals of human development and poverty reduction. There is a general agreement that the number of institutions and enrolments have grown at all levels, but quality of education has deteriorated especially in institutions where the children of the poor families go.

5.288 It must also be mentioned at the very beginning that education in general has to be relevant for its recipients. Education needs to be life oriented and also livelihood oriented. It needs to function as toll for knowledge generation and self improvement however it also need to function as a tool for income poverty reduction where the recipients of education can meet the demand of the labour markets.

5.289 Discussion of the education sector is presented in six sections consisting of five sub-sectors and two crosscutting issues. These sub-sectors are early childhood, pre-school education and primary education, secondary education, technical and vocational education, tertiary education, literacy and non-formal education. The crosscutting issues are education governance and finance. Discussions in each section cover topics such as current status and achievement, current issues, targets to be achieved, ongoing initiatives and future actions to be taken.

5.E.1.1 Early Childhood Development, Pre-school (ECDP) and Primary Education

5.290 **Early Childhood Development and Preschool (ECDP)** education has not been a part of the publicly provided education. The Government, recognizing the value of and demand for pre-schools has encouraged NGOs and communities to set up and support pre-schools within the premises or near primary schools. Children from poor families, especially the first generation learners, can benefit greatly from ECDP programmes. That there is a demand for ECDP is indicated by the large number of community-initiated pre-schools attached to primary schools.

5.291 The Government needs to ensure that ECDP education is available in rural areas and is particularly targeted at children from poor families. Progress has already been made in this area. For example, an early childhood development programme is in place; a study is underway towards developing an ECDP curriculum; a number of national and international NGOs have been working on community-based ECDP activities; a National Plan of Action (NPA) for children is under preparation (by MoWCA) aiming at children's right to growth and development.

5.292 The Government will provide all encouragement and support for expansion of programmes in cooperation with NGOs and CBOs. While government funding may not be available for large-scale provision of these services, government support can take the form of facilitation and encouragement of donor assistance. All pre-schools should be registered with the Government. A national curriculum and

syllabus should be formulated for pre-school education. Teachers' Training Colleges should offer a certificate course for preschool teachers. A section for pre-schools should be established in the Directorate of Primary Education (DPE), which will set standards for pre-schools, including standards for teachers and their salary.

5.293 **Access to primary education** has increased steadily over the past two decades. The gross enrolment rate in primary education reached 105.7 percent in 2002, though net enrolment is estimated at about 80 percent. However, the rate of completion of the five-year primary stage is about two-thirds of those enrolled. The gender gap in enrolment has reached close to parity at a ratio of 51:49 for boys and girls. There are about 17.6 million students in primary education.

5.294 In terms of access, primary education is affected by constraints such as insufficient number of schools within a reasonable distance; economic conditions of the families and academic performance of the students. Often children from poor families and/or poor achievers do not come to school. Teachers too are often absent from school. Another obstacle to greater access to education is child labour. Access is also low for ethnic and linguistic minorities and people living in *char*-land, lowland *haor* and coastal areas where there is a disproportionate concentration of the extremely poor. Education facilities for children with even mild disability are very limited both in the public and private sectors. In terms of quality, various studies show that quality across the board is poor. Quality of education is determined by (i) family circumstances of children-parents' education, parents' ability to spend on private tutoring, parents keeping in contact with teachers, and the economic status of the family and; (ii) effective instructional time for students, which is 863 hours for grades I and II and 1537 hours for grades III to V in a year in Bangladesh. These instructional hours are lower compared to instructional hours prevailing in many developing countries in Asia.

5.295 The main targets of primary education are: to ensure that all children of age five irrespective of geographical, socio-economic, ethnic-linguistic, gender, physical and mental capabilities and other characteristics as well as the poor achievers are brought to school and complete the primary education cycle. School attendance and the completion rate have to be improved substantially. Primary education has to be made available to all drop-outs and left-out boys and girls. The quality of primary education including madrasa education has to be improved so that the competency rate doubles by 2007. Finally, attention must be paid to maintain gender equality.

5.296 Incentives for all children to attend primary school have been introduced through distribution of textbooks and food in 1993. Food distribution was replaced by a stipend of Tk.100 for a child and Tk.125 for more than one child in school per family. The programme aims to cover 40 percent of the students from poor families. Quality improvement measures in primary education have been taken through a modification of the curriculum and textbooks; establishment of Upazila resource centres and introduction of in-service training for teachers. Training for head teachers and Upazila primary education staff in management and academic supervision has been introduced.

5.297 To address the problem of child labour and their education, a basic education project for "hard-to-reach urban children" has been undertaken to benefit 351,000 working children. Schools under the Shishu Kalyan Trust also serve working children in urban areas. A second phase of the "Hard to Reach" project has been initiated in 2003. In 2004, a programme was launched to serve 500,000 out-of school children in rural areas and would be implemented with the help of NGOs.

5.298 Further actions to be taken are: (i) ensure one primary school for every 1500 persons; (ii) develop and fund programmes to extend the coverage, in cooperation with NGOs; (iii) support modernization and quality improvement of ibtidayee madrasahs; (iv) apply quality standards like physical facilities, learning aids, formation of the managing committee, student-teacher ratio, and involvement of the community in all primary institutions; (v) review the teaching-learning model recognizing that a large proportion of the pupils, especially the poor, will not go beyond primary education, and meanwhile the foundation of literacy and numeracy skills and basic knowledge has to be built; (vi) introduce English language teaching from class one; (vii) harmonise regular and madrasa education curriculum; and (viii) effectively implement PEDP II to particularly ensure quality improvement in primary education.

5.299 **Management and Finance:** A separate primary education cadre or a sub-cadre within the education service cadre should be formed immediately. An independent commission should have the responsibility of selecting a panel of teachers for each district, from which teachers would be appointed as vacancies arise. Professional training should become a prerequisite for teaching and academic supervisory positions in primary education. Quality of education must be ensured by providing continuous training to the teachers by strengthening 'Training of Trainers'. The National Academy for Primary Education (NAPE) should be developed into the highest professional centre for primary education with academic and administrative autonomy. The Government needs to bring all primary institutions under government management. The DPE should become responsible for academic supervision of all institutions teaching at the primary school level. District and Upazila should become the pivotal tiers for planning and managing access, equity and quality improvement support to schools. The Government should pay salaries and capital grants to all non-government registered schools.

5.E.1.2 Secondary and Higher Secondary Education

5.300 Secondary education starting from grade VI to XII is provided through collaboration of government and non-government providers within a regulatory framework. The number of students in secondary education is about 11 million, of whom girls are 51.3 percent. An average gross enrolment rate of 44 percent in secondary education indicates low access to secondary education. The dropout rate for 2002 is reported to be 18.7 percent for junior classes (6-8), 51.6 percent for secondary classes (9-10) and 43.8 percent for higher secondary classes (11-12). Poverty is a deterrent to secondary school access because, in addition to the tuition fee, there are high additional costs for transportation, uniforms, books and materials and private tutoring.

5.301 A positive development has been the closing of the gender gap in secondary school enrolment. Stipends and elimination of tuition fees for girls in rural areas have made a difference. However, this does not compensate for the structure of inequity that characterises the system. More girls, in absolute numbers, are benefiting from education, but girls from the poorest families, from remote rural areas, from urban slums, and from ethnic minorities remain deprived, as do their male counterparts.

5.302 Public examinations held at the end of classes X and XII are important indicators of quality of secondary education. The pass rates have been around 40 percent for both SSC and HSC examinations in recent years. Other quality issues in secondary education are that the secondary education has no purpose of its own. Curriculum do not relate to prospects of employment, entrepreneurship and

practical skills. Examinations, including public examinations, mostly test ability to recall information and do not test abilities to reason, or apply, analyze and synthesise information. Expansion in enrolment has not been matched by increase in physical capacity and human resources. Students per class and per teacher are around 60. A small proportion of teachers have any professional training. Academic supervision of secondary schools is almost non-existent.

5.303 Various projects to enhance quality and increase participation in secondary education have been undertaken. The Secondary Education Sector Improvement Project (SESIP), 1999-2005, aims to provide equitable access to secondary education by building new schools and classrooms in underserved areas and providing stipends and tuition waivers to girls. The Female Secondary School Assistance Project Phase II (FSSAP II) aims at addressing aspects of quality, access and retention of girls and strengthening management, accountability and monitoring. All stipend projects have entered into the second phase and the coverage of students has expanded. A project called PROMOTE encourages female teachers to receive B.Ed. training and facilitates construction of resource centres for teachers and hostels for female teachers in Upazila towns. A quality improvement measure and a step towards reducing the quality gap between urban and rural schools is the English Language Teaching Improvement Project (ELTIP) that was implemented during 1997-2002. The second phase of the ELTIP had been implemented during July 2002 through June 2005; implementation of the third phase of the project has started from July 2005 and expected to be completed by June 2008. The components of this project include improving teacher training facilities; providing management training of personnel; and providing teaching facilities in underserved areas. Groundwork has been undertaken to address quality, access and management weaknesses in secondary and vocational-technical education. Various recommendations emerged with regard to the organizational structure, central and institution level management, human resource management and performance-based subvention to schools. A Non-Government Teachers Registration and Certification Authority (NTRCA) has been established in order to ensure recruitment of quality teachers for all secondary and post-secondary educational institutes. The aim is to have all teachers certified and registered as qualified for teaching by this authority.

5.304 For secondary education, targets to achieve are both in terms of access and quality: increase access to secondary education by increasing gross enrolment rates by 50 percent for all levels of secondary education and reduce dropouts by half; improve quality of education at the secondary level by enhancing the SSC and HSC pass rate to at least 65 percent for both male and female students by the year 2008; ensure a gender balanced approach in the formulation of curriculum by removing negative images if any from the existing curriculum and project a positive image of women and household activities in the curriculum; improve enrolment, attendance and completion rate among students from poor families by reducing their dropout rate by 50 percent; and ensure sustainable gender parity in secondary and post-secondary education by making male-female student enrolment ratios equal, ensuring gender equality in completion rates, and making schools girl friendly.

5.305 Actions to be taken in the secondary sub-sector of education could be as follows: (i) make secondary education up to class X into one unified stream with adequate focus on communication skills, science and mathematics for all students. (Education Commission Report, 2003); (ii) undertake a sub-sector development programme for the under-served groups; (iii) build new schools based on school mapping and a model high school should be built by the Government in each Upazila within 10 years;

(iv) ensure that NCTB is concerned with only curriculum development and has permanent professional staff; (v) apply common minimum standards of inputs and performance in all types of schools; (vi) ensure that the student-teacher ratio does not exceed 40; that competent teachers are appointed; that schools have libraries, laboratories, toilets, drinking water and other facilities; and all teachers have periodic in-service professional upgrading; and that there is a common core content in the curriculum of all secondary level institutions; (vii) restrict or if possible eliminate private tutoring by teachers and at the same time enhance their salaries; and (viii) make public examinations and internal assessment mutually complementary and more oriented towards the diagnosis of weaknesses of individual learners, institutions and the system for taking remedial measures rather than branding a large number of students as failures. School-based assessment, currently under implementation, is a move in the right direction. And finally (ix) attention must be given to curriculum development in terms of making it gender sensitive. It also needs to pay attention to environmental and reproductive health issues. Curriculum at the intermediate level is in the process of being revised.

5.306 Governance and Finance: It is necessary to shift operational decisions to Division, Zila and Upazila levels. Education Committees should be established at the national and sub-national levels up to the Upazila to provide general oversight and guidance. The Boards of Education should be concerned with only public examinations and supervision of schools. A career path should be established for teachers. In 2003, the NEC has identified the need to decentralise DSHE operations and increase authority and capacity at the zonal, District and Upazila levels for effective planning, monitoring, inspection, audit, and academic supervision to improve the quality of secondary education. The Ministry of Education and the Directorate will have to cede more of the tasks of planning, initiating policy reforms and overseeing policy implementation.

5.307 The potential for mobilizing community participation should be fully utilised in a largely non-government system through strengthening School Managing Committees. To empower SMCs, their role and responsibilities should be clearly defined. They should be given necessary orientation and training. Particular attention is needed in the context of decentralization to protect managing committees from undue political and bureaucratic pressures. Appointing local MPs, political personalities and government functionaries as heads of SMCs of multiple institutions should be discontinued. Members and chairs of these committees should be parents and community representatives who are known for their interest in and contribution to education.

5.308 Develop professional capacities of personnel for key system management and pedagogic improvement, as well as permanent institutional arrangements for continued professional development and upgrading. Advance planning and a rationalised system is needed in respect of personnel recruitment and posting, e.g., in National Academy for Educational Management (NAEM), Higher Secondary Teachers' Training Institution (HSTII) and Teachers' Training Colleges. Bifurcation of the education cadre is necessary to create sub-cadres for management and teaching, allowing equivalent promotion and professional recognition in each sub-cadre.

5.309 The provision of subvention to non-government schools should be used to encourage access and participation by the disadvantaged groups, and promote minimum quality and performance standards for all schools. Devise transparent methods to link the amount and disbursement of subventions to the performance of schools.

5.E.1.3 Technical and Vocational Education and Training

5.310 The Technical and Vocational Education and Training (TVET) programmes offer courses of one to four years duration after the junior secondary level (class VIII). Vocational training institutes, polytechnics, commercial institutes, technical training centres and specialised institutes offer the courses. Certificate level courses (post-class VIII) are offered in about 163 public institutions and some 2,154 non-government institutions including secondary schools. In 2003, about 200,000 students were enrolled in these courses.

5.311 Limited opportunities for organised vocational and technical skill development are the defining characteristic of this sub-sector. TVET mainly serves young males who have completed at least the eighth grade. This rule out those who do not survive in the education system up to grade VIII. Poverty reduction is achieved when training results in employment, particularly for the poor. However, the public sector TVET is mainly disconnected from the job market. The placement rate for VTIs is 40 percent, for TTCs 60-65 percent, and unemployment is also common among graduates of polytechnics. The UCEP experience in the non-government sector may offer some contrasting lessons here. In general, failure to diversify its clientele and to make the programme more flexible, adaptable and responsive to market needs and geared to the informal economy means that TVET is failing to help the poor improve their employment and income.

5.312 Stated government policies and goals are to substantially increase the proportion of post-primary students enrolling in TVET. The objective is to increase the proportion of participants in TVET to 20 percent of the students enrolled in the secondary stage by 2020—from the present proportion of around 5 percent. To expand the TVET programme it has already been proposed to introduce double shifts in the technical institutions; and a special stipend programme for women's education in science and TVET. A programme has already been undertaken to set up three polytechnic institutions for girls. A study is being undertaken for assessing the market demand for jobs. The equity effect of this expansion depends on the proportion of the clientele of the programmes from disadvantaged and poor sections of the population; how effective the programmes are in imparting sellable skills, and whether there is an expansion in employment opportunities.

5.313 The objectives of TVET are to expand it for the poor, particularly for adolescents, young adults, adults, males and females and make provision for TVET after class (VI, VII and equivalent grades) and work; improve the percentage of vocational and technical graduates obtaining employment both in the domestic and international markets and to increase the pass rate in the terminal certificate exams. By 2007, enrolment in TVET should increase by 50 percent where women's enrolment will have increased by 60 percent.

5.314 The following issues must be addressed in TVET. (i) TVET has to be responsive to job markets and be linked to the industries; (ii) it has to pay more attention to underprivileged groups (the poor, adolescents, women, etc.) who do not make it to grade VIII or the SSC level; (iii) its quality and efficiency in the public sector must be enhanced and public-private-NGO collaboration should be encouraged; (iv) all training centres, government or private, should be registered and brought under a common regulatory framework; and (v) TVET courses should be flexible in terms of duration, time-table and curriculum and should be flexible in terms of age structure and academic qualification for the

students; (vi) Curriculum of TVET should be revised continuously in line with market demand; (vii) Ensure coordination among various TVET institutions and develop an uniform guideline; (viii) TVET institutions should develop cooperation with micro-credit providers to support self-employment of trainees. (ix) Ensure participation of industries through financial contributions to the training institution; And (x) Girls enrolment in TVET education must be increased and for that the introduction of stipend program will be helpful.

5.E.1.4 Tertiary Education

5.315 The major components of the tertiary-education network in 2005 were the 26 public general and specialised universities, 54 private universities and 1500 colleges of different kinds affiliated with the National University as well as the Bangladesh Open University (BOU). The University Grants Commission (UGC) is the statutory body entrusted with coordination of Government allocation and oversight of public and private universities. BOU, established in 1992, offers a variety of courses in the distance education mode. In 2003, registered participants in various BOU courses were about 400,000. In terms of the number of institutions and enrolment, tertiary education has recorded more than five-fold growth since 1971. Yet, participation of only 7 out of every 1000 persons in higher education in today's "knowledge economy" and "information society" has to be considered meagre.

5.316 The main issues regarding access to tertiary education, therefore, are two-fold: (a) equity of access to universities and prestigious institutions leading to potentially high private return from higher education, and (b) the balance of enrolment in different fields.

5.317 Inequity is compounded by high public subsidy for higher education. The ability to compete on the basis of equal opportunities and educational provisions at the basic education stage is not ensured; this inequality is multiplied progressively through the higher stages of education, and is reflected in a bias for the urban and the wealthy. Gender disparity in higher education persists, despite progress at the primary and the secondary levels. About a third of the students in degree colleges are women and under a quarter are women in universities. The ratio of girls is lower in most specialised professional institutions.

5.318 In tertiary education, increase of enrolment of male and female students in professional degree education must be improved in accordance with the domestic needs and also according to the needs of the human resources importing countries. For professional degrees, student enrolment should increase by 40 percent. This sub-sector needs to achieve better balance in enrolment among humanities, applied and pure sciences, technology and commerce. In this respect, a 50 percent increase in the enrolment of both boys and girls in non-humanities subjects and professional areas should be achieved. In terms of performance, it is imperative to improve the examination performance of the general undergraduate and graduate students. Internal efficiency of public sector higher education must be improved and the knowledge generation role of the universities must be strengthened.

5.319 The major recommendations regarding tertiary education are: (i) government and non-government colleges should have effective governing boards in accordance with the rules of the National University; (ii) an independent commission should select the teachers for all colleges; (iii) sufficient numbers of teachers should be appointed for all subjects to maintain a reasonable teacher-student ratio;

(iv) the National University should assess the physical facilities and human resources of colleges and apply its rules before authorizing opening of honours and masters courses in colleges; and (v) the National University must be made effective in supervising the network of degree colleges, enforcing accreditation standards, assisting colleges to improve quality of education, and maintaining the integrity of public examinations. The practice of assessment needs to be introduced where students will evaluate teachers and facilities, teaching peers will evaluate the research outcome of teachers and employers will evaluate the employability of graduates. Professional upgrading and pedagogic training programmes should be arranged.

5.320 Governance and administration in higher education need a fundamental overhaul. The elements of overall governance reform would include: (i) reviewing and modifying the legal basis for university governance to restore and enhance the performance and accountability of universities in terms of their academic and intellectual objectives; (ii) strengthening the UGC's role as an independent agency for assessing and setting priorities, establishing and enforcing quality standards, and allocating resources, and giving priority and resources for taking advantage of new information and communication technologies for making learning resources available, improving quality of instruction, and increasing flexibility of academic offerings in higher education. The Open University and other institutions should use on-line course materials from international sources.

5.321 The Government in cooperation with public leaders and respected citizens has to take the initiative to build a consensus among political parties backed by strong civil society mobilization on issues identified as important in public discussion, such as: (i) discouraging student organizations from joining political parties, (ii) disavowing use of political loyalty a criterion for academic and administrative appointments (iii) forming public and community service corps of students, and (iv) introducing a code of conduct for teachers regarding professional responsibility and political involvement.

5.322 Adequate resources for assuring quality must be a central concern in the future development of higher education. Expansion of capacity should be contingent upon availability of necessary resources for ensuring acceptable quality, rather than more of the same “low cost low outcome” provisions. Public-private collaboration, cost-sharing and cost recovery should be considered as strategies for dealing with resource constraints, enhancing resources for quality improvement, and contributing to equity in the education system and the higher education sub-system.

5.E.1.5 Literacy and Non-Formal Adult Education

5.323 The Government launched a major non-formal education programme in the 1990s, focusing on basic literacy in achieving universal coverage of youth and young adults aged 11 to 45 years. The census data of the Bangladesh Bureau of Statistics reports the rate of literacy for the population 15 years and above to be 47.4 percent—a significant improvement over a rate of around 35 percent in 1990. The literacy movement is currently on hold. But the Government recognises the need for post-literacy and continuing education programmes. The NFE programme of the public sector concentrating on literacy activities has been generally regarded as ineffective and has led to discontinuation of the basic literacy programme and the closure of the Directorate of Non-Formal Education in 2003. This leaves a vacuum in respect of non-formal education in the public sector. However, afterwards, in place of directorate of non-formal education a Bureau of Non-Formal Education has been set up in April 2005 for continuation of basic literacy.

5.324 Currently, the main public-sector NFE activity under the Ministry of Primary and Mass Education is the Post-Literacy and Continuing Education project. It aims to serve 1.66 million adults who went through the Total Literacy Movement (TLM) course. The content focuses on consolidating literacy skills and short courses to teach income-earning skills. Another similar post-literacy and continuing education project will be implemented to cover 1.7 million neo-literates. In addition, "Basic Education for the Hard to Reach Urban Working Children (2nd Phase)" project is being implemented in 6 divisional cities to provide quality non-formal, life-skills based education to 200,000 urban working children and adolescents aged 10 to 14 of which 60 percent will be girls.

5.325 NFE has a critical role in offering learning opportunities, building skills and capacities and broadening life options for the poor. Through NFE a large number of poor adult and young adult population who have missed the opportunity to acquire education must get a chance to receive livelihood oriented education. Thus NFE must have an important place in a pro-poor education and human development strategy. It is, therefore, necessary that a serious initiative be launched, involving the stakeholders in NFE, to develop a vision and policy framework. A national task force and a working group are working since late 2003 to develop policies for NFE. To address government's commitment to 'Education for All' and MDG's, the government needs to support not only literacy and non-formal adult education but also non-formal primary education. Sufficient resources should be available for this purpose. A regulatory framework and code of conduct for involved NGOs should be established. A national policy for non-formal education should be adopted.

5.326 The aim of NFE should be to build a nationwide network of multi-purpose, community-based and community-managed non-formal and adult learning centres, to meet the diverse learning needs of people. NFE has to prevent a relapse into illiteracy by creating opportunities for further learning and use of the skills in daily life. The role of NFE in offering a "second chance" primary education for adolescents who continue to miss or drop out from primary education and the link of the second chance programmes with skill development and formal education should be developed. Parental continuing education opportunities should be developed and made accessible through the network of community learning centres. It would be necessary to target marginal sections of the population to address their specific needs. Thus combining education and training with ancillary support, such as links with credit and advice, is essential. Efforts should be made to involve beneficiaries in planning and managing programmes. Gender issues are to be addressed by promoting greater representation of women in management and engendering the teaching content. Targeted social mobilization is required in the NFE area to seek active support and participation of stakeholders.

5.327 The Government has undertaken a literacy programme under the Ministry of Religious Affairs. It is a Mosque and Temple based mass education programme. This programme is aimed at giving primary education to those vulnerable groups who are likely to become the school dropouts. This programme has been in the process of implementation in all the districts of the country by the Islamic Foundation Bangladesh. This initiative is expected to create a positive effect in improving literacy at the grassroots level particularly among the poor.

The relevant Policy Matrix providing major goals and actions to be taken in the education sector is presented in Annexure 4.

5.E.2 Investing in People: Health

5.328 Health is universally regarded as an important index of human development. Ill health is both the cause and effect of poverty, illiteracy and ignorance. Policies of human development not only raise the income of the people but also improve other components of their standard of living, such as life expectancy, health, literacy, knowledge and control over their destiny. Health and development converge and contribute to each other. The goal of the health, nutrition and population sector is to achieve sustainable improvement in the health, nutrition, and reproductive health, including family planning, for the people, particularly of vulnerable groups, including women, children, the elderly, and the poor.

5.329 Health has three distinct kinds of importance—intrinsic, instrumental at personal and social levels, and relating to empowerment. In the intrinsic sense, health is important because it is a direct measure of human well-being and is an achievement in itself. In the instrumental sense, better health is important because good health reduces medical costs, both of the Government and of the households. In the case of children, better health leads to better attendance in school and higher levels of knowledge attainment. Better education and knowledge leads to better jobs and larger benefits to the future generation. For women and the poor, better health means empowerment because it empowers them to participate in economic and public life.

5.330 Factors affecting health, particularly of the poor, are malnutrition, production and availability of grains, level of nutrition knowledge, level of illiteracy and ignorance, consumption patterns, distribution of income and food, level of employment, unsafe drinking water and poor sanitation facilities, non-availability of health services, environmental pollution and degradation, and lack of sufficient access to an efficient public health care delivery system. Groups that are most vulnerable to health crises are infants, pre-school children, especially girls, pregnant and lactating mothers, landless labourers, urban slum dwellers and adivasi/ethnic minority communities. Health-related goals and targets depend on the health status of the people and health care services that are available, accessible and affordable.

Health and Related issues in Bangladesh

5.331 Discussion on health and related issues is presented under four headings. These are: (i) Various categories of Health—children's, maternal and reproductive health, women's general health, adolescent health, communicable diseases, non-communicable diseases; (ii) Nutrition; (iii) Food safety; and (iv) Water and sanitation. These aspects are interrelated and dependent on each other. Two other important crosscutting issues with respect to health are governance and health finance. These are discussed under two separate headings. Food safety and water and sanitation managements are critical to public health. Food safety issues are within the purview of the Ministries of Food and Disaster Management, Industries, Local Government, Rural Development and Co-operatives and Agriculture. Water and sanitation issues are managed by the Ministry of Local Government, Rural Development and Co-operatives, and Public Health Engineering Department. Therefore these are also discussed in this section of the report.

Health

5.332 From the supply side perspective the Government of Bangladesh has adopted the Health, Nutrition and Population Sector Programme (HNPS, 2003-10), which proposed to continue with the earlier sector-wide approach, the Essential Services Package and the client-centred focus on a service delivery system while bringing in some modifications. The new programme restored domiciliary services, included nutritional aspects of the health of mothers and children in the ESD package and introduced the provision of urban primary health care services.

5.333 **Children's Health:** One of the MDGs health target is to reduce infant and under-five mortality rate by 65 percent, and eliminate gender disparity in child mortality. Bangladesh has made significant progress in health indicators over the last 30 years. During this period infant and child mortality declined. However, the level of maternal mortality remained unacceptably high. Major causes of deaths of under-five children are: acute respiratory infections, prenatal causes and diarrhoea. Neonatal mortality currently accounts for about two-thirds of infant deaths and almost half of under-five deaths. More than half of the neonatal deaths occur in the first week, many of them die on the first day of life. The points to the key importance of safe delivery and post-natal care to improve child survival.

5.334 Immunization plays a vital role in reducing infant and child morbidity and mortality. The Expanded Programme for Immunization (EPI) is a priority program of the Government of Bangladesh which is a success story. NGOs played an important role in the implementation of the program. The immunization program expanded from less than 1 percent of the population in 1981 to 60 percent in 1999-2000. According to the Bangladesh Demographic and Health Survey 2004 (BDHS 2004) 73 percent of the children aged 12-23 months are considered to be fully immunised from the six major diseases.

5.335 The strategic goal in this area is to improve health of children and mothers and the targets are to (see matrix on health) reduce (i) NMR per 1000 LB from 41 in 2004 to 32 in 2006; (ii) IMR per 1000 LB from 65 in 2004 to 47.9 in 2006; (iii) U5MR per 1000 LB from 88 in 2004 to 70 in 2006 (iv) MMR per 100,000 LB from 320 in 2001 to 275 in 2006 and (v) female U5MR as percentage of male U5MR from 107 in 2000 to 102 in 2006; (vi) incidence of child mortality among the poor (poor-rich ratio 1.86); and (vii) rural child mortality as a percentage of urban child mortality from 140 in 2000 to 120 in 2006. The Government has already taken a number of actions under HNP. Further recommendations are made to take the following actions and continue the current programmes up to 2007; strengthen Essential delivery service; continue and further increase the coverage of the EPI; and strengthen Integrated Management of Childhood Illness (IMCI)

5.336 **Maternal and Reproductive Health:** In this respect the MDG is to reduce the maternal mortality rate by 75 percent and ensure access of reproductive health service to all. Reproductive health rights of women needs to be recognised where it implies that (a) people have the ability and right to reproduce as well as regulate their fertility; (b) women has the right and are able to go through pregnancy and childbirth safely; (c) the outcome of pregnancy is successful in terms of maternal and infant survival and well-being; and (d) couples should be able to have sexual relationships free of the fear of unwanted pregnancy and of contracting diseases. Currently the reproductive health status of Bangladeshi women is very poor, poorer than that found in many developing countries. Every year millions of women in Bangladesh experience high life threatening risks, and chronic or other serious health problems related to

pregnancy and childbirth. The maternal mortality rate is still high, 320 deaths per 100,000 live births in 2001.

5.337 Nearly 50 percent of mothers in Bangladesh do not receive antenatal care (ANC). Almost all births (90 percent) in the rural areas take place at home and a quarter of them occur at health facilities in urban areas. Medically trained personnel assist only twelve percent of births. Traditional birth attendants performed nearly two-thirds of the deliveries and the rest were performed by relatives and friends. But neither antenatal care nor trained birth attendants during delivery can prevent the vast majority of obstetric complications that may arise. Therefore all women must have access to emergency obstetric care if they experience complications.

5.338 Given the importance of population control to reduce poverty, attention must be given to reproductive health. While reproductive health programmes should address the needs, roles and responsibilities of men and young persons, the real thrust of reproductive health strategies and programmes must ensure that women are able to fulfil their reproductive potential safely because, to a great extent, the burden of reproductive ill health is borne by women. Women assume most of the responsibility of contraception. They face the risk of child bearing; however they are biologically and socially more vulnerable to sexually transmitted diseases including HIV/AIDS and cancers. Women can suffer from complications from unsafe abortions.

5.339 The objective of improving maternal and reproductive health includes attaining the following goals: increase ANC coverage from 48.7 percent in 2004 to 60 percent in 2006; increase Post-Natal Care (PNC) coverage from 17.8 percent in 2004 to 30 percent in 2006; increase utilization of Essential Obstetric Care services from 26.5 percent (risk group) in 2003 to 40 percent in 2006; all women must have access to Emergency Obstetric Care (EmOC), in case they experience complications; increase skilled birth attendance (SBA) at birth from 13.4 percent in 2004 to 25 percent in 2006; increase CPR with method-mix from 58 percent in 2004 to 63 percent in 2006; decrease TFR from 3 percent in 2004 to 2.8 percent in 2006; increase male participation in contraceptive use; increase male participation in permanent methods. Towards attaining these goals, the Government has taken various actions under HNPS, but further activities in this area are recommended. These are to enforce the minimum legal age at marriage, strictly enforce birth registration, pursue proper age of first birth for under-aged couples, increase birth spacing, introduce cash/voucher system for poor pregnant women so that they can access safe childbirth care, introduce demand side financing e.g. various voucher/cash transfer/health card schemes, expand SBA and encourage male participation in contraception.

5.340 **Women's General Health:** Beyond reproductive health women also suffer from higher levels of mortality and morbidity, mainly because of the fact that women suffer from higher levels of malnourishment and environmental pollution. The impact of these is aggravated due to women's reproductive function. Women are also subject to violence and abuses, which are an important factor behind women's health crises. However, women's access to health care facilities is relatively little. There are a number of socio-economic reasons, which deter women from accessing health care. Often the health care facilities do not provide sufficient privacy for the female patient. Women also need approval from the family to seek medical care in case of sickness. Often less priority is attached to women's general health.

5.341 Women's health problems are broadly affected by two factors, biological (natural) and socio-economic and cultural (human-made), besides individual attributes and availability of health and nutritional services. Even access of women to health and nutritional services is partly determined by socio-cultural factors. Each of these factors influences her health in varying proportions over her life cycle. But, more than others, socio-cultural factors determine the major part of a woman's physical and mental health status. Thus, improvement in women's health requires a change in the socio-cultural dimensions of society and overall improvement in women's situation.

5.342 Targets for improving women's general health are: improve women's life expectancy at birth from 65 in 2002 to 70 years by 2006, reduce women's morbidity rate by 25 percent by 2006 and reduce women's mortality rate from 4.8 per thousand in 2000 to 4.4 in 2006. In reaching these targets, all public health facilities need to be made available to women and be women friendly, including the behaviour of the health workers. Women's knowledge of hospital services and facilities must be enhanced. Confidentiality and security must be ensured along with safe and effective delivery services. Logistics and supply of essential drugs and equipment for women at health facilities need to be enhanced. It is also essential to provide direct subsidies for health care use by poor women and children. Doctors, nurses and other paramedics need to be trained to be women friendly. Also improve gender equity in access to services in hard-to-reach areas (like coastal, hilly, haor or char areas) through satellite clinics and outreach centres.

5.343 **Adolescent Health:** Adolescents constitute more than one-fifth of the total population in Bangladesh. One-fifth of the total births also occur among adolescent mothers. Moreover, the rates of maternal and infant deaths are comparatively high among these mothers. The goals set for adolescent health are mainly to reduce adolescence pregnancy, provide reproductive health awareness and service to all adolescents, prevent transmission of STD including HIV/AIDS and reduce the negative health consequences of sexual abuse and exploitation. In fact, for the well-being of the adolescents the following steps can be taken in collaboration with NGOs and community-based organizations: (a) provide information and services, including counselling services aimed at raising the age at marriage, postponing the first birth for at least two years, adopting adequate spacing between children and improving access to reproductive health education and methods of preventing STD, HIV/AIDS infection; (b) provide adolescent Reproductive Health and life skills education as well as counselling for parents, teachers and service providers on how to address adolescents in respect of Sexual and Reproductive Health issues. There are some programmes for adolescent health in place. In future, the Government needs to introduce an Essential Services Package-Adolescent Health Care, strengthen and continue the programme to cover all adolescents, and introduce a rehabilitation programme for drug abusers.

5.344 **Communicable Diseases:** Every year infectious and communicable diseases take a heavy toll on lives. While there has been substantial progress in the prevention and control of communicable diseases, tuberculosis, leprosy, malaria, and HIV/AIDS pose considerable threats. In the area of HIV/AIDS the national strategy plan should be explicitly implemented. The objectives in the communicable diseases area are to increase detection of smear positive TB from 41 percent in 2003 to 65 percent in 2007; sustain 85 percent TB cure rate; decrease the leprosy prevalence rate per 10,000 from 0.63 in 2002 to 0.50 in 2007; reduce malaria specific mortality by 20 percent in 2006/07 from 595 deaths in 2003; reduce spread of HIV/STD infection so that it does not exceed the risk level (5 percent of the risk population); address both the emergence and re-emergence of diseases. In this area beside the existing programme in case of communicable diseases the Government needs to examine services that

are suitable for contracting in and contracting out. Measures to be taken in this area are: effective LLP and its implementation by the local group, epidemiological and entomological surveillance, strengthening and expansion of the blood safety programme and of BCC, scaling up of the Hepatitis B vaccination programme, and strengthening of the disease surveillance programme.

5.345 Non-communicable Diseases: The share of non-communicable diseases such as cancer, diabetes, cardiovascular diseases and injuries is expected to rise in the future from the present level of 40 percent of the disease burden. In this area the main goals are to reduce morbidity & mortality due to non-communicable diseases, including cardiovascular disease, cancer, diabetics, injury and accidents. Control of tobacco and alcohol consumption is also an important goal in reducing non-communicable diseases. Main actions to be taken in this area are to raise awareness against tobacco and alcohol consumption, encourage regular checkups for early detection of diabetics, cancer and cardiovascular diseases and strengthen early diagnosis and hospital services.

5.346 Drug Sector: Drug sector is an important and integral part of health. Therefore, drug production, storage, and distribution through private and public channels need to be regulated by the government. The first National Drug Policy (NDP) was formulated in 1982 which has been updated. The new National Drug Policy (2005) has already been approved by the government. The main objective of the drug policy is to ensure adequate supply (through domestic production and imports) of safe, effective and useful drugs at affordable prices. Currently the Drug act 1940 and the Drugs (control) Ordinance 1982 regulate the activities in drug sector. These drug regulatory instruments are old need to be updated.

5.347 The current drug procurement by and distribution through the public sector is highly inefficient and full of pilferage and corruption. Through this distribution system the poor get drugs from the government health facilities either free or at a subsidized rate. A strong administrative setup is essential for effective management of the drug sector. Currently Drug administration is under a process of upgradation to the Directorate of Drug Administration. This new body needs to emerge as an effective regulatory body in the drug sector and appropriate support needs to be ensured.

5.348 Alternative Medical Care (AMC): This mainly includes homeopathy, Ayurvedic and Unani systems (herbal medicine). A large number of the population, both in the rural and in the urban areas, resort to AMC (non allopathic treatment). The majority of AMC providers do not have any formal education in their system of medicine, though a significant proportion has received some semi-formal training. This sub-sector of medicine is not regulated and often clients fall victim to quacks. However AMC is inexpensive compared to allopathic treatment. AMC providers charge a very small consultation fee, and the greater share of their income comes from selling medicines. Poor people make up the bulk of those who seek medical care from the AMC providers. The results indicate a very low quality of care among the AMC providers. Thus people, particularly poor people, end up spending on health care that is largely ineffective.

5.349 Therefore, it is important to develop AMC by improving the standard of alternative medicine through quality control and proper training of the providers. The Government needs to take steps to increase the number of qualified providers of AMC, and develop a registration and licensing system for

the AMC providers. Establishing dependable AMC will reduce cost of medical care and also reduce pressure on the formal health care system. The new drug policy has attempted to address safety and quality and affordability issues related to AMC.

Nutrition

5.350 Malnutrition has multitude of linkages to poverty. Chronic energy deficiency is directly related to the ability to undertake activities including income generation activities. Micro-nutrient status determines people's ability to work and learning capacity. It causes poor growth of children and adolescent and they become malnourished adult. Malnourished adult will suffer from higher frequency of illness; women will give birth to malnourished children. They will be unproductive labour force earn less and not be able to meet basic needs and will remain in poverty. Nutrition also improves general health it also reduces family expenditure on health. Activity targeted to improving nutrition thus reduces poverty.

5.351 Malnutrition is an underlying cause of childhood illness and mortality and high maternal malnutrition and mortality. Chronic energy deficiency, protein-energy malnutrition, low birth weight, micronutrient deficiency are critical issues faced by Bangladesh. Although it affects people of all ages, the children, women and female adolescents are mostly affected. 43 percent of children under age 5 are stunted, 13 percent are wasted and 48 percent are underweight. Around 50 percent of children are born underweight (below 2500gm). Although the level of malnutrition is very high in Bangladesh, it has improved since 1996/97. For children under age 5, stunting has declined from 55 to 45 percent, while wasting has declined from 18 to 10 percent. Though the nutritional status of children is improving, the MDG goal of reduction of child malnutrition remains a formidable challenge. Improvement of children's nutritional status is dependent upon increasing access to health care, food intake, safe water and sanitation practices and better breast-feeding practices, among others. However, in attaining these changes both behavioural and developmental changes will be essential. Malnutrition among women particularly among pregnant women is a serious issue in itself and also in terms of children's malnutrition.

5.352 The goal set for PRSP period are to reduce severe U2PEM from 12.6 percent in 1995 to less than 5 percent in 2006; reduce moderate U2PEM from 36 percent in 1995 to 25 percent in 2006; reduce incidence of LBW from 50 percent in 1995 to 15 percent in 2006, reduce stunting from 43 percent in 1995 to 35 percent in 2006, reduce BMI from 60 percent in 1995 to 40 percent in 2006, reduce female U5 underweight, moderate or severe, as percentage of male figure from 8 in 1990 to 0 percent in 2006, reduce female U5 severe underweight as percentage of male figure from 26 in 1990 to 10 in 2006, reduce night blindness from 0.6 percent of children (1-5 years) in 2003 to 0.2 percent in 2006, reduce geographical disparity in child malnutrition, reduce prevalence of child malnutrition among the poor, reduce prevalence of anaemia in pregnant women from 70 percent to 45 percent in 2006 and in adolescent girls from 65 percent to 25 percent and reduce prevalence of iodine deficiency from 69 percent of the population in 2003 to 25 percent in 2006.

5.353 To achieve these objectives the Government has already adopted a sector-wide approach (National Nutrition Programme or NNP) and developed both community-based actions and national-level nutrition services. Area Based Community Nutrition core services components include children

services; maternal (pregnant and post-partum) nutrition services; newly married couple nutrition services and adolescent girl's nutrition services for girls aged 13 to 19 years. Household food security intervention is done through the introduction of nutrition garden; poultry for nutrition and VGD collaboration for nutrition programmes. There is also behaviour changes communication initiative to change behaviour in eating, feeding and other caring practices.

5.354 The Government needs to continue the current programmes up to 2007. Nutrition programmes need to strengthen and increase the coverage of Area Based Community Nutrition (ABCN) in rural areas and also introduce ABCN in urban areas on a pilot basis. The Government also needs to expand Community Nutrition Unit (CNU) from the existing 20 to 64 districts. On a pilot basis consideration should be given to introduce a school-feeding programme. In order to improve child nutrition the Government needs to seriously consider undertaking such a programme. Experience of NNP may be utilised in designing future programmes.

Health Governance

5.355 As mentioned above the Government of Bangladesh has adopted the Health, Nutrition and Population Sector Programme (HNPS) (2003-06), which proposed to continue with the earlier sector-wide approach. The main strategy for HNPS is to deliver a revised Essential Services Package (ESP) at the upazila level and below with appropriate domiciliary services and a functioning referral system. The main elements of essential service delivery are reproductive health services, including family planning and maternal and adolescent nutrition, child health care and nutrition, communicable disease control, limited curative care and Behaviour Change Communication (BCC). It also introduced a Bangladesh Integrated Nutrition Programme (BINP) to address malnutrition among children under two, as well as pregnant and lactating mothers, through the provision of food supplements, nutrition and health counselling.

5.356 The coverage of Extended Programme of Immunization (EPI) activities for the eradication of polio, measles and neonatal tetanus will be further increased. Control of respiratory infection, diarrhoea and malnutrition through Integrated Management of childhood Illness (IMCI) and essential newborn care are given priority to reduce infant and neonatal mortality. For reducing the burden of TB, increased accessibility and quality of the National Tuberculosis Programme (NTP) services, supply of quality drugs and expanded coordination of Directly Observed Treatments (DOTs) with other service providers will be ensured. It will increase accessibility to the treatment of malaria and kala-azar, particularly in endemic areas through Early Diagnosis and Prompt Treatment.

5.357 Upazila Health Complexes (UHCs) and Union Health and Family Welfare Centres (UHFWCs) will continue to provide curative care for a much broader range of conditions and diseases including road traffic accidents. Hospitals situated near the highways are being equipped gradually to handle the victims of accidents and injuries. In addition, services for victims of violence (especially women and children) are being provided through expansion of one-stop crises—centres (OCCs) in the hospitals. It will improve access to and quality of care of secondary and tertiary hospitals for effective referral linkages. Staffing patterns at both UHCs and UHFWCs will be reviewed to ensure an appropriate skill mix of doctors, nurses and paramedics. The Government has taken steps to fill the vacant positions of doctors, nurses, paramedics and medical technologists and post them in different service centres.

5.358 An evaluation of the health sector programme reveals that public health service ranks the lowest among all types of service providers in terms of satisfaction to the users. The proportion of users satisfied with the overall public services was found to be 62 percent as against 88 percent for both qualified private practitioners and unqualified service providers. Among public health services, the greatest concerns for the users are the non-availability of drugs and medical supplies and quality of inpatient food. The other important aspects of client dissatisfaction are lack of cleanliness and unhygienic conditions in the facilities, privacy of treatment and waiting time for treatment. In patients are relatively more dissatisfied than the outdoor patients. Quality of services provided by the district hospitals on many counts such as attitudes of doctors/service providers, cleanliness and hygiene, and availability of drugs are found to be of poorer quality than the services of UHC. There are no variations in the levels of satisfaction derived between males and females. Findings suggest that the service users from higher socio-economic status are likely to experience better responsiveness from doctors/service providers as well as receive better quality of treatment.

5.359 Providing quality health care involves complex interactions between health service providers and consumers of health care. Good governance including efficient institutional arrangements and management of these transactions are essential to ensure that the right health care service are delivered to the right people, at the right time and at a minimum price. Absence of good governance in health sector caused the poor and the vulnerable members of the society for suffer the most both in terms of costs and also deficient service delivery. The symptoms of misgovernance in the health sectors are mainly staff absenteeism, pilferage of drugs and other essential supplies, mistreatment and negligence of the clients, unauthorised and illegal payments collected from consumers etc. Management system is highly centralised causing delay in procurement of drugs, equipments and other supplies.

5.360 **NGO Sector:** In health care delivery, many NGOs have displayed innovativeness and cost-effectiveness. Developing partnership between the Government, NGOs and the community can bring fruitful results. The collaborations between the MOHFW and NGOs in strengthening family planning, EPI, TB and leprosy activities have been effective through active involvement of the communities. Community health workers can also motivate communities to better utilise government health services. These workers through increasing contacts with the local population could expand the coverage of health and family planning services while reducing the dependence on government employees. Therefore, such contacts should continue to play an important role in the provision of services to underserved and disadvantaged sections of the community.

5.361 Recently, the Government has been increasing NGO involvement in providing primary and community-based health care and nutrition services. There has been noteworthy collaboration with NGOs, in BINP, social marketing of contraceptives and urban primary health care. These initiatives require further scaling up and lessons from these experiences may be replicated in other areas of concern. The community-based organizations can be involved in monitoring the quality and coverage of services.

5.362 In health sector the private sector plays an important role. Expansion of private sectors activity should be encouraged. However the private sector needs to be monitored and regulated and public private collaboration should be forged in delivering health care. Health policy must be developed for the

private sectors so that private sector can support the public sectors activities and can lessen the burden form the public sector.

5.363 The public health services are bureaucratic, having poor access, especially in rural areas, often do not have requisite supplies and plagued with pilferage and leakage. Administration of health financing is currently based on existing administrative units and health facilities (such as number of beds) but not based on activities. This resource allocation needs to be based on activities in the health care units (ward, union, upzila, district level health facilities and medical college) that is health care demand particularly by the poor. There is considerable scope for improvement of public health services with better planning, reallocation of existing resources as well as increasing resources, reducing wastage and improving efficiency by better management practices. The Ministry of Health and Family Welfare and its departments require capabilities in the following key areas:

- a) Introduction of regulations and their enforcement;
- b) Management of policies by undertaking policy analysis and formulation of new strategies based on evidence;
- c) Management of financial including the management of the aid budget;
- d) Proactive management of service commissions and contracts;
- e) Information management; and
- f) Strengthen monitoring and supervision;
- g) 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.

Health Finance

5.364 The public sector outlays and per capita expenditure on health have shown a rising trend over the years. The proposed budget for the fiscal year 2003/04 was higher than the revised budget of 2002/03, and per capita health expenditure has slightly increased during the same period. Health expenditure as a percentage of total public expenditure has increased to 6.4 percent in 2003/04 from 5.9 percent in 2001/02. Health spending as a proportion of GDP has also increased to 1 percent in 2003-04 from 0.87 percent in 2001/02. However, per capita public expenditure on health would rise from Tk.220 in 2003/04 to Tk.279 in 2004/05.

5.365 There exist considerable out-of-pocket payments in obtaining public health services for the purchase of drugs, transport and diagnostic tests. Private expenditure varied considerably by gender, type of service and socio-economic status. While the Government of Bangladesh spends about US\$5 per capita on HNPS services, private out-of-pocket expenditure is about US\$7 per capita. This level of spending falls far short of the level required for providing a basic service package. According to the WHO, the optimum suggested expenditure for the least developed countries is US\$34 per capita per year.

5.366 Besides public expenditure, resources for health may be pooled from other sources. Improvement in the efficacy of health spending will reduce the cost of health services. Another way will be introducing user fees with a safety net for the poor. This is expected to improve both equity and efficiency of public services. Insurance and risk-sharing schemes are other approaches to raise funds and may have an impact on reducing inequality and inefficiency. Therefore, key potential sources of funding that may be tapped for the delivery of more effective health care services are user charges, social health insurance and community health insurance. User charges if retained by health facilities may lead to significant improvements in quality of services through better maintenance of the facilities.

5.367 The present level of government allocation to the health sector of little more than 1 percent of the GDP, against a WHO target of 5 percent of GDP, is barely adequate to meet the demands of an expanding health sector. Low levels of public spending for health and low utilization of public health services are intimately linked. A serious problem in spending is the large and increasing proportion of the expenditure on salaries. This explains in part clients' dissatisfaction with services because non-salary components like medicine, equipment and proper maintenance are inadequately funded.

Food Safety

5.368 There are basically three issues around Food Safety. These are (i) access to quality and safe food for the people; (ii) reduction of food borne illness; (iii) behavioural change of the people in consuming and demanding safe food. A large number of poor people have little access to quality food, food handling is unhygienic and people have unhealthy food habits. Adulteration of food with unhealthy and dangerous substances, colours and chemicals is a common practice. The street food vendors act as an essential provider of cheap ready-to-eat food to the community. They also create a health hazard because of their use of contaminated food ingredients and water as well as the unhygienic handling of foods. Ready to eat food is also unwholesome because of its high fat content, use of non-food grade colours and chemicals. In addition to controlling quality and safety of the food, enriching the food with micro-nutrients is also necessary. People in general have a tendency to demand high fat and high cholesterol food, which is bad for health. People, particularly poor people, tend to accept low hygiene and adulterated food, therefore the suppliers get away with supplying them particularly in the absence of strict implementation of existing laws.

5.369 Bangladesh is yet to develop a unified Food Safety Administration System and formulate a Food Safety Policy. Existing regulations for Food Quality Control and Safety are, "The Bangladesh Pure Food Ordinance, 1959" and "The Bangladesh Pure Food Rules, 1967." The Ministry of Food and Disaster Management has Food Inspectors at the Upazila and District level and usually deals with the food security aspects. Various Lab/departments are involved in analyses of food, namely the Food Testing Laboratory, Directorate of Food under the Ministry of Food and Disaster Management. Considerable emphasis must be accorded to International trade of food and animal feeds, access to quality and safe food for the people and reduction of food borne illness. The sanitary inspectors are responsible for monitoring food quality and safety, including collection of food samples randomly, inspection of food manufacturing, processing and shop premises as well as collecting suspected food samples.

5.370 In the area of food safety the goals are to ensure food quality and access to safe food for all, reduce the number of adulterated food items, increase the number of food items standardised by BSTI,

reduce food borne morbidity and mortality, and bring about behavioural change in safe food. Bangladesh needs to develop a unified Food Safety Administration System and formulate a Food Safety Policy. It also needs to develop a food borne diseases surveillance system; establish Public Health Laboratories (PHLs) at divisional and district headquarters, introduce a policy for quality control of street vended food, and undertake research activities on the epidemiology of food borne illnesses.

Water and Sanitation

5.371 It is imperative to view the issue of improvement in water and sanitation as a prerequisite for hygiene and nutrition. The Government has made a commitment to achieve proper water and sanitation conditions with 100 percent coverage for all by 2010, far ahead of the Millennium Development Goal which targeted 50 percent coverage by 2015. In Bangladesh, safe drinking water coverage is 74 percent while sanitation coverage is only 33 percent (29 percent in rural areas and 57 percent in urban areas), while 25 percent use unhygienic latrines and 43 percent do not use latrines. Bangladesh's drinking water and sanitation policies have focused on installing millions of tube-wells since the adoption of the policies in the 1970s. The challenge of safe drinking water was almost resolved until the presence of arsenic was discovered in ground water. Considering the Government commitment to address the arsenic problem and achieve total sanitation by 2010, water and sanitation will be recognised as a separate sector (WSS) in the next Three Years Rolling Plan, and the necessary budget will be allocated to achieve the government commitment and targets. Bangladesh is projected to require an average of US \$ 4.9 per capita (without the costs entailed for management and treatment of arsenic contamination) over the eleven-year period to meet the water and sanitation goals.

5.372 In the area of water and sanitation the target is to reduce the number of people who do not have access to safe water (26 percent) or sanitation (66 percent) by half in 2006, reduce water borne morbidity and mortality, reduce the number of people subjected to arsenic contamination, and ensure access to sanitary community latrines in villages, bazaars, mosques and schools with particular attention to women's needs. The Government has already taken a number of steps in these areas. However, more needs to be done. This includes developing strategies on water and sanitation to achieve MDGs, introducing water supply and sanitation projects for all urban areas; installing water supply options capable of minimizing water problems like excessive arsenic, iron, and salinity, encouraging safe use of surface water, introducing water quality monitoring and surveillance programme, introducing an awareness programme regarding hygiene practice among the common people, strengthening of capacities of stakeholders of the WSS sector; undertaking research and development on appropriate and affordable technologies, and hygiene promotion for water and sanitation.

The relevant Policy Matrix providing major goals and actions to be taken in the health sector is presented in Annexure 4.

Part B: Supporting Strategies

5.F Supporting Strategy I: Ensuring Participation, Social Inclusion and Empowerment

5.373 The development goals of Bangladesh include eliminating absolute poverty and reducing income inequality; achieving economic growth; and ensuring social justice. These development goals are centred on people. However, people consist of heterogeneous groups with different identities. Some of these identities depend on being men or women, old or young, child or adult, adivasi/ethnic minority or non-adivasi/ethnic minority, Muslim or non-Muslim, to give a few examples. These groups face different realities, obstacles, and opportunities and have different needs and priorities. Therefore, development plans and the system of governance need to take such differences into consideration while identifying strategies, policies, projects, programmes and activities to remove obstacles, address needs and expand opportunities for the people of Bangladesh

5.374 Ensuring participation, social inclusion and empowerment are essential to social and economic development and poverty reduction. These three aspects are also interrelated. For example, if people participate in various social and economic activities their social inclusion improves, which make them feel included in the decision-making process and they feel that they have control of their own life. This sense of self-determination creates empowerment. When people feel empowered they also feel secure. When a social system gives security to the citizen that also allows people to participate in self-determination. Thus an important strategy of poverty reduction is to ensure social development along with economic development.

5.375 It is essential to identify who are the excluded, non-empowered, and vulnerable in the society. Some of them are women, children, adivasi/ethnic minority people, physically and mentally challenged people and other disadvantaged groups etc. The national poverty strategy will remain incomplete if the needs of these groups are not included in a meaningful manner.

5.F.1 Women's Rights and Advancement

5.376 Within a comprehensive, value-based, and sustainable social and economic development framework gender-based discrimination has to be eliminated and efforts towards that end must form an integral part of poverty reduction initiatives. As discussed before it is a key issue to address, given that women are subject to gross discrimination in society although considerable progress has taken place in the area of women's advancement during thirty-three years of the independence of Bangladesh. Inclusion of women's advancement and rights as a special issue is essential for three reasons: to uphold fundamental human rights because women's rights are also human rights; to achieve efficiency in poverty reduction and to achieve sustainable development.

5.F.1.1 Progress Made in Women's Rights and Advancement

5.377 The need for women's advancement and right to achieve gender equality on human right ground is well recognized by the Government of Bangladesh. The Constitution ensures equal rights to all citizens and prohibits discrimination and inequality on the basis of sex and strives to promote social and

economic equality. According to the Article 27 of the Constitution of Bangladesh, all citizens are equal before law and are entitled to equal protection of law. Article 28 states that the State shall not discriminate against any citizen on the grounds of religion, race, caste, sex or place. With respect to women, Article 28 also states “Women shall have equal rights with men in all spheres of state and public life”. Article 28 further states, “Nothing shall prevent the State from making special provision in favour of women or for the advancement of any backward section of the population.” The Government also reconfirmed its commitment to women’s advancement and gender equality at the international level. As part of this commitment government ratified the UN Convention on the "Elimination of All Forms of Discrimination against Women" (CEDAW) in 1984 and subsequently ratified "Optional Protocol" on CEDAW in the year 2000. Bangladesh is also a signatory to the Beijing Declaration and endorsed its Platform for Action (PFA) in 1995. Government has further made its commitment towards achieving Millennium Development Goals.

5.378 Over the years the Government’s and NGOs’ commitments and actions have resulted in some positive outcomes in the areas of women’s advancement and rights. At the social level women’s mobility and visibility, both in the rural (result of micro-credit programme) and urban areas (result of women’s participation in garments and other income-generating activities) have increased. There have also been improvements in women’s status in the family, community and state. Progress in human capacity building shows a decrease in gender-gaps in health and education. Indicators such as life expectancy at birth, accessibility to family planning and health services show positive trends. In education, girls’ enrolments in primary and secondary education have increased significantly and gender parity at primary level already achieved. Progress in economic participation shows a steady increase because of women’s employment in garments, shoes, and cosmetics industries in the formal sector and self-employment in non-formal activities. The special poverty needs of women have been addressed through various safety net programmes. In politics, in 1997, the direct election of women members of Union Parishads, in the local government system was introduced and one-fourth of the seats (3 seats among 12) are reserved for women. A new law, the “Prevention of Women and Child Repression Act 2000”, revised in 2003, has been enforced to address Violence Against Women (VAW).

5.379 Progress in the area of gender governance is also noticeable. There is an increasing awareness of the need to integrate gender concerns into the sector activities. The National Council for Women’s Development was established in 1995, with 49 members. The Government has adopted a National Policy for Women’s Advancement (NPWA) within the framework of the CEDAW and as a follow-up of the Beijing Conference on Women. As a follow up on Beijing PFA, the Government has formulated a National Action Plan (NAP). To fulfil one of the commitments of NAP, the Parliamentary Standing Committee for MWCA has been established. Over the years, the MWAC has evolved and emerged as an important lead institution in gender governance.

5.380 Despite the stated progress, the gap between men and women in almost all areas of life still persists. Due to existing gaps women are subject to discrimination, injustice and inequality. Among all the inequalities in Bangladesh discrimination against women reflects the most blatant form of injustice.

5.F.1.2 Dimension of Discrimination against Women and Women’s Poverty

5.381 Women’s economic deprivation is reflected in their low level of participation in the labour market, low return on their labour and their concentration in low-level jobs. According to LFS 2000, compared to men (6.4 percent), a large proportion of women (about 34.3) work as unpaid domestic

workers. About 26.9 percent of women are self-employed and about 51.6 percent men are self-employed. This indicates that women's entry into small business is limited. On average, women earn only 58.5 percent of the average earnings of male day labour. Among the self-employed 66 percent of the women earn less than Tk 1000 per month and 92.7 percent of the men earn more than Tk 1000 per month. In the case of salaried workers, 61 percent of women earn less than Tk 1000, whereas 84 percent of the men earn more than Tk 1000 per month. Both unemployment (7.8 percent for women 3.4 percent for men) and underemployment (52.8 percent for women and 7.4 percent for men) rates suggest lack of job opportunities for women.

5.382 Women are usually considered to be an under-utilised resource. But actually, *Time poverty* caused by long hours of work (home and outside), is a major burden that women bear. Most women are engaged in paid and unpaid market-oriented work, unpaid housework, child care, caring for the elderly and the sick etc. is cited as the source of great stress for many women. This constraint severely limits women's ability to access the labour market and also limit their leisure and their ability to take advantage of formal and informal education. Time poverty relegates many women to a life of hardship.

5.383 Another gender-based deprivation is women's *poverty in human capacity*, which is reflected in the negative sex ratio in Bangladesh. The underlying reason is the high female child mortality rate compared to that of male children. In the 1-4 years age group female child mortality is about one-third higher than male child mortality; the maternal mortality rate in Bangladesh too is high. In case of *education*, the deprivation suffered by women is conspicuous. In 2000, the adult literacy rate for women was 38.0 percent and for men 53.5 percent. The gender gap in education is closing at an impressive rate at primary and secondary levels. But this gap persists at higher secondary and tertiary levels. At all secondary levels of education, the dropout rates are higher for girls than boys. Gender inequalities in all areas persist and are greater among the poor.

5.384 Women's *social vulnerability* is all-pervasive and endemic. Discrimination against women at the social level are reflected in their confinement within the homestead, lack of mobility in the public space, women's early marriage etc. Women have weak protection socially and legally in the event of break-up of marriages. They face high level of vulnerability such as losing honour, high degree of divorce and abandonment (15 percent of all rural households are single-female headed), etc. and easily fall into the trap of trafficking. However, the worst form of social discrimination takes place in terms of VAW both in public space and also within the household. Such high incidence of VAW makes them economic and social liabilities to their families and to the society. Thus it adds to their devaluation in the society. These also have strong negative impacts on women's participation in income generating activities, the labour market and also school attendance. Women in many cases are exposed to health risks (including HIV/AIDS) because of the promiscuous lifestyle of the husbands.

5.385 Women and children are highly vulnerable to trafficking. Women victims of crimes are blamed for bringing these criminal acts onto themselves. Subsequently, they become excluded from society and their rehabilitation becomes difficult. Women and girls in the marginalised groups are amongst the most vulnerable individuals (i.e., disabled persons, refugees and internally displaced persons, adivasi/ethnic minority people, as well as victims of assaults and exploitation). Although there are no statistics, there are reasons to believe that the occurrence of family violence is endemic in all social and economic classes. Women are not only socially vulnerable but are also *economically vulnerable* in case they are abandoned, divorced, widowed etc.

5.386 Women are at risk of being the “new” poor. These risks arise from an *external risk* because of globalization. The readymade garment industry employs about one million women. About 30-40 percent of the industries are expected to close down due to phasing out of MFA. Hence women are at risk of losing jobs. Women also suffer from *health risks* due to high arsenic poisoning; indoor pollution from doing chores like washing clothes, pots and pans and washing up; and indoor air pollution because of the inhalation of smoke during cooking.

5.F.1.3 Actions to be taken

5.387 To eliminate gender disparity a multi-sectoral approach must be adopted. As women participate in all spheres of life the strategy for achieving women’s advancement and rights in the context of PRSP has taken a mainstreaming approach and gender issues are addressed within the context of sectoral issues. Thus women’s issues related to crop agriculture, the rural non-farm economy, the infrastructure, energy, ICT, education, health, environment, governance etc. are addressed in discussions relevant to these topics and are also included in the women’s rights and advancement matrix. In this section attention will be particularly focused on VAW, good gender governance and women’s political empowerment.

5.388 In case of VAW the main goal is to eliminate all forms of violence against women. Data on violence must be gathered to monitor changes in this respect. Thus one of the goals to be achieved by the Government is to ensure 100 percent reporting of violence against women. Other goals are to reduce reported VAW by at least by 50 percent; include domestic violence in the Women and Children Repression Act 2003 as a punishable crime; ensure protection of women in the custody of law enforcement agencies and punish the perpetrators of such crimes; provide VAW training to police personnel and medical corps; increase awareness and disseminate information about services available for victims of VAW particularly about the availability of resources with the Deputy Commissioner and district level Judges to get support for violence affected persons; increase allocations for the police service and the judiciary system aimed at counteracting VAW; sensitise the judiciary to apply CEDAW provisions in cases affecting women’s rights

5.389 In order to achieve good gender governance the Government must take action to attain the following goals: (i) ensure women’s full participation in mainstream economic activities; (ii) ensure social protection for women against vulnerability and risks; (iii) enhance women’s participation in decision making; (iv) promote gender equality and empowerment of women (MDG); (v) ensure women’s concern in international forums; (vi) strengthen institutions for monitoring and evaluation of gender equality issues.

5.390 In the area of politics the two main goals are to enhance women’s political empowerment and participation in decision-making, promote gender equality and empower women (MDG). For women’s empowerment it is imperative that space is created for women to participate in elections for seats in the national parliament. A supportive environment must be created at the local level so that locally elected women get the scope to serve their constituencies effectively. Besides this, male parliamentarians and local level representatives need to be sensitised so that political decisions can be influenced in favour of women.

The relevant Policy Matrix providing major goals and actions to be taken for women development is presented in Annexure 4.

5.F.2 Children

5.391 The failure to recognise, respect, provide, protect and facilitate children's human rights and to provide adequate food, shelter, health services, education, information, livelihood skills, security, safety and for the realization of their full potential contributes significantly to the persistence of poverty and underdevelopment in a society. In short, the situation of children today is a good indicator of both the current status of development and how the society envisions its future development.

5.392 The vision and long-term goal of the PRSP for children's advancement and protection of their rights is encapsulated in the slogan "A World Fit for Children." The vision is to attain pro-poor growth and economic development that is child-centred and ensures both the basic rights and livelihood needs of children. Investment for children's advancement and rights is essential to attain the MDGs as well as goals of national policies and plans. It is the responsibility of the state to ensure that their rights are protected effectively.

5.F.2.1 Government's Commitment

5.393 The Government of Bangladesh is strongly committed to children's advancement and rights by virtue of its constitution and, through ratification of the UN CRC in 1990, the ILO Convention against the worst forms of child labour in 2000, the SAARC Convention on Preventing and Combating Trafficking in Women and Children for Prostitution and the SAARC Convention on Regional Arrangements for the Promotion of Child Welfare. The National Children Policy of 1994 enunciates the country's commitments made at global conventions and also reflects the domestic initiatives for children. The Government declared 1991-2000 as the Decade of the Girl Child and an Action Plan for the Girl Child was adopted. A National Plan of Action against Sexual Abuse and Exploitation of children (including Trafficking) has been prepared and a National Policy on Child Labour is under formulation.

5.394 On the legal front, The Children Act 1974 and the Children Rules 1976 are the principal legislative instruments governing protection of children and administration of juvenile justice in Bangladesh. The Compulsory Primary Education Act 1990 is a landmark legislation that provides legal guarantee to the child's right to education. Bangladesh renewed its commitments towards children through the Global Movement for Children (GMC), under which there were mass mobilization and consensus building exercises on the rights of children. The "Say Yes for Children" campaign was very successfully launched in April 2001.

5.F.2.2 Actions to be taken

5.395 In the area of children's rights four strategic objectives can be identified. These are mainly, creating opportunities to help children realise their full potential (access to health, nutrition and education, water and sanitation etc), serving the best interests of children in national, social, family and personal situations (empowerment of children), ensuring safety and security at home and in the public space (protection against abuse, exploitation and violence) and establishing and protecting children's rights (social inclusion, decent work and livelihood).

5.396 In light of the children's right issues addressed in the preceding chapter a number of actions need to be taken in different sectors (for details see Children's Right Matrix). In case of health, the main goals are to reduce child mortality in all age categories—neonatal, less than one year, less than five years etc. The level of immunization must be improved or maintained at the current level. All kinds of infectious, respiratory and diarrhoeal diseases need to be controlled not only through curative measures but also through massive awareness programmes. In case of nutrition, there are a number of programmes already in place. These need to be strengthened and all indicators of nutritional improvement must show progress during the PRSP period. Gender gaps must be reduced in the case of all health and nutritional indicators. It is also essential to create HIV/AIDS awareness among adolescents. In case of education, emphasis is mainly on maintaining the current enrolment rate in primary education and increasing enrolment at secondary levels, reducing dropouts and increasing completion rates to substantial levels in both primary and secondary education, improving the quality of education at all levels and streams and reducing gender gaps at all levels. Emphasis is also given on including handicapped children, as far as possible, in the mainstream educational institutions. The Government needs to undertake special provisions and incentives to ensure access to education for children from poor families, and provide support to families in special need (extremely poor families, families in distress, and families subject to disasters) through the mother of the children. Vocational education should be given importance for creating livelihood opportunities for children from poor families. Need-based training and education should be provided to working children. However, importance must be given to creating job opportunities for adults of the poor families so that children need not work.

5.397 Issues related to child labour (decent work) and violence against children (abuse, trafficking, sexual exploitation etc) must be addressed. For children who are already victims of hazardous work, abuse, trafficking and sexual abuse etc., their reintegration in society is essential. The Government and NGOs need to come together to deal with these issues. Ongoing activities need to be intensified and new actions must be undertaken for protecting children who came in contact with criminals. Besides, safety and security at home and in public space must be achieved at various levels such as physical and mental safety and security at home, schools, alternative places of residence (hostels, orphanages, detention centres etc.) in the community and in the state. Children must be protected from mental and physical abuse and cruelty.

5.398 To protect the interests of the children, if there is conflict between the interests of a child and an adult, or the child's family, community, ethnic or religious group etc. the resolution must be in favour of the child. Thus the mindset of people must change and they must realise that children are not there to fulfil parents'/adults' wishes or protect their interests. Massive awareness programmes must be undertaken to treat children with dignity within the family setup and also in public places. The best interests of children must be reflected in all legal and institutional frameworks. It must also be reflected in government allocations and the expenditure priorities in the national budget.

5.399 Children need to be empowered and they must have a voice in the political decision-making process. In this respect it is necessary to create a national platform for allowing children to express opinions on their needs, expectations, and means of addressing those needs and expectations. Children should be provided through schools and other institutions, with information on various issues so that they can form their own opinion; special sessions for children should be introduced in the National Parliament so that they can voice their concern, and suggestions. In the area of the law it is necessary to review and identify the aspects of existing laws that are not consistent with the CRC principles and

reform them; formulate laws to protect children from sexual abuse, domestic violence, cruelty and exploitative forms of child labour and discrimination; adopt strict laws against child trafficking, child prostitution and child pornography; and formulate laws to eliminate child labour in the long run. Children in difficulty with law should be treated with the objective of reintegrating them with their families/communities rather than to "punish" them.

5.400 It will be very useful to build "Open House" shelters for street-children in the urban areas where street and working children can take rest, bathe, wash their clothes, sleep, play, be entertained etc.; make public transportation children-friendly and safe; make the infrastructure safe to use by ensuring that electric wiring and grids are inaccessible to children, there are clear road signs near schools etc. To reduce accidents and injuries it is important to make institutions and public places child friendly. The public sector can be encouraged to sponsor events such as sports, cultural programmes, book readings, art shows, science exhibitions, fun fairs etc. particularly in rural areas and for children from poor families.

5.401 The Government needs to develop a comprehensive multi-sectoral approach to "Children's Rights" and develop guidelines for various sectors; include children's issues in dealing with the infrastructure, information technology, media, sports and culture, law enforcement, in addition to the already identified areas of education, health and nutrition, water and environmental sanitation, urban basic services, labour, law and justice, and social services. It is also necessary to establish a Children's Directorate; strengthen implementation of the existing laws, policies, programmes and projects relevant for children; provide financial and human resources for all children's activities. The National Budget needs to incorporate CD statements, indicate total allocation of money for children-targeted activities and also allocation of funds for activities that would benefit children.

The relevant Policy Matrix providing major goals and actions to be taken for children's development is presented in Annexure 4.

5.F.3 Adivasi/Ethnic Minority Groups

5.402 Bangladesh has about forty-five adivasi/ethnic minority communities living both in the hill regions and in the plain lands. The largest concentration is in the Chittagong Hill Tracts but other areas in which these communities live include Chittagong, greater Mymensingh, greater Rajshahi, greater Sylhet, Patuakhali and Barguna. Chakma, Garo, Manipuri, Marma, Munda, Oraon, Santal, Khasi, Kuki, Tripura, Mro, Hajong and Rakhain are some of the well-known adivasi/ethnic minority communities of Bangladesh. Though firm figures are not available, the number of adivasi/ethnic minority population at present is estimated to be around 2 million.

5.403 Political turmoil accompanied by bloodshed lasted for about two decades between the adivasi/ethnic minority groups and the law enforcing agencies in the Chittagong Hill Tracts, and it affected the socio-cultural environment of this area. As a result there has been very little participation of the Government and other development partners in the development activities and the area remains markedly underdeveloped. Following the signing of the peace treaty in December, 1997 between the Government and the Parbatyo Chattagram Jana Sanghati Samity, the armed insurgency came to an end and thus, a relatively congenial atmosphere for intervening in development work has been created.

5.F.3.1 Identification of the Adivasi/Ethnic Minority Issues

5.404 Over the years the adivasi/ethnic minority communities have been made to experience a strong sense of social, political and economic exclusion, lack of recognition, fear and insecurity, loss of cultural identity, and social oppression. Mainstream development efforts have either ignored their concerns and/or had a negative impact on them. Often issues and actions that affect them are not discussed with these communities or organizations representing them. Thus they are subjected to stark socio-economic deprivation. Mass relocation of non-ethnic minority people in the traditional adivasi/ethnic minority areas caused land-grabbing, leading to livelihood displacement among the adivasi/ethnic minority people.

5.405 Adivasi/ethnic minority people are susceptible to crises of cultural and social identity. They are losing their own heritage, which threaten their sustainability. They are slowly and steadily losing their language, culture, customs and music. Adivasi/ethnic minorities are rarely able to influence national decisions that affect them. This prevents them from influencing institutional changes that are necessary for reducing discrimination against them. They are often unable to protect themselves against social, political and economic injustices. They face a real threat in exercising their basic rights and surviving as communities. Adivasi/ethnic minority communities live in remote areas and also far away from each other, and as a result of poor communications it is difficult to mobilise and organise them. Because of their minority status, they often lack self-confidence. Inadequate representation at various levels of government and policy processes has hampered the possibility of adivasi/ethnic minority communities and their leadership to influence policy decisions which affect their lives.

5.406 Adivasi/ethnic minority people enjoy fewer opportunities in education and skill development than their mainstream counterparts. As a result the illiteracy rate among them is very high. Existing regulations on setting up schools do not take into consideration the dispersed and remote nature of their settlements, particularly in the Hill Tracts. Lack of skills makes it difficult for them to enter the job market. Adivasi/ethnic minority communities have meagre access to means of production such as capital, entrepreneurship etc. They face obstacles in contributing to and benefiting from economic growth.

5.407 Adivasi/ethnic minority communities lack access to information and technology. This prevents them from participating in and benefiting from technological and other changes in the society, particularly economic reforms and developments. Such communities in general and girls in particular suffer from lack of security. Many suffer from ethnic prejudice, ill-health, bad nutritional conditions and bad hygiene. These problems are slowly but steadily resulting in their marginalization and corroding their social fabric. Therefore intervention is essential to preserve their cultural, social and economic identity.

5.F.3.2 Actions to be Taken

5.408 The following actions have to be taken in improving the situation of the adivasi/ethnic minority people:

- Effective recognition of adivasi/ethnic minority communities and their specific needs in all relevant government policies and programmes. This is necessary towards improving the socio-economic conditions of these communities.
- Full implementation of the Chittagong Hill Tracts Peace Accord (1997).
- The Government needs to take action for protecting the rights of adivasi/ethnic minority people, particularly their rights to land and forests. Full operationalization of the 'Land Disputes

Resolution Commission’ and the ‘CHT Refugees Task Force’ along with adequate resource allocation for the aforesaid bodies will have to take place at the earliest. Similarly, land administration in CHT needs to be transferred to the hill districts councils in accordance with the ‘Hill District Councils Acts of 1989’.

- It is important to include adivasi/ethnic minority people and organizations in activities that affect their lives directly (such as the creation of Eco Parks on their land); provide protection against land grabbing and displacement from their localities. In this respect improvement in the general law and order situation will also help.
- It is necessary to provide education to adivasi/ethnic minority people with a curriculum that allows learning in their own language at the primary level. Affirmative actions at higher levels of education and skill training to facilitate entry into job markets will have to be strengthened to promote their inclusion in mainstream economic life.
- Scaled-up efforts to provide health care, clean water and sanitation facilities to adivasi/ethnic minority areas in general and to the more disadvantaged groups among them in particular will have to be undertaken.
- The involvement of the NGO activities in targeting adivasi/ethnic minority people is meagre and can be expanded in consultation with the communities and in collaboration with government.
- There is a fund available in the Prime Minister’s office for the development of the adivasi/ethnic minority people of the plain lands. The amount of this fund should be increased consistent with the development needs of these communities. Within the adivasi/ethnic minority population, there are some communities which are more disadvantaged than the others. There is a need to target them more specifically. There should be an advisory body consisting of adivasi/ethnic minority people and representation from adivasi/ethnic minority organizations (CHT regional council, Circle Chiefs, Bangladesh Adivasi Forum etc) and the fund should be directly channelled to their communities.
- Lack of electrification and access to telecommunications are major issues for adivasi/ethnic minority communities, particularly in the Hill Tracts. Pragmatic actions to resolve these long-standing demands will have to be taken.
- Lessons from the experiences of other nations that accommodate ethnic nationalities, for example China, India, Denmark, Norway, New Zealand, and Australia can be reviewed for appropriate application in Bangladesh.

5.F.4 Disabled People

5.409 Disability could be seen as a manifestation of a physical or mental impairment. Impairment only becomes a handicap in the context of a given society, often because the society does not accommodate the needs and the rights of citizens living with impairments. Handicap, therefore, is not a natural, but a social fact. Disability can occur because of an accident, wrong pathological diagnosis, malnutrition of pregnant women, lack of trained birth attendants and nurses, polio, typhoid, paralysis, crime and violence, acid burn, child marriage, marriage between close relations, babies not being vaccinated, and also because of lack of knowledge and awareness among care providers. A huge number of citizens were disabled during the liberation war in 1971.

5.F.4.1 The Issues

5.410 In Bangladesh, disabled people live in an unfriendly and hostile environment. They encounter non-cooperation, ill-treatment, neglect and hostility at the family, community/society and government levels. They are denied not only social and political needs but also basic human needs. They are denied employment, education opportunities, health care, etc. Their mobility is also seriously limited by the traditional pattern of building and road construction and building of other infrastructures.

5.411 Disability and poverty are interlinked and reinforce each other. Causal factors behind disability include poor nutrition, dangerous working and living conditions, limited access to health care, poor hygiene, bad sanitation, and inadequate information about causes of impairment. War, conflict and natural disasters also create disabilities. Disability, particularly of the head of a poor household, exacerbates the family's poverty due to increased expenses, lack of income and lack of opportunities because of social exclusion. In Bangladesh the disabled are mostly poor and are subject to gross deprivation and acute vulnerabilities. The ill-being of the disabled is mainly determined by (i) lack of human development and capacity building such as education opportunities; (ii) practice of discrimination, such as the negligence of families and society; (iii) demographic factors such as physical inability, death of parents, etc.; (iv) lack of employment opportunities; (v) high medical expenses; (vi) denial of participation in social affairs; (vii) obstacles to mobility, lack of appliances; (viii) lack of opportunities to get organised; (ix) lack of housing and shelter etc.

5.412 Disability is not included in any routine data collection or surveillance systems in the health sector, but it has been included in national censuses in 1982, 1986 and 1991. However, the reported prevalence rates between 0.47 and 0.77 are far below international and national estimates. A survey on prevalence of disability from 1994 by the Bangladesh Bureau of Statistics shows a rate of 10.62 disabilities per 1000 population. Between, 1995-97, Action Aid Bangladesh conducted a baseline survey, which indicates disability prevalence rates to be between 13.4 to 14.4 percent.

5.F.4.2 Actions to be taken

5.413 With respect to the disability issues action needs to be taken in seven different areas. First, data collection: the most important action to be taken is to identify the magnitude of the problem of disability. Thus it is essential to establish a data collection mechanism for the disabled; take note of disability in the national monitoring of MDG indicators—particularly the goals on poverty and education, and monitor disability in planned surveys e.g. in the national census, the Demographic Health Survey etc.

5.414 Second, policy formulation and coordination: It is essential to ensure that the draft National Disability Action Plan is action-oriented and specifies objectives, priorities, outputs, activities, inputs and monitoring indicators. The action plan needs to support the development of prioritised district level actions. Furthermore, it is necessary to strengthen and upgrade the authority of the National Foundation for the Development of Disabled People so that it can oversee and follow up the implementation of core aspects of the National Action Plan as well as the scaling up of Community Based Rehabilitation in selected districts. Policies on disabled people also need to explore ways to ensure private sector involvement.

5.415 Third, in the education sector access of the disabled children and persons must be ensured. It is necessary to create awareness and sensitise teachers, management committees, parents and peers through

DPOs (Disabled People's Organisation) and NGOs to treat disabled people with respect and dignity. In this respect the hiring of teachers with disabilities both for public and specialised schools will be helpful. The Government needs to consider providing stipends for disabled students on a priority basis. District Disability Welfare Committees should monitor enrolment of children with disabilities. School management needs to be strengthened to deal with disabled students both in general and special schools.

5.416 Fourth, actions to be taken in the health sector are (i) strengthening early detection of symptoms of disability and providing primary medical rehabilitation; (ii) making it mandatory to undergo blood tests for intending couples before marriage to avoid the birth of disabled children; (iii) undertaking a nutrition programme for pregnant women; (iv) training doctors, nurses and other caregivers to deal with disability issues; and (v) introducing support services of assistive devices and equipment at the health centre.

5.417 Fifth, in income-earning it is essential to create opportunities for the disabled by providing education and training facilities. It is necessary to monitor the implementation of the current 10 percent quota system for the employment of disabled people (and orphans) in the public sector; undertake various programmes (e.g. micro credit) in partnership with NGOs and include people with disabilities in the general vocational training institutions. Social safety net needs to be created for helping families in coping with disabled members.

5.418 Sixth, it is important to ensure mobility of the disabled people so that they have access to all sorts of public services. In this respect attention must be given to access to transport vehicles, infrastructure, water and sanitation etc. Building ramps in public buildings and in large housing facilities and in cinema halls and other entertainment facilities should be made mandatory. Special toilet facilities should be built in buses, waterways, rail stations, schools, banks, and in all public space. All transport facilities must have reserved seats for the disabled.

5.419 Seventh, it is important that disabled people are included in various national and community level committees that are involved in making decisions that affects the lives of the disabled people. It is also important to ensure their participation in social functions, sports and other activities related to entertainment. It must be ensured that voting facilities are disabled-person friendly so that they can participate in voting activity.

5.F.5 Other Disadvantaged Groups

5.420 In Bangladesh there are some small groups of extremely disadvantaged poor people with very distinct characteristics. They belong to some specific occupation, and are a community isolated and disconnected from the mainstream population. Although in Bangladesh there is no caste system per se, these groups are treated the way lower castes are treated as untouchables in a caste system. Some of these communities are *Bawalies* (those who live of the resources of the Sunderban forest areas) and *mawalies* (honey collectors in Sunderban areas) *Bede* or river gypsy (engaged in snake charming and small trade in the rural areas); *Methor*, *Dalich* (sweepers, sewerage cleaners and scavengers); *Mymal* (fisherman on the big water bodies); *Muchis* (cobblers and shoe makers); *Nagarchi* (Traditional folk singers); *Kulies* (*tea garden worker originally brought to Bangladesh from various parts of India*). These communities have been living a segregated life, parallel with the mainstream population, for many years. People from these communities

are spread all over the country. They constitute parts of extreme poor and live in totally sub-human physical and social environments.

5.421 There are also other disadvantaged and stigmatized groups who are subject to social injustice, are marginalised, and have little opportunities in life for breaking out of their harsh realities. Some of these groups are sex-workers, children and adolescents who came in contact with crime and are in jail or are in shelter houses etc. There are also people who are displaced such as refugees. They also form pockets of extreme poor. PRSP needs to recognize their existence and also take actions in uplifting the constraints of their lives so that they can also live a poverty free life.

5.F.5.1 The Issues

5.422 These people mainly remain within their own community and pick up a hereditary profession. During consultation with them, it has been found that the members of these communities have become disadvantaged and marginalised over time because of three main reasons: first, there is a decline in the demand for their services; second, they are faced with the problem of occupational immobility; and third, they are also treated as social outcasts by the mainstream population. These communities are deprived of education, knowledge and know-how and are unable to change their situations and realities. They survive on the margin, mostly in a miserable condition, endure sub-human living conditions, ill-health, and high rate of mortality, and are subject to social and physical insecurity.

5.F.5.2 Actions to be taken

5.423 Efforts need to be taken to address their special situation in the formulation of the Poverty Reduction Strategy Paper. Most importantly, the adults get job opportunities in mainstream activities and the children from these communities must have access to health, education, water and sanitation. Special social security provisions can be introduced for the sick, the vulnerable females and elderly in these groups. In collaboration with NGOs some of these groups can be given skill training and micro-credit. Tea garden workers should be paid at least the minimum wage and ensured decent work conditions. Fishing communities might be assisted with training and equipment to catch fish and be linked to the market so that they can get a fair price for their products. River Gypsy's could be given some khas land to settle down. The benefit of government services must reach them so that they get an opportunity to improve their situations. The sex-workers need opportunities to be rehabilitated. Children and adolescent who came in contact with crime needs to get opportunity to receive education and skill training and opportunity to reintegrate into the mainstream society. To deal with the situation of the refugees and displaced people government needs to seek international help.

5.G Supporting Strategy II: Promoting Good Governance

5.G.1 Strategic Considerations

5.424 There is little disputing that the governance issue is critical to a more effective growth and poverty reduction strategy. A maximal definition of good governance would include the following: checks and balances among various organs of government, legitimacy and authority of state institutions, rules and norms that determine who holds power and the exercise of this power, relationships of accountability among state functionaries and between these functionaries and citizens, the capacity of government to make policy, manage administrative and fiscal affairs of the state, and deliver goods and

services, and the opportunities and efficacy of redress available to citizens. While such a maximal definition certainly constitutes the long-term goal, it is a moot point to what extent it offers the most optimal guide for action in galvanizing the process of transition, and in particular, in accelerating the process of poverty reduction. It is relevant to note here that cross-country findings have begun to question to what extent the maximal agenda on good governance was a precondition or a consequence of development.

5.425 Effective strategy-making on good governance needs to avoid four typical weaknesses—i) a tendency towards an encyclopaedic wish list in agenda formulation, ii) an insufficient appreciation of the institutional and political realities through which reform initiatives have to be carried forward, iii) over-focusing on what does not work while ignoring what does work, and, iv) lack of clarity as to where the governance agenda best interfaces with poverty reduction goals.

5.426 The broad action agenda on good governance is well-known. This generally covers six areas:

- the reform of judicial systems,
- public administration reform,
- anti-corruption,
- decentralization,
- strengthening accountability and participation, and
- public expenditure management.

5.427 While the above are all desirable goals in themselves, it is important that the transformation of these broad agendas into specific priorities be attentive to the payoffs for poverty reduction. For example, judicial reform is a worthwhile goal in its own right but viewed through the poverty lens, this goal is better prioritized as one ensuring cheap and accessible justice. A frequently overlooked priority is regulatory support to the informal, unorganized sector of the economy wherein the majority of the poor pursue their livelihoods.

5.428 It is also important to acknowledge and factor in the fact that priorities for addressing governance may differ among distinct reform constituencies. Politicians, for example, are likely to be more concerned about the political implications of different kinds of reforms and might give priority to those that increase satisfaction among their supporters. Bureaucrats may favour technocratic solutions over those which require greater social engagement. Donors tend to put the emphasis on the efficient management of public resources and clarity about the uses of those resources. Economic elites might place priorities on changes that improve their capacity to survive, to generate profits, to eliminate what they see as troublesome government bureaucracies, or to improve the security with which they do business. Poor people, in contrast, might give priority to the availability of services and basic conditions of personal security. A homogeneity of priorities cannot be assumed and the challenge lies in the intelligent and productive resolution of the trade-offs.

5.429 Producing tangible benefits in the short term is often a wise first step to opening up larger reform agendas. Three recent examples have been the ban on the use of polythene bags, the campaign against cheating in public examinations, and most recently, enhanced security in public markets during festival times. These serve the crucial function of high visibility changes that build citizen trust in the possibility of reform. More ambitious and politically difficult reforms need to be assessed in terms of

their political feasibility, given the context into which they will be introduced. The overall goal of better government performance is not advanced when governments promise actions that are not politically or bureaucratically feasible or when they cannot deliver on their promises. The challenge really is not on the length of the reform agenda but rather how reforms are introduced and sustained in the real world.

5.430 It is also important to build on the many good practices and islands of excellence which have sprouted despite generally poor governance environments. Understanding of the characteristics which have led to better performance becomes a valuable resource in assessing whether and how such lessons can be leveraged into other contexts. A useful example to look at here is LGED which has been one of the better performing government agencies. Key institutional aspects contributing to better performance include the following: i) decentralization ii) professional work culture and recognition of outstanding achievement, iii) strong monitoring system, iv) informal decision making: de-emphasizing of bureaucratic file movement in favour of use of information technology, v) leadership vi) team-work, and, vii) sense of mission.

5.G.2 Cross-Cutting Themes for an Institutional Strategy

5.431 There are four cross-cutting themes for an institutional strategy on good governance:

- Systemic improvements;
- Quality institutions;
- Partnerships; and
- Culture and values.

5.432 Systemic improvements constitute as it were the first-order reform agenda on governance. Even here, however, one must distinguish between “big solutions” and “small solutions” and ensure that both are simultaneously pursued. Systemic improvements need not always imply creation of new laws and institutions. There are many opportunities and capacities in the governance arena which remain dormant for want of sustained and strategic attention. Examples are existing provisions for standing committees in union parishads, school management committees, upazila health advisory council etc. Activating such dormant capacities will be a key element of the new institutional strategy.

5.433 Systemic improvements on their own are unlikely to be fast enough or wide-ranging enough to achieve the goal of accelerated poverty reduction. An active policy of nurturing quality institutions, islands of excellence as it were, must supplement the broader focus on systemic improvements. A number of such institutions already exist; more will be needed in the identified priority sectors.

5.434 The third cross-cutting theme underpinning choice of priorities is the theme of partnership. Most of the good governance agenda is about what governments need to do to perform better. However, recent experiences have produced a wide range of innovative ideas about how to improve service delivery through community engagement, contracting out, various forms of delegation, and privatization; how to engage communities and municipalities in development planning and budget management; how to build partnerships with NGOs, the private sector and communities in a wide range of service provision sectors. The truth is that the ground reality is increasingly a multi-agent one (

5.435 Table 8) with a wide cast of actual and potential actors oriented to specific role specializations. Building partnerships to reap the benefits of appropriate synergies will be a crucial element of the new institutional strategy.

5.436 The last of the cross-cutting themes is the question of culture, values and norms. Structures, systems, and rules are important but without appropriate work culture and norms of practice, the expected results are rarely forthcoming. The challenge here again is to be strategic rather than be dependent on feel-good rhetoric. Not all solutions can be supply-driven. Demand-side pressures will be critical to bringing about long-term changes in work culture and norms.

5.G.3 Priorities

5.437 Keeping the strategic considerations in mind, the following are identified as the key priorities in the governance agenda:

- Improving implementation capacity;
- Promoting local governance;
- Strengthening Anti-Corruption Strategy;
- Reforming criminal justice and enhancing access to justice for the poor; and
- Improving sectoral governance.

Table 8: Governance and Agency

Actor-Type	Role Specialization
Government agencies	<ul style="list-style-type: none"> • Security • Infrastructure • Service-provision • Capacity building
Local government	<ul style="list-style-type: none"> • Dispute resolution • Service delivery • Participatory planning • Protection • Social mobilization
NGO	<ul style="list-style-type: none"> • Service-delivery • Target group mobilization • Advocacy • Capacity building
Political parties	<ul style="list-style-type: none"> • Demand articulation • Protection • Power issues
Community capacities	<ul style="list-style-type: none"> • Social capital • Dispute resolution • Value creation • Power issues
Private sector	<ul style="list-style-type: none"> • Service provision • Market development
Support institutions	<ul style="list-style-type: none"> • Capacity-building • Constituency building • Catalyst
Think tanks	<ul style="list-style-type: none"> • Agenda formulation • Performance evaluation

Source: Rahman, Hossain Zillur Re-Thinking Local Governance towards a Livelihood Focus, PPRC Policy Papers, 2001

5.G.4 Improving Implementation Capacity

5.438 Implementation failures/difficulties are caused by generally two sets of problems, namely personnel related (i.e. recruitment, training, grooming, placement, postings and transfers, promotions, etc) and work-related problems (coordination, meetings, supervisions, monitoring, inspection, expenditure control, revenue generation, directing, delegation, decentralization, etc) but these are also related to one another. In addition, there are problem issues in the planning and project cycles, poor result orientation in project choice, and sub-optimal use of information flows.

5.439 Specific sub-priorities to attend to in this area include:

- Reducing the burden of under-completed and under-funded projects within the ADP i.e. annual development plan.
- Streamlining the project preparation and approval process, particularly revising the project proforma.
- Improving incentives, motivation and capacity within the administration. Components here include: rationalization of civil service pay, greater professionalization of the recruitment process, exploring mechanisms to effectively tap managerial talents available within and outside administration particularly to senior positions, revamping training strategies, making reward and punishment real, and strengthening the inspection and monitoring function within the administration. The Report of the Public Administration Reform Commission provides a useful basis for planning a meaningful action plan on these issues. Transforming public administration into an effective and accountable process dedicated to the broader welfare of society is a long-term challenge and the possibility of a permanent body to formulate and advise such a reform process needs to be explored.
- Improving information flows. Information perhaps constitutes the most promising entry point for three core implementation objectives: coordination, accountability, and transparency. Both “big solutions” such as a possible freedom of information legislation as well as “small solutions” such as open budget sessions etc will have to be explored.

5.G.5 Promoting Local Governance

5.440 The decade of the 90s has demonstrated that the political prospects for big-push “reform from above” on the decentralization agenda can hardly be taken for granted. Not that the ground reality has been static. Some milestones on the decentralization agenda can be noted. The cycle of elections for the two existing forms of local government i.e. union parishads in the rural areas and pourashavas in urban areas, were held on schedule, union elections in 2003 and pourashava elections in 2004. The provision for gram sarkars too was implemented in 2003 though its operationalization has been dogged by controversies. What, however, did not happen is the implementation of the provision for an elected upazila parishad despite a majority recommendation of the concerned cabinet sub-committee on the

matter. The non-implementation of the upazila plan has also fuelled a counter-productive trend whereby rural localities not ready for an urban status has vied to make themselves into pourashavas to ensure a backdoor electoral space. A compounding source of concern has been the increasing tendency of members of parliament to intrude into the affairs of union parishads and pourashavas, a process which effectively began from the late 1990s. Other milestones too have been mixed. A good beginning was made with the first-ever combined orientation training for all union parishad members in late 2003. Job descriptions for women members elected to reserved seats were also developed. Revised model tax schedules for union parishads have been issued. Construction of union parishad complexes has been underway. What, however, has not occurred is a substantially increased resource flow to these bodies. It is true a policy beginning regarding the provision for a direct allocation to union parishads has begun from the 2004-05 financial year but the amount still is quite small. On a more positive note, a new crop of rural leaders, younger, more educated and outward-looking, appear to have emerged through the union elections of 2003. There has also been an explosion in pilot experiments focused on union parishads, particularly related to developing a performance-linked second resource channel outside of the ADP channel. The practice of open budget sessions is also gaining ground though it remains to be seen to what extent it has become an integral UP process.

5.441 The lessons from the evolving ground realities indicate the need for a reformulation of the decentralization agenda towards an agenda of promoting local governance. This highlights the need for simultaneously pursuing the agendas of political and functional decentralization, putting the emphasis on partnership between local government bodies and other local actors, and, projecting the importance of newer agendas of decentralized service-delivery and promotion of local economies. The focus is not only on local governments as project implementing bodies but on local governance as a political and institutional process which can contribute to the required scaling up of the rate of poverty reduction through more effective resource mobilization and enhanced development choices available at local level and better inclusion of all social groups in these choices.

5.442 Key priorities in this reformulated agenda include:

- Building on the incremental possibilities which lie in the current situation: Fostering expanding islands of best practices by targeting the more dynamic elements in the local government leadership including the women members should be a promising line to work on. Incremental potentials also lie in linking union parishads to critical new functional arenas such as micro-infrastructure, early child development, consolidated implementation of safety net programmes, and local economy promotion.
- Initiating a revamped training strategy: The first-ever orientation training initiated last year provides a good base to develop innovative follow-up training strategies. Critical gaps have been identified. Collaborative initiatives between research organizations, government institutions and NGOs to pursue these openings are a critical necessity.
- Incremental potentials also lie in consolidating a performance-linked second resource channel (outside of ADP) for union parishads: this has been the focus of many of the pilot experiments. Such a resource channel has already been initiated and substantial

increase in resource allocation can be planned for with due lesson-learning from the experience so far.

- While the strategy of incremental strengthening in institutional, functional and resource availability arenas is critical, the issue of political decentralization is also to be pursued. The importance of establishing elected upazila parishads needs to be re-iterated. The non-implementation of the upazila plan is intimately linked to widespread unease and hostility to the issue among members of parliament. In many ways, this hostility has simply been criticised but not engaged with. It is a moot point that the national debate on the upazila question has revolved around simply a restoration argument, namely to restore the upazila model introduced under the Ershad regime in the 1980s. While the principle of an elected upazila parishad has come to find great resonance within the population at large, the specifics of the structure have not been critically engaged with. There may be an important entry point here by which to create broad-based consensus amongst the political actors and ensure early implementation of the upazila parishad.
- The other course of action is to lay the groundwork for a comprehensive legislation on local governments. At present, there are a plethora of laws and circulars, often outdated and self-contradictory, which govern existing local governments. These need to be streamlined into a comprehensive Act. Government alone is unlikely to be the driver in this task. The initiative needs to come from advocacy organizations, research institutions and civil society actors. The approach here has of necessity to be a long-term one and the task realised through a coalition effort. If a working draft on such a comprehensive legislation can be prepared, it can be used as a powerful advocacy instrument to persuade and prod politicians and the government of the day to adopt and eventually produce a formal legislation.

5.G.6 Strengthening Anti-Corruption Strategy and Transparency and Accountability

5.443 That corruption has emerged as a critical governance issue constitutes a broad consensus view. There is much less consensus on the wisdom of reducing the governance agenda to the theme of anti-corruption. A strongly folkloric approach to the issue focusing only on perceptions and beliefs and the emotions attached to these beliefs tends to end up in highlighting only a narrowly deterrence-centric anti-corruption agenda while neglecting the question of its causalities and the need to build a larger political consensus to address the issue. From an agenda-building perspective, it thus makes more sense to move beyond anti-corruption as a stand-alone deterrence agenda. The challenge really is one of transforming the agenda into that of a comprehensive anti-corruption strategy which touches on three crucial levels:

- deterrence
- system improvements, and,
- value-creation.

5.444 The last is important because an institutional approach alone carries the risk of pushing the agenda towards a technocratic fate.

5.445 An unorthodox reading of the causalities of corruption and mis-governance highlight the following:

- Breakdown and decay in oversight functions: The administrative structure in Bangladesh, notwithstanding its colonial roots built on a mistrust of the people by the state, had certain strength in internalizing functions of inspection and oversights within routine administration. The police superior was required to inspect thanas, the deputy commissioner had to go on inspection tours, the education officer had to inspect schools. One of the most unfortunate trends in recent times has been the neglect and decay in these oversight functions that played an important role in containing corruption and mis-governance at the base of the system. The reasons for this decay has been manifold: lack of time due to involvement in a variety of other duties (most frequently protocol and project duties) beyond core responsibility, having to bear the burden of ‘VIP visitor entertainment’, lack of logistical support to undertake inspection tours, loosening of supervisory pressure from above etc. The net outcome is that a powerful source of routine oversight pressure has fallen into dis-use leading to poorer standards of governance and corrupt practices.
- Weak system development in the politician-administrator interface: The onset of parliamentary democracy in 1991 in Bangladesh has introduced a new challenge of system development with regard to the politician-administrator interface. In a way, the novelty of this challenge is not sufficiently appreciated by many who are engaged on the goal of good governance. The administrative class has far deeper roots in the exercise of state-power than the political class a majority of whom assume offices with little or no training in statecraft or policy-making. A healthy transition on the politician-administrator interface has been anything but assured. Politicians have often over-reached (e.g. members of parliament seeking to command all institutions within their jurisdiction) to overcome a sense of insecurity while administrators resist system change which could lead to a more productive distribution of administrative power. Such tensions have been compounded by authoritarian tendencies which have deep roots in the exercise of state-power and which are too readily adopted by democratic power-holders. Inevitably, attempts to address the politician-administrator interface has been pursued through the language of power rather than the language of responsible checks and balances. Consequently, sustained policy engagement on the goal of good governance has been a frequent casualty.
- Quality of political competition: Another key constraint on the goal of good governance has been the quality of political competition which has underpinned the democratic period since 1991. Burgeoning election expenditures has narrowed the field of political competition to a moneyed class and fuelled a propensity for corrupt practices to ensure ‘recovery’ of expenditures incurred. Politicians have also had to respond to electorate’s expectation of ‘development results’ in their individual constituencies and this has often been pursued with a certain disregard for governance standards.
- Capacity deficit: While the need for higher professional standards within the bureaucracy has grown, the situation has come to be marked by serious capacity deficits. HRD policies and institutions seem woefully inadequate. The opportunities for professionalization of the bureaucracy through the two-way traffic of secondments and outsourcing to social and private sector are generally overlooked if not actively resisted. It is also the case that HRD policies and institutions within the private sector and within civil society too remain equally inadequate. The capacity deficit leading to poor governance is compounded by a poor incentive and sanction regime. Good practices, where they exist (and there indeed are many instances of these), tend to remain invisible as a knowledge pool which could be utilized for wider emulation.

- Project cycle: Development has come to mean projects and unpacking the project cycle reveal a great deal of where and how opportunities for routine corruption arise. Field experience reveals that there is one particular segment of the project cycle which contributes more than any other to institutionalized corruption. This is the phase of ‘cost estimation’ wherein a much inflated ‘estimate’ lays the groundwork for a corrupt distribution of resources among key project stakeholders. Specifically targeting this segment of the project cycle and institutionalizing a significantly higher level of scrutiny and oversight for this segment can go a long way to deal a decisive blow to institutionalized corruption in the development field.
- Unreformed strategic sectors: The problem of corruption and mis-governance also has its roots in the fact that certain strategic sectors remain largely unreformed. Three such sectors are most noteworthy, namely, police, judiciary, and transport. There are corruption issues involved in various service sectors too, particularly health and education, but it is the above three which contribute most to transforming corruption and poor governance into systemic issues. Both police and judiciary have been untouched by serious reforms. Progress here has been scanty partly because compelling reform plans as well as serious reform constituencies have been scanty. The other strategic sector which merits attention here is transport and communication. By its very nature, the sector draws in a wide range of stakeholders including transport-owners, transport workers, travellers, traders, market-places and police. The sector has seen an exponential growth in post-independence Bangladesh but this has been accompanied by an atmosphere of lawlessness without the benefit of a coherent regulatory framework and its effective enforcement. The net consequence of these unreformed strategic sectors is a systemic sense of poor governance.
- Value deficit: However significant they maybe, institutional explanations alone do not explain why corruption has emerged as a core governance problem. An erosion in the value-system which glorifies material success at any cost and has weakened the sense of guilt around corruption have served to create a social milieu in which corruption has come to be easily tolerated. The problems are not limited to governments alone but apply equally to professional groups as well as the private sector.

5.446 In view of the complex causalities of corruption, the priority is for a comprehensive anti-corruption agenda touching on the three levels of deterrence, system improvements, and value-creation. Specific priorities in this area include:

- Fast-track operationalization of the Anti-Corruption Commission.
- Continuing the reforms in the financial management area. Procurement guidelines have been reformed and possibilities of reversal have to be actively countered.
- Strengthening oversight functions both at apex levels such as parliamentary standing committees, auditor general and proposed offices of ombudsman as well as within routine administration. The importance of the informal watchdog roles of the media and civil society also needs to be highlighted.
- Strengthening and enforcing codes of conduct within the electoral process.
- Targeted transformation of recruitment and HRD institutions to ensure higher level of administrative quality.
- Strengthening information flows: Within the authoritarian and bureaucratic institutional culture, freeing up information itself can act as a powerful driver for building accountability pressures and improving the governance process. A key priority to pursue

here will be a right to information legislation brought about through a well-debated and participatory process. The challenge, however, is not only a legislative one. The power of information to an important extent is dependent upon its effective application and elaboration of relevant application areas and capacities to act in these areas are often overlooked priorities.

5.447 Establish better indices and evidence on corruption and mis-governance. The quality and efficacy of the corruption discourse often suffers from poor standards of indicators and evidence. In lieu of such knowledge, a folkloric approach often holds sway making consensus building for viable intervention difficult. The development of indicators and evidence which capture the governance reality better, not just from the standpoint of international capital but also from the aspirations of common people, offer the prospects of being a powerful driver for change.

5.G.7 Reforming Criminal Justice System and Enhancing Accessible and Affordable Justice for the Poor

5.448 The contribution of good governance in the fields of law and order, human security and justice system in ensuring development can hardly be overemphasized. Reforming criminal justice and enhancing affordable justice for the poor are the crucial policy priorities in this area. Addressing these priorities is easier said than done. An inherited colonial system of criminal and civil justice which ensures ‘certainty of expense but uncertainty of results’ poses major barriers to the poor in terms of accessibility and affordability. The criminal justice system is imbued with a fundamental discretionary ‘capacity to punish’ which militates against deepening the foundations of citizen rights. The process is exacerbated by the struggle to use judicial discretion as a ‘resource’ in the pursuit of political competition as well as by authoritarian power norms which guide elite behaviour whether they be in the political, bureaucratic, business, or even NGO arenas.

5.449 Reforming police and the judiciary present formidable challenges: There was, until recently, no special police force to deal with special crimes, such as heinous crimes, economic crimes, cyber crimes, etc. Coordination of the police force with other law-enforcing agencies, such as BDR, Ansar and VDP, Coastguard, etc. is rather tenuous. The police do not possess a research cell to investigate the nature of changing crime and the appropriate methods for handling them. Community policing is weak, although this could compensate for not having a large formal police force. Chowkidars and dafadars are not adequately linked to the thana. Investigation, law and order and prosecution duties are combined in the same official, and this tends to make officials unaccountable and inefficient. A colonial mind-set towards the public continues to prevail often resulting in mistreatment of even women and children. Routine inspection and supervision has decayed. Jails are horribly over-crowded, under-trial prisoners are not treated separately from convicts, women face great insecurity even in ‘safe custody’, and a large number of children are in jail. Problems also pervade the judiciary, particularly, the lower judiciary. A critical problem is the delay in disposal of cases which is highly detrimental to the common man. Weaknesses in procedural law, prevalence of vested groups, poor training and physical facilities, lack of inspection and supervision, intrusion of political considerations, all contribute to such undesirable outcomes.

5.450 Some reforms have been undertaken: Speedy Trial Tribunal Act was passed in 2002 to deal with some heinous crimes and nine tribunals established under the Act. Other steps taken include the Acid Offences Act, 2002, Civil Procedure Code (Amendment) Act, 2002 for introducing alternative dispute

resolution, establishment of monitoring cell, establishment of the Rapid Action Battalion (RAB) to deal with violent crimes. Establishment of a National Human Rights Commission is under process as also the separation of judiciary from the executive and the establishment of an independent public prosecution service. Several grass-root initiatives focused on improving the traditional *shalish* (dispute resolution) process is generating valuable lessons for the ADR route to justice and giving this route a new currency.

5.451 Some noteworthy changes have also occurred in the area of jail reform. More jail visits, release of a considerable number of children from jails, better diet, provisions of television and electric fans, construction of new jails, finalization of the service rules for jail personnel, creation of day care centres for young children, transfer of safe custody women and girls from jails to safe homes equipped with greater facilities, etc are some of the measures undertaken. However, there is still a long way to go.

5.452 While some of the reforms already undertaken have clearly gained public support, concerns on criminal justice and affordability and efficacy of justice remain very widespread. Key policy priorities include:

- meaningful progress on the separation of the judiciary from the executive,
- development of a comprehensive police reform agenda,
- strengthening safeguards in application of speedy solutions such as RAB,
- speedy establishment of the independent government attorney service,
- consolidation of jail reform,
- standards setting on lower judiciary,
- promotion of ADR,
- community policing,
- building on the initiative for a Child Commissioner, and
- expediting establishment of the National Human Rights Commission.

5.G.8 Improving Sectoral Governance

5.453 While the above are cross-cutting agendas, there is an urgent need to focus also on specific sectoral agendas, particularly in those sectors which carry the highest relevance for the goals of growth and accelerated poverty reduction. Key sectors to be targeted here include: infrastructure, communication, health, education, disaster management, local government, and land.

The relevant Policy Matrix providing major goals and actions to be taken for ensuring good governance is presented in Annexure 4.

5.H Supporting Strategy III: Service Delivery

5.454 Bangladesh is one of the very few countries to attain high social development among countries with comparable levels of per capita income. Notwithstanding the relatively modest growth of income and income poverty reduction, Bangladesh's achievements in the broad area of social and human development have been fast and, in some respects, remarkable. Indeed, the pace of progress in reducing

TFR, bringing down the level of under-five mortality, and lowering the 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. This supports the proposition that higher social development outcomes can be achieved even at a lower level of per capita national income.

5.455 Among others, two important factors appear to have helped achieve high social development in Bangladesh. *First*, realization of the importance of provision of social services for social development by the government and allocation of a significant part of the annual budget for key social sectors (e.g. education, health, and housing). *Second*, recognizing the deficiency of public delivery system NGOs have been promoted as an alternative institution for delivery of social services. In the case of Bangladesh, it appears that the state is identified as weak in its engagement in service delivery, the central government remain strong vis-à-vis the local government in case of decision making and resource control.

5.H.1 Important Avenues

5.456 The most common basic social services include education, health, water supply and sanitation. Provision of shelter is also incorporated to cover the specific needs of the urban people. Some elements of infrastructure such as rural roads, and services related to the municipality also form an important component of social services. Agricultural extension services are also perceived as social services.

5.457 Almost all the NGOs in Bangladesh have been involved in the delivery of most of the basic services such as education, health, water supply and sanitation and shelter. Non-government organizations have been providing alternative education opportunities (including non-formal and adult education) for disadvantaged and poor people with an aim to increase literacy rates and enhance participation of children of poor rural households. On the other hand, public educational institutions failed to meet the growing urban demand, paving a way for private sector investment. The private sector mainly entered into the urban education sector mainly to reap profits by bridging the supply-demand gap particularly in the richer segment of the market.

5.458 NGO services in the health sector have largely been confined to consultations and raising awareness, as major treatments need huge investment. Collaboration between government and the private sector is observed in health care delivery. However, collaboration of the public sector with private sector has not been satisfactory. The range and extent of public sector collaboration with the private sector in the area of Health, Nutrition and Population (HNP) is incongruent with their importance. The major interactions were in terms of regulations of private clinics and hospitals. Informal (or less formal) providers such as non-allopathic practitioners, traditional birth attendants, drug vendors have had very little interaction with government. Thus, the public-private collaboration failed to include agents who are most important for the poor. Appropriate public policies are needed to raise the effectiveness of the private sector's contribution to public health goals.

5.459 In the case of water supply and sanitation, NGOs are providing extension services with the aim of increasing poor people's access to safe water and to reduce the child mortality rate. Since the willingness to pay for water and sanitation is more pronounced than other basic services, greater participation of the for-profit private sector is anticipated. Greater scope of privatization of the water supply, however, points to potential conflict between the private sector and NGOs.

5.460 Another important area where the involvement of NGOs is noticed is employment generation. The justification to include employment generation in the league of services for the poor lies in the practice of allocating resources for employment generation through the provision of safety net programmes. Historically, the government implemented such activities with assistance from donors (i.e. World Food Programme) involving the local bodies. Under the “integrated food and development programme” (which is an improved version of the earlier one) there has been a major policy shift from relief to development. In Bangladesh, LGED has collaborated with local NGOs and private contractors in coordinating such employment generation projects.

5.461 Rural credit, marketing and agricultural extensions are often perceived as social services. However, due to non-existence of attractive markets, presence of private sector and NGOs was hardly found in the earlier decades. Over the last decade, as a market for these services emerged, the private sector became a key actor. Moreover, a number of NGOs are also engaged in such services for both social and commercial objectives (e.g. one such example is BRAC’s programme support enterprises or PSEs). In recent years, NGOs have started extending their scope of operations in “for-profit commercial” activities as well. However, graduation of some NGOs into commercial enterprises also invites future potential conflicts between the for-profit private sector and NGOs. Two most prominent NGO actors in commercial activities are BRAC and the Grameen Bank. Some of the NGOs are also involved in the disposal and management of urban waste (e.g. Waste Concern is engaged in the disposal and recycling of Dhaka’s waste). The purview of service delivery has also extended to important services like security. Recent evidence suggests that local level community organizations are pulling resources to ensure security of their members.

5.H.2 Scope of Public-Private Partnership

5.462 Notwithstanding the recent participation of the private sector in delivery of financial and extension services (i.e. rural credit and agriculture extension), wider roles for the private sector are noted by researchers and institutions. It is noted that the private sector can play an important part in alleviating poverty through employment generation and creation of “fiscal space” by relieving pressure on government budget and subsequent redirecting of government resources to social spending. Public and private sectors can cooperate, as rated by researchers, in several ways in reducing poverty. For example

- Public-private partnership should be formed through government design of concessions that call for bidders to provide services where it will not otherwise provide to the poor.
- Private utilities should be effectively regulated to make sure that the poor get better access to services at lower prices.
- Responsible corporate citizenship must be encouraged.
- Privatization and divestiture should be linked to poverty reduction. For instance, when state-owned assets are sold to investors, some of the proceeds could be shared with the poor.

5.463 Micro, small and medium enterprises (MSMEs) are one of the largest employers and hence their growth may make an impact on the livelihood of poor people. However, almost all such enterprises suffer from lack of access to financial resources. The private sector financial institutions can help growth of MSMEs and hence poverty reduction by providing easy access to financing on reasonable terms and conditions.

5.464 Some “consensus” appears to have been reached with regard to the public-private role of financing and provision of key social services. Given the coverage and wide ranging impacts on well-being and asset development, the public sector is ideally suited to provide primary education. On the other hand, tertiary education is more suitable for the private sector, either in financing and provision or both. The public sector must ensure that quality and equity are maintained. In the health sector, the public sector is “most naturally suited” to address issues involving communicable diseases, availability and quality of information about health and health care. Creation of a viable health insurance programme, safety nets provision for the poor, and ensuring and promoting equity in distribution of health resources may ideally be under the jurisdiction of the public sector delivery.

5.465 The role of the private sector in health service arises from the need to redress problems of access, high costs and diminishing resources for health care in a competitive environment. A key element in this strategy is to encourage greater involvement of the private sector in health care provision aimed at controlling cost, improving access and promoting efficiency. The involvement of the private sector may also help decentralization of the health care system; broadening health financing options to include user fees, community finance and social and private insurance.

5.466 Whoever is the provider of services, some key principles should be ensured for the welfare of the recipients. (i) Quality or standard of the services must be maintained. (ii) Delivery of services should be designed to reduce inequality. (iii) Public-private collaboration must include informal or less formal service providers who are most important for the poor, such that benefits of such interactions reach the poor. (iv) Private sector may be encouraged to increase their involvement in the service delivery, which would help create a “fiscal space” by relieving pressure on the government budget and subsequent redirecting of government resources to social spending.

5.H.3 Emerging Concerns

5.467 In spite of the progress in social development there are some emerging concerns. First, falling standard of key services, delivered both by public and private sector, is pervasive. Outcomes of a survey conducted on 346 individuals with predominant middle-class background with regard to various aspects of service delivery reveal serious dissatisfaction among the recipients. Almost 93 percent of the surveyed population were dissatisfied with the services received. Of these poor quality services, 39 percent were provided by the public sector and the remaining 54 percent have been delivered by the private sector. Further investigation found three factors responsible for the dissatisfaction. They are termed as “human factor,” “technological factor” and “process factor.” Human factor (e.g. callousness, lack of empathy and incompetence) alone accounted for 72 percent of the dissatisfaction. The technological factor and process factor (having to wait longer than needed and too many signatures) accounted for 11 and 10 percent of dissatisfaction respectively. Second, there appears to be a high degree of social inequality, which cuts across all key social targets. Third, the rich-poor divide (however measured) is striking, but more worrying is the gap between the poorest and the rest of the society. High level of inequality in spatial dimensions and socio-economic categories needs to be seen as a factor likely to cause divergence in the progress of social development in the coming decade. Fourth, increasing participation of the private sector in education poses the emergent problem of maintaining a fine balance between the social goals of public sector and profit motive of the private enterprises. This is prominent in the provision of education in urban areas with rapid growth of kindergartens in the major cities of Bangladesh. With a fixed supply of qualified teachers, such high growth invariably leads to a decline in quality of education. Deviation from the national curriculum further accentuates the problem. Fifth, health care beyond awareness creation requires large-scale investment, which is not always forthcoming from non-profit NGOs, and investment by the for-profit private sector has urban and pro-rich bias. Thus, the current

concern with health care for the poor involves less of regulation but more of devising appropriate frameworks for public-private collaboration to ensure quality service to the poor.

5.H.4 Recommended Strategies

5.468 Quality of services delivered is a problem in Bangladesh. Improving quality of services for groups who have been already brought under the GO-NGO delivery system must be a priority now and hence appropriate policies need to be designed to readdress the quality aspect of service delivery.

5.469 Allocation of government funds (especially in the case of education services) to educational institutions must be linked to their performance; Performance can be measured by an educational institution's examination outcomes or by parents' evaluations. Educational institutions may also be rewarded with larger grants for satisfactory performance and penalised for dismal outcomes by stopping funds.

5.470 The recently launched "Model School" project is an innovative initiative aiming to improve standard or quality of education service. In the initial phase, eleven such model schools will be set up in eleven districts. If administered properly, the operation of a model school would help improve quality. Hence, it may be desirable to set up such "model schools" in other districts of the country.

5.471 One key objective of the service delivery system would be to set up a quality educational institution and a well functioning hospital in each of the district head quarters. Ensuring quality education and health services would help minimise spatial inequality in social development as well as reduce the rich-poor and rural-urban divide.

5.472 Despite sincere efforts on the part of NGOs, Civil Society Organizations (CSOs) and government, hard core poor groups could not yet be reached with basic financial services. As a result, they remained loosely integrated into the economic progress and were unable to improve their poverty situation. Provision of basic financial services (i.e. with adequate provision of skill development and marketing facilities) for the extremely poor would enable them build or expand their asset base and help them integrate to the process of economic growth and social development. Thus, it is imperative to devise a mechanism to reach the hard core poor with such services.

5.473 Systems loss in the process of delivery of some services appears to be huge, making the system inefficient and ineffective. Systems losses need to be reduced to make a service efficient and effective. An efficient and effective system would enable providers to broaden the net of the delivery system and include additional beneficiaries.

5.474 The experience of public-private-NGO collaboration must be taken into consideration to formulate policies and strategies. For instance, adequate attention must be paid to increase interaction of less formal pro-poor providers (especially in the case of health care delivery) with the government so that benefits of collaboration are broadened.

5.475 As there is a market for most of these services and assistance from donors is available, competition persists among agents (identified as substitutability). Complementarities in their functions are prerequisites for cooperation. One common observation reported in privatization literature is the perceived threat to government staff (both employment and pecuniary and non-pecuniary returns) from private participation in social service delivery. Thus, along with identification of various stages in the delivery of a social service and their nature, efforts should be made to identify the areas of substitutability and complementarities among different activities provided by various agents in the market.

5.476 For balanced social development and improved governance, it is important to make the private sector aware of its social responsibility. If realised, this would also help reduce the fiscal stress faced by the government. Furthermore, as there is now a market for most of the basic services, people are willing to buy the services. In spite of the “public good” characteristics of these basic services differential and discriminatory pricing may be set for different groups according to their purchasing power and social status.

5.477 It was noted that NGOs have the potential to undertake productive investment and marketing capabilities, which may generate pro-poor employment. This potential needs to be harnessed and for this appropriate policies must be adopted. Alongside promoting commercialization of NGOs, an appropriate regulatory framework must be in place so that the incentives for pro-poor employment generation by the private sector is not misdirected or threatened.

5.478 State monopoly over social service was advocated due to its “public good” characteristics, which originated from the idea of homogeneity in all stages of social service delivery. However, disaggregation of each service delivery into a number of activities may help identify stage-specific activities with definitive features of public and private goods. Such information would help solve the substitutability and complementary aspects of service delivery. However, the information is not readily available and hence a comprehensive study of stages may provide useful guidelines for practical policymaking.

5.479 Recognizing the difficulty in strengthening the long route of accountability, adoption of the alternative short route is recommended by researchers and institutions. The short route builds on the client-providers relationship. It is argued that there are two possible ways in which the short route may be more effective in improving the service delivery.

- a. Clients may help devise service according to their need. Need-based service delivery will improve the use and quality of services and reduce systems loss.
- b. Since clients are at the end point of service delivery, they are in the best position to monitor the providers.

It is also argued that the role of clients in revealing need and monitoring can be ensured or strengthened through increasing their preferences and involvement in service delivery.

5.I Supporting Strategy IV: Caring for the Environment and Sustainable Development

5.480 Human lives and livelihood in Bangladesh are intricately intertwined with nature. Consequently, no process of development and eradication of poverty can be conceived of without putting caring for environment and sustainable development at the centre-stage. On the other hand, as the poor depend heavily on nature for their livelihood, without the whole-hearted involvement of the poor, caring for environment becomes an extremely difficult task. Bangladesh is a signatory of the Multilateral Environmental Agreement by which government is committed to undertake certain environmental management actions which will be largely beneficial to the poor.

5.481 Operationally, poverty-environment linkages are evident at two levels - one is conservation of nature and natural resources for sustainable livelihood while the other is controlling/combating pollution for maintenance of biodiversity and protection of human health. The Government policies in the areas of macroeconomics and various sectors must keep in focus the impacts they might have on the environment. On the one hand there is “Green Vs. Brown” arguments that the country’s effort to grow fast, ignoring environmental concerns, may cause long-term damage to the environment and also dampen growth and development. At the same time it is also imperative for Bangladesh to grow faster in the short-run in order to reduce poverty. Therefore a careful balancing act must be orchestrated where economic growth is maximised without compromising environmental protection and safety. Policies and actions of the Government must not cause marginalization of the poor and force them to intensify over utilization of the open access natural resource base, or make them more vulnerable to pollution hazards.

5.482 On the other hand there is counter argument that growth will create fiscal space and resource that can be used to enhance the quality of growth and promote sustainable resource management. In terms of environmental issues it is important to keep in mind that in a country where the majority of the poor are highly dependent on natural resources, the improved management of natural resources is a prerequisite for poverty reduction.

5.I.1 Conservation of Nature

5.483 The linkage between poverty and conservation of natural resources is a mutually reinforcing process. Communities living in urban slums, people living in areas prone to severe floods, drought, salinity and bank erosion; and river/estuarine islands, tribal communities living in hills and forests, communities of landless and migrant workers, depend on natural resources for livelihood. On the one hand poverty perpetuates environmental degradation because the poor are forced to “mine” natural capital for survival beyond the sustainable limit and this leads to depletion and degradation of the resource base and deterioration of the quality of life. On the other hand, overexploitation of nature also implies decline in the *per capita* quantity and/or quality of water, land, forest, and biodiversity, which aggravates poverty. Thus conservation and regeneration of natural resources through appropriate intervention, investment and management have to be ensured so that the poor and vulnerable communities can depend on the use of natural resources on a sustainable basis.

5.484 In discussing conservation of natural resources attention is given mainly to five issues. These are (i) agricultural land degradation and salinity; (ii) biodiversity; (iii) public commons; (iv) afforestation and tree plantation; and (v) urbanization-related environmental issues.

5.485 **Agricultural Land Degradation and Salinity:** Depletion of organic matter in the soil, degradation of its physical and chemical properties of the soil, reduction in the availability of major micronutrients, imbalance in the fertiliser application and build-up of toxicity through improper use of pesticides are the major reasons for soil fertility decline. Furthermore, water erosion in terms of rill, sheet and gully erosion has a significant impact on the economy. Clearing of vegetation, earth removal, road construction, etc. cause most of the land degradation. Other issues related to land degradation include shifting cultivation (*jhum*) in the Chittagong hill regions, and unsustainable cultivation practices in the Barind and Madhupur tracts. Use of pesticides and overexploitation of biomass lead to denudation, deforestation and degradation of soil. The consequences of soil degradation should be considered while we strive to boost agricultural production.

5.486 Increase in salinity of topsoil also has a large impact on agricultural production. Since the Farakka barrage started its operation, the environment in the southwest region of Bangladesh has been adversely affected due to an increase in salinity. The northward movement of the salinity frontier has already threatened the mangrove forests, part of the World Heritage site, reduced agricultural productivity, and affected millions of people living in the south-western region of the country. The Indian River Linking Plan of diverting water from the Brahmaputra, in Assam, to the Ganges basin in West Bengal, without releasing sufficient water for Bangladesh will be disastrous for the economy and for the ecology of Bangladesh.

5.487 More than half of the land area is nutrient deficient, and subject to depletion of organic matter, or both. It has been estimated that loss of agricultural productivity due to land degradation might account for between 0.5 percent and 3.5 percent of GDP. Estimated cost of land degradation resulting from productivity loss is equivalent to Tk.60,832 million per year, and the cost of nutrient loss is Tk.47,245 million per year. The productivity loss per year equates to 4.3 percent of GDP (of 1997) and nutrient deficiency accounts for 3.4 percent of GDP (of 1997). The total estimated cost of degradation is nearly 7.7 percent of the 1997 GDP.

5.488 It is clear that over time our dependence on land will not decrease, rather it will increase. The degradation of land is already hurting the economy, and the poor, because of reduced yield, are either gradually shifting away from agriculture or are encroaching on the marginal land of forests and wetlands to increase production. All these lead to further degradation of our environment. Consequently, efforts to halt degradation of soil are both poverty reducing and environment friendly. In this respect improvement in the monitoring of a range of factors affecting soil fertility and measures to improve the quality of agricultural inputs (fertilizers, pesticides etc) are essential.

5.489 **Biodiversity:** Biodiversity is an asset for a nation. However, population pressure, conversion of forestland and wetland into agricultural land, overexploitation of forest products and excessive withdrawal of water, relentless wetland depletion due to overexploitation of both flora and fauna are causing great harm to our biodiversity. Agro-diversity has been reduced and this limits potential of further growth and development in this sector. At the same time, a large section of terrestrial diversity of plants and animals is being threatened due to deforestation and conversion of forestland. Similarly, aquatic diversity is also under pressure due to the drying up of rivers, reduction of flow of water in major rivers, and accumulation of pesticide residues in lake waters.

5.490 There are 16 protected areas (PAs) in the country. In addition, the Government has declared the Sundarbans, Cox's Bazar, Teknaf Sea Beach, St. Martin's Island, Sonadia Island, Hakaluki Haor, Tanguar Haor, Marjat Baor, Gulshan, Banani and Baridhara Lake as ecologically critical areas (ECAs) in Bangladesh. In terms of poverty, people living on the resources in these areas are generally poor. Consequently, reduction of opportunities to access resources from these ECAs and sanctuaries will result in conflicts and social unrest. Policies need to be adopted for community-based participatory management (where poor are included) to reduce and/or rationalize their dependence on such resources to ensure their sustainable management and poverty reduction.

5.491 To achieve biodiversity the participation of the poor at the community level is essential particularly given the fact they will be benefiting from conserving biodiversity. Improvement of biodiversity will benefit the poor particularly in terms of fisheries given that a large number of people depend on this activity both as an income generating activity and also as a source of protein. Thus it is essential to protect key-open water fisheries and other habitats.

5.492 **Public Commons:** Public commons includes natural resources such as land, open water resources in wetlands, forests, grasslands, grazing land, reed land, khas land, peat land, rivers, estuaries and the open seas with the characteristic that people in general have customary rights and access to them. These are sources of livelihood for the poor including the hardcore poor. They collect firewood, fodder and construction materials, fruits and vegetables for daily consumption from, graze animals upon, and catch fish in these resources. The dependence on common resources is very high: some 80 percent of the population depends, to some extent, on the utilization of these resources or on processing the resultant products. Thus public commons may be one of the most important safety net available to the poor particularly in the rural areas, provided these are managed in a sustainable manner.

5.493 Increasing access to natural resources for rural poor is an essential element of the process of reducing poverty in the rural areas. Rents from public commons, if captured by the poor, can help them initiate a process of capital accumulation that can help to pull them out of poverty and integrate them into the mainstream economy. However in most cases the poor have been excluded from access to the common property resources. They have access to at most low quality public commons. Thus the resource base for poverty reduction of the poor are either shrinking or degrading. This frequently leads to two kinds of problems. One is overexploitation of the resources to the point of total depletion while the other is the capture and management of quality resources by the Government and/or the local elites with the exclusion of the poor.

5.494 **Rural Energy and Afforestation (including tree plantation):** Biomass (fuel wood, tree leaves, crop residues and animal residues, mainly in the form of dried cow dung cakes or sticks) is the principal form of energy used by the people, particularly in the rural areas. According to a recent survey by BIDS, a rural household uses nearly 3 metric tons of biomass in a year. Of this about 1.7 metric tons is tree biomass composed of 1.2 metric tons of fuel wood and 0.5 metric tons of tree leaves. Practically all of the biomass is used for cooking and parboiling of rice. The relationship between the amount of the fire wood use and level of income is clearly positive and monotonic. This means that the poor has much less access to quality fuel for cooking. Income poverty thus translates into energy poverty. While switching to modern and better quality energy such as electricity is highly preferable, it is not possible to do so fast. Secondly, it is highly desirable to have as much tree cover as possible as the country may benefit in two

ways. Nationally and locally, this helps in reducing the energy deficiency while this also helps in keeping global carbon emission at a lower level.

5.495 The ground reality is quite stark. Population pressure on land has been leading to conversion of forest land and land under tree cover into other uses. This at the same time further lowers the supply of biomass and fuel wood for cooking raising their market value including further deforestation and cutting down of trees. Smoke due to fuel wood burning also is a major cause of a significant rise in the level of indoor air pollution affecting adversely the health of women and children. Increased demand for furniture also puts up pressure on forestland.

5.496 The annual deforestation rate up to the 1990s is estimated to be 3.3 percent resulting in a decrease of per capita forest land from 0.035 ha in 1969 to 0.02 ha in 1990, one of the lowest in the world, because of logging, unplanned conversion to agriculture and other non-forestry uses, like grazing, shrimp cultivation and other anthropogenic influences. The recuperative capacity of the natural growth of plants has failed to keep pace with the increasing demand. The estimated per capita consumption of timber and fuel wood is only 0.01 m³ and 0.07m³, respectively-perhaps one of the lowest levels of consumption in the world. The supply is inadequate even to meet the low level of consumption. In 2002, the per capita demand for timber and fuel wood was calculated to be 3.2 and 8.7 million m³, thus giving an estimated deficit of 62 percent and 60 percent respectively.

5.497 The impacts and manifestations of such an alarming rate of deforestation are multifaceted. The cost of these impacts to the economy was estimated to be 1 percent of GDP in 1990. Decrease in timber and other forest products incur direct economic loss. People who live in rural and hilly areas and depend on forests for their subsistence are severely affected. The ever-increasing population of Bangladesh has been exerting pressure on existing forests for more food, fuel wood, timber, fodder and other forest products, resulting in exploitation. About 70 percent of the plain land Sal forests are encroached upon. Other forestlands are also degraded. Consequently, their productivity is unacceptably low. The major causes of forest depletion are (i) lack of a conservation approach; (ii) low priority attached to biodiversity conservation ; (iii) encroachment from outsiders; (iv) inadequate participation of people and civil society; (v) lack of law and order and inadequate legal supports; (vi) corruption and pressure from the local elites; (vii) poor management and administration; (viii) lack of proper monitoring and accountability; and (ix) absence of incentives for Forest Department employees.

5.498 There are a lot of problems, limitations, and challenges of the Bangladesh forestry sector. While rate of deforestation needs to be managed properly reforestation also must be the given due emphasis as a way forward. Community-based participatory afforestation practices, or social forestry (SF), have been increasingly felt to be the most feasible strategy for the long-term sustainability of the forests. Experts suggest that there is significant scope for vertical expansion of forests through multiple forests. It is estimated that some 1.51 m ha of marginal and fallow lands are potentially available and can be brought under forest and environmental improvement projects through SF programmes facilitated by the Government and NGOs. Such programmes may also make a judicious use of the disadvantaged sections of human resources, including women and educated unemployed youth. A sustainable development strategy for the forestry sector must incorporate institutional reforms, management strategies, and policies to ensure that this sector remains productive.

5.499 **Urbanization Related Environmental Issues:** Urban areas particularly the big cities including Dhaka have serious pollution problems with respect to solid waste management, growth of slum areas without supply of clean water, and sanitation facilities, with congested living conditions, inadequate drainage system, and untreated industrial waste disposal. Most of these factors affect the urban poor in terms of general hardship, ill-health and even death. As usual it is the women and the children who are the worst victims. Such appalling conditions also adversely affect labour productivity due to disease and morbidity and thus increases vulnerability of the poor. Reduction of environmental problems related to urbanization must address improvement in the existing solid waste disposal system in all towns and cities, living conditions of the slums, and drainage congestions. The regulatory framework must be strengthened and implemented strictly with provisions for proper and adequate incentives to entrepreneurs to ensure that all industrial wastes are properly treated before disposal. With respect to waste disposal public/private collaboration is essential, system must be efficient and the Government needs to introduce sanitary landfill for all solid waste disposals and/or arrange for using the waste to produce energy. The disposal of hazardous and medical wastes in urban areas is a major cause of concern for urban life including that of the poor who are engaged in scavenging activities.

5.500 Another serious problem in the urban areas is improperly planned land development, whereby low lying lands, canals, and ponds are filled up for constructing residential and commercial buildings. This is causing reduction in the floodwater retention areas, water logging and drainage problems. Construction of roads without appropriate environmental mitigation measures is also adding to these problems. Flood protection activities around urban areas without appropriate environmental mitigation measures are also responsible for water logging.

5.501 **Policy Recommendations:** In order to address environmental issues relevant to the conservation of nature it is important to appropriately integrate environmental issues in all policies including macroeconomic policies. The Government needs to initiate studies on the impact of macroeconomic, sectoral, fiscal and trade policies and pricing of resources on the environment. For example if the Government is to remove subsidy from the agriculture sector, then it should do so by first removing subsidy from environmentally damaging chemical-based inputs such as fertilisers and pesticides. Instead, this money may be spent to train the farmers on integrated farming and pest management methods. Not only environmental analysis should take place at the policy level but also environmental considerations need to be included in project design and implementation. It is essential to introduce public hearings for projects with possible major environmental impacts. In this respect it is also essential to prepare Environmental Impact Assessment (EIA) documents on all projects and programmes available in the public domain.

5.502 The Government also needs to increase direct expenditure on increasing environmental awareness and undertake environment-related projects and programmes with a view to ensuring biodiversity, preventing land degradation, protecting forests and expanding social forestation, identifying and disseminating alternative cooking fuel and energy etc. In the area of common resources two measures are essential. The Government needs to take initiatives to expand and renew the depleted public commons, improve and systematise access of the poor to the natural commons and introduce community-based participatory natural resource management. In this respect enacting laws and regulatory frameworks and recognizing the rights of the ethnic minority and rural people to local common property resources are essential. The conservation of nature needs to include the goal of ensuring sustainable livelihood for the poor. Bangladesh needs to take the opportunity to access financial

assistance from the international community to take pro-poor environmental friendly actions under Carbon Credit and Global Environment Facility funds.

5.I.2 Combating Pollution

5.503 Poverty-pollution linkages are the direct and indirect consequences of pollution, particularly of air and water, generated by public/private industries. These kinds of pollution have a strong human health impact, a major cause of erosion of human productivity and of death in many instances, particularly among the poor and marginalised communities. The combined pressure from the shrinking resource base and worsening living conditions weaken the productive capacity of the poor, make them more marginalised over time, and eventually trap them in what is often referred to as the “vicious circle of poverty.”

5.504 **Air Pollution:** Air pollution needs to address both the outdoor and indoor sources of pollution. Outdoor pollution has been a major problem in the cities of Bangladesh, especially in Dhaka. Over the past few years, air pollution has been reduced because of the introduction of lead-free gasoline in Bangladesh. But air pollution due to suspended particulate matters (SPM) is 4-8 times higher than the standard. Estimates show that more than 3500 premature births a year in Dhaka are attributable to air pollution due to SPM. It has further increased the number of asthma patients in the city. Causes of air pollution are linked with the rise in vehicular traffic as well as increase in population density in the cities (which leads to concentration of vehicles in a smaller zone). Unfortunately, the slum dwellers, who live in open air, are the major victims of this degradation. Indoor air pollution is mainly caused by cooking fuels such as firewood and dried cow dung. Most of the poor families use these as fuel and women and children are the main victims of indoor air pollution. Due to air pollution the number of people suffering from respiratory diseases is on the rise. Brickfields are an important source of air pollution in the rural areas.

5.505 Recently, increases in the gasoline prices have led to large-scale conversion of vehicles into gas driven. Such an effort has not only led to savings in terms of foreign exchange but also reduced air pollution in Dhaka. However, increase in the natural gas price will slow down the rate of gain and the situation will become worse if the relative price gap between petrol and natural gas is reduced. Besides, all two-stroke engines should be eliminated all over the country. For controlling indoor air pollution use of natural gas, biogas and LPG may be encouraged through various means including policy supports for their lower relative prices as well as more efficient and cost-effective cooking stoves. The Government may consider undertaking a project for giving free LPG gas cylinders to the VGD/VGF cardholders. Government expenditure needs to increase for providing support (credit and subsidy) for the diffusion of less polluting stoves and four-stroke engines. Biogas digesters integrated with livestock projects supported by micro-credit programmes should be promoted. The “Brick Burning Act and Rules,” needs to be amended and strictly implemented, and at the same time an improved and energy efficient brick kiln should be introduced. With respect to car emission two-stroke auto-rickshaws should be phased out and all vehicles older than 15 years should be banned. Improved mass-transport systems in major cities must be introduced to reduce both traffic congestion and air pollution. To reduce dust pollution, dust control measures should be made mandatory in construction works. An air quality index should be measured and disseminated to the public on a daily basis.

5.506 **Water Pollution:** Water pollution has two dimensions. One is surface water pollution and the other is groundwater pollution. Surface water pollution refers to pollution of flowing waters (river, canal etc), and open water (non-flowing) reservoirs (ponds, haors, baors etc.). Flowing waters are mainly polluted because of the disposal of untreated wastes into the river system from industries and also from cities whereas the non-flowing water pollution is caused by excessive use of pesticides and soil erosion. However, these two kinds of water bodies are related to each other. Water pollution of surface water affects the health of poor people who cannot afford to choose between contaminated and non-contaminated sources. Waterborne diseases are the major cause of suffering for the poor people living in rural and urban areas. This combines with the problem of water supply for bathing in both rural and urban areas (especially for the poor families) as a major health problem for Bangladesh.

5.507 Most of the liquid wastes created by the industries in Dhaka are dumped directly or indirectly into the rivers Buriganga, Balu and Sitalakhya. Estimates show that pollution from tanneries in Hazaribagh is responsible for an increase in the health-related expenditure of people living in the vicinity of the tanneries by 125 US dollar per capita. In Khulna, industrial areas include Shiromoni, Kalishpur and Rupsha. Some 300 mills and factories located in and around Khulna City currently discharge huge amounts of liquid waste into the river Bhairab. These include Khulna Newsprint Mill, a large number of jute mills, many match factories, textile mills and Bangladesh Cable Shilpa Sangstha—all are causing severe pollution in the Bhairab River. These pollutants are causing serious damage to both freshwater and marine ecosystems of the region including those of the Sundarbans.

5.508 In Chittagong, the main polluters are the pulp and paper, fertilizer and petroleum refineries/industries. Most of the industries are located on the banks of the Karnafuli River and the Kaptai Lake. Similarly, the ship building industry contributes significantly to marine oil pollution. The other source of oil pollution is the ships and mechanised boats all over the country especially those using the port and the outer anchorage area of Chittagong. Ballast and bilge water from oil tankers and ships anchored in the port should only be emptied at installations where the oil can be separated and recycled. This is mandatory in many countries, but in Chittagong ships directly discharge their waste oil-water mixtures into the Bay of Bengal.

5.509 In combating surface water pollution the Government needs to introduce land zoning of industries, strengthen water quality monitoring; enforce the Environment Conservation Act & Rules; introduce waste reception and treatment facilities in ports, and clean-up and rehabilitate hot spot areas in Dhaka, Chittagong and Khulna. The Government also needs to ensure reduction of effluent discharges from mechanised vessels in rivers; provide fiscal and other financial incentives for retro-fitting or for reduction of effluents from industries. Further the Government needs to take measures for creating appropriate institutional, technical, human and logistic capacity for identifying, monitoring and implementing remedial measures.

5.510 **Rural Water and Arsenic Pollution:** Contamination of arsenic in ground water provides a graphic picture of environmental degradation as well as its impact on poor population of Bangladesh. It has been documented by now that the first victims of such pollution are the people with low nutrition (often people with low body weight). Women suffer from arsenic not only in terms of physical illness but also social consequences as they can't get married and become a burden to their families and their communities.

5.511 In a recent survey conducted in 270 villages of Bangladesh, more than 7000 arsenicosis patients have so far been identified. *Arsenicosis is the term for a number of arsenic related ailments, which include increased or decreased pigmentation and thickening of the skin. In its later stages, arsenicosis may lead to cancers of, for example, the liver and kidney.* In another study by the National Institute of Preventive and Social Medicine (NIPSOM), arsenic related diseases (arsenicosis) have been identified in 37 districts. Over 30 million people in Bangladesh are exposed to arsenic concentrations above the Bangladesh drinking water standard of 0.05 mg/l; among them over 27 million or close to 90 percent live in rural areas.

5.512 **Noise Pollution:** Noise pollution gets less attention in pollution discussion although the noise pollution level in the major urban centres of Bangladesh exceeds its legal standards. Noise pollution is not only disturbing but also has health implications. This is mainly an urban phenomenon caused by vehicular congestion and affects the poor who work outdoors, for example the rickshaw-pullers, street vendors, small shopkeepers etc. Some regulation regarding use of horns, particularly banning hydraulic horns and raising public awareness against the habit of honking can help in solving this situation to a large extent. Another aspect of noise pollution is occupational exposure to industrial noise, which disproportionately affects poor workers. In this case the solutions are enforcement of occupational health standards and the provision/use of personal protective equipments.

5.513 **International Aspects of Environment:** There are several major global environmental phenomena and practices that impinge upon the development processes and prospects of Bangladesh. Bio-diversity losses as well as existing intellectual property rights systems that allow alien rights on indigenous species of plants and life threaten not simply the capacity and the right of the country to use its own environmental resources for betterment of livelihood and living conditions, but if taken to its extreme may jeopardise the very existence of the natural life support system. Similarly, the issue of climate change is a cause of grave concern to Bangladesh. Bangladesh is vulnerable to consequences of global climate change including sea level rise. She has to take measures against such vulnerabilities to protect the gains of the process of economic development as well as the poor who will be affected most adversely. Similarly, environmental interventions such as the river linking project in India are expected to inflict severe environmental, economic and social sufferings to Bangladesh. The Government and the people therefore needs to be vigilant and continuously participate in global and regional environmental dialogues and negotiations and try to ensure the environmental safety of the country.

The relevant Policy Matrix providing major goals and actions to be taken to ensure sustainable development is presented in Annexure 4.

Chapter VI

Medium-Term Macroeconomic Framework

6.1 The broad objectives of the medium-term macroeconomic framework (FY04-FY08) are to promote economic growth and employment, including small and medium size enterprise development, in a manner consistent with the poverty reduction goal by channelling an increasing share of government expenditure into social and infrastructural sectors and directly poverty reducing activities.

6.2 The Government is committed to managing the key macroeconomic policy instruments, namely fiscal policy, monetary and exchange rate policies, combined with enhanced supervision and surveillance of the financial system to maintain macroeconomic stability, provide safeguards against adverse external or domestic shocks and create an enabling environment for pro-poor economic growth.

6.A Key Macroeconomic Indicators: Targets, Projections and Policy Thrust

6.A.1 Real Sector

6.3 Bangladesh achieved a GDP growth rate of 6.3 percent in FY2004 compared with 5.3 percent recorded in FY2003 (Table 9).

6.4 It may be noted here that GDP growth rate for FY04 was projected at 5.5 percent, which was later revised upward to 6.3 percent. Stronger growth in agriculture, manufacturing and services contributed to better performance of the economy. Agriculture growth increased from 3.3 percent in FY03 to 4.4 percent in FY04. Growth in the manufacturing sector increased to 7.1 percent in FY04 compared with 6.8 percent in FY03 while the service sector also experienced a growth of 5.7 percent, slightly higher than a growth of 5.4 percent recorded in FY03, benefiting from growth in manufacturing and a strong performance in foreign trade. An upward revision in the estimation of import duty in FY04 also partly contributed to upward revision of GDP in that year.

6.5 GDP growth was initially projected to increase to 6 percent in FY05, driven by a number of factors: (i) continued expansion of exports, albeit at a slower rate (14 percent in US dollar terms compared with 15.9 percent in FY04) resulting from growth of RMG exports mainly in the EU market and much higher growth of non-traditional exports; (ii) private sector credit growth of 16.8 percent aided by reduction in lending rates, special measures taken to promote finance to SME and other banking reform measures taken by the Government and the Bangladesh Bank; and (iii) higher levels of public and private investment (about 24.4 percent of GDP) due in part to higher utilization of ADP and ongoing large domestic private investment in textiles, pharmaceuticals and construction. However, several bouts of floods during July-August, 2004 and the incidence of three times the normal precipitation during mid-September, 2004 caused serious damage to the agriculture and related activities as well as to capital stock and infrastructure. In the wake of floods, the projection of GDP growth was revised downward to 5.5 percent for FY05 with the estimated actual growth rate subsequently coinciding with the revised projected growth rate. In view of the severe natural shocks, the slightly lower actual growth compared with the projected growth exhibits the resilience of the economy. Expansion of non-crop agriculture, continued growth of exports and higher Boro (winter rice) production facilitated by adequate supply of

fertiliser, water and credit and provision of extension and marketing services enabled the economy to almost reach the projected growth rate in FY05.

6.6 A relatively better performance of the economy during FY04 and its resilience in the face of severe floods in FY05 indicate that there is a potential for further accelerating GDP growth in the medium-term. It is estimated that GDP growth will accelerate to 6.5 percent in FY06. It is expected that the momentum of growth will be sustained in the coming years and the GDP growth at about 7.0 percent will be maintained in both FY08 and FY09. The continually improving growth performance of the economy is predicted on several assumptions. At a general level, it is assumed that the implementation of the PRS in key areas will provide a strong basis for higher growth. In particular, implementation of strategies and policies focusing on (a) stable macroeconomic balances, improved regulatory environment, higher private investment and increased FDI flows, effective trade and competition policies and improved budgetary process; (b) growth of agriculture, rural, SME and informal sectors, improved connectivity through rural electrification, roads, and telecommunications; (c) human development through education, health, sanitation and safe water, and nutrition; and (d) good governance through improved implementation capacity of the public sector and tackling corruption will lay the foundation for improved growth. Further, the monitoring and evaluation mechanism to review progress of PRS implementation and assess outcomes and consequent policy adjustments to keep the economy on track will help achieve the target growth rates.

6.7 More specifically, the underlying assumptions for projected acceleration of economic growth are: (i) macroeconomic stability in the economy will be maintained and improved; (ii) effective linkage between budgetary process and PRS will be established; (iii) the buoyancy in the overall agricultural sector growth, especially aided by the fishing and livestock sub-sectors will be sustained; (iv) the manufacturing sector and the SME sub-sector will maintain a steady growth path; (v) SOE reforms will raise public savings that will be channelled to more productive uses; (vi) the programme of NCB reform will be fully implemented, leading to marked improvement in the efficiency of the financial sector which in turn will help to reduce real interest rates and facilitate expansion of credit to the private sector; (vii) the adverse impact of the phase-out of quota under MFA/ATC on RMG production, exports and employment in Bangladesh will be moderate owing to the resilience of the sector (through efficiency improvement) and possibly safeguard actions imposed by the USA and the EU on imports from China; and (viii) there will be sustained improvement in the investment climate, including improvement in the provision of utilities and infrastructure, leading to a rise in foreign direct investment (FDI) as well as domestic investment.

6.8 Gross domestic investment is projected to increase from 24.4 percent of GDP in FY05 to 25.0 percent in FY06. It increases further in the following two years and levels off at 26.0 percent in FY08 and FY09. The higher investment rate will result from higher levels of both public and private investment including FDI as mentioned in earlier sections. Further domestic companies will be able to attract portfolio investment from foreign markets. There will also be more efficient investment decisions to support the target growth rates.

Table 9: Medium-term Macroeconomic Framework: Key Indicators

Indicators	Actual			Projection			
	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Real GDP Growth (percent)	5.3	6.3	5.5	6.5	6.8	7.0	7.0
GDP deflator	4.4	4.1	5.1	5.7	6.0	5.0	4.5
CPI Inflation (average)	4.4	5.8	6.5	6.5	6.0	5.0	4.5
Gross domestic investment (in percent of GDP)	23.4	24.0	24.4	25.0	25.5	26.0	26.0
Total revenue	10.3	10.2	10.4	11.0	11.3	11.6	12.0
Tax	8.3	8.2	8.4	9.0	9.3	9.5	9.8
Non-tax	2.0	2.0	2.0	2.0	2.0	2.1	2.2
Total expenditure	13.7	13.4	13.9	15.5	15.7	16.0	16.4
Current expenditure	8.1	7.8	8.4	8.6	8.8	9.0	9.2
<i>Of which: interest payments</i>	1.9	1.6	1.8	1.7	1.7	1.7	1.7
Annual Development Programme	5.4	5.0	5.0	5.9	6.2	6.4	6.6
Other expenditure (residual)	0.2	0.6	0.5	1.0	0.7	0.6	0.6
Overall balance	-3.4	-3.2	-3.5	-4.5	-4.4	-4.4	-4.4
Primary balance	-1.5	-1.5	-1.7	-2.4	-2.4	-2.4	-2.4
Financing (net)	3.4	3.2	3.5	4.5	4.4	4.4	4.4
Domestic financing	1.3	2.1	1.9	2.0	1.9	1.8	1.8
Banking System	-0.4	0.7	1.0	0.9	0.8	0.8	0.8
Non-bank	1.6	1.4	0.9	1.1	1.1	1.0	1.0
Foreign financing	2.1	1.1	1.6	2.5	2.5	2.6	2.6
Money and credit (end of year; percent change)							
Private sector credit	12.6	12.0	17.0	14.0	13.0	12.5	12.5
Broad money (M2)	15.6	13.8	16.8	13.5	13.0	12.5	12.5
Balance of Payments (percent change)							
Exports, f.o.b.	9.5	15.9	14.0	14.0	12.0	12.0	12.0
Imports, f.o.b.	13.0	13.0	20.6	15.0	13.5	12.5	11.5
Remittances	22.4	10.1	14.2	13.0	12.0	11.0	11.0
External current account balance (in % of GDP)	0.3	0.3	-0.9	-1.7	-2.0	-2.1	-2.0
Balance of Payments (in millions of U.S. dollars)							
Exports, f.o.b.	6,492	7,521	8,579	9,773	10,946	12,260	13,731
Imports, f.o.b.	8,707	9,840	11,870	13,651	15,493	17,130	19,434
Gross official reserves (in million US dollars)	2,470	2,705	3,024	3,250	3,655	4,100	4,400
In months of imports of goods and services	2.9	2.8	2.6	2.5	2.5	2.5	2.5

Sources: Bangladesh Bank, Ministry of Finance and the Bangladesh Bureau of Statistics.

Notes:

1. Non-factor services (NFS); excludes remittances.
2. Exchange rate is projected to depreciate by the difference between home and partner countries inflation plus some real depreciation.
3. For projection partner countries weighted inflation rate (includes India) is assumed to be higher than in the past.

6.A.2 Fiscal Operations

6.9 The fiscal policy of the Government is designed to maintain macroeconomic stability and creating room for private sector investment with a view to fostering economic growth and accelerating poverty reduction. Budget deficit is kept at a low level consistent with a sustainable inter-temporal growth of the national debt. Domestic borrowing is being restrained within acceptable levels (2 percent of GDP or below) while emphasis is being given on mobilizing concessional foreign assistance in support of public investment in social and infrastructural sectors. Enhanced efforts are underway to mobilise domestic resources to maintain the target budget deficits.

6.10 The public expenditure policy is also geared towards streamlining its structure towards the infrastructure and social sectors. In support of the poverty reduction goal, additional resources are being allocated each year towards directly poverty reducing activities covering all dimensions of poverty, namely, income poverty, human poverty, social disparity, gender inequality and social security.

6.11 The Government is committed to raising the revenue-GDP ratio to finance an increasing share of the country's public investment from domestic resources. Building on the improvements already made, the revenue-GDP ratio is projected to rise by 0.6 percent of GDP in FY06 and by 0.3 percent of GDP in each of the succeeding two years. The revenue/ GDP ratio will rise to 12.0 percent in FY 09. To attain the targets, there will be continued tax reforms in the country. The government has initiated a programme of strengthening tax administration, which includes creation of Large Taxpayers Unit (LTU) and Central Intelligence Unit (CIU) to monitor tax compliance of largest tax payers in the country. Other government efforts in this area include expansion of income tax and VAT net, strengthening of customs administration, rationalizing non-tax revenue rates and developing professional skills of NBR officials.

6.12 The expenditure-GDP ratio is budgeted at a higher level in FY06 and is estimated at 15.5 percent resulting mainly from a programme of near a full percentage point rise in development expenditure to meet the country's growing social and physical infrastructural needs for accelerated growth and poverty reduction. The spurt in total expenditure in FY06 is partly also due to a rise in current expenditure mainly accounted for by wages and salaries increases in the public sector. Total expenditure is projected to increase by 0.2 percent and 0.3 percent of GDP respectively during the succeeding two years. The expenditure/ GDP ratio will reach 16.4 percent in FY 09. For attaining pro-poor growth, expenditure in core social and economic sectors of the economy, such as education, health and infrastructure are projected to rise substantially in real terms during FY06-FY09. The Government is also committed to increase the overall pro-poor expenditure every year. It should be noted that current expenditure will increase from 8.4 percent of GDP in FY05 to 9.2 percent in FY09 while development expenditure will increase from 5.0 percent to 6.6 percent of GDP during the same period. The increase in current expenditure reflects the fact that certain types of growth augmenting and poverty reducing expenditures are being transferred from development to the current budget. The Government has decided, after a careful examination, to implement the recommendations of the Pay Commission Report in a phased manner. The public expenditure policy is also streamlining the capital investment expenditures in infrastructure and socio-economic annual development programmes. The expenditure

policy, especially within the MTBF system, will provide better assessment of operations and maintenance costs of investment programmes. This is expected to increase long-term effectiveness of public investment. At the same time, the proposed budget management processes will shift certain amount of budgetary spending authority from central control to line ministries which will facilitate faster and hands-on decision making and assure accountability of line ministries.

6.13 The overall budget deficit is projected to increase from 3.5 percent of GDP in FY05 to 4.5 percent of GDP in FY06 and stabilize at 4.4 percent in the rest of the period. The budget deficit will be financed by concessional foreign assistance and domestic resources. Reflecting the commitment of the donors to finance social and infrastructural investment, support structural policy reform and to increase the country's capacity to utilise ADP, the foreign financing of the budget is projected to increase substantially from 1.6 percent in FY05 to 2.5 percent of GDP in FY06 and is estimated to remain at that level through to the end of FY07. Net foreign financing will rise marginally to 2.6 percent of GDP in FY 08 which will be maintained at that level in FY 09. On the other hand, the net domestic financing of the budget is projected to increase from 1.9 percent in FY05 to 2.0 percent in FY06 and then decline by 0.1 percent of GDP in each of the following two years. Domestic financing is estimated to stabilize at 1.8 percent of GDP in FY 08 - FY 09. Domestic financing includes both bank and non-bank financing and the former is reflected in the indicative medium-term monetary programming of the Bangladesh Bank.

6.A.3 Monetary Sector

6.14 As mentioned in Chapter 5, the monetary and credit policy of the Bangladesh Bank is primarily geared towards maintaining price stability with a view to promote long-term growth. Since the floatation of Take in 2003, the exchange rate policy is geared towards allowing exchange rate to be market determined while mitigating excessive short-term fluctuations through policy intervention. Another major focus of the central bank policy is to maintain stability of the financial system, improve efficiency of the banking system, in particular reducing spreads between lending and deposit rates by improving prudential supervision and strengthening the banking system's capacity to recover non-performing loans, with a view to promoting broad-based economic growth in the country. Given the target foreign exchange reserve build-up and projected bank financing of the budget, credit to the private sector, which grew by 17.0 percent in FY05, is projected to grow by a lower rate of 14.0 percent in FY06. The growth rate of credit to private sector will decrease further to 13.0 percent in FY07 and to 12.5 percent in FY08 and FY09 consistent with the profile of broad money growth and target GDP growth. The credit growth along with envisaged revival of the capital market will help to sustain the growth of private investment in manufacturing and other sectors of the economy required to achieve the target GDP growth. Consistent with the target CPI inflation, broad money is projected to grow at the rate of 13.5 percent in FY06, with the growth registering slight decline in FY06 and stabilizing at 12.5 percent during FY 08 - FY 09. To achieve the monetary targets, Bangladesh Bank will increasingly use the indirect monetary instruments, some of which have been introduced in recent years.

6.15 The average CPI inflation was 6.5 percent in FY05, substantially higher than 5.8 percent in FY04 due mainly to a sharp rise in food prices reflecting poor aman harvest due to floods, continued high commodity prices (including very high oil prices) in the world market, domestic supply bottlenecks and demand pressure. In recent months CPI inflation continued to increase reflecting sizeable adjustment in domestic energy prices, high prices of oil, oil products and major food items in the world market coupled

with domestic demand pressure (emanating partly from high credit growth). Many developing and emerging countries, including some of the countries of South Asia, also share the inflationary pressure noted above. Thus, in near future monetary policy of Bangladesh Bank, coupled with the support of a prudent fiscal policy (limiting government borrowing from banks) will remain appropriately tight to help contain inflationary expectations, reduce credit growth to a sustainable level and eventually bring down the level of CPI inflation. Accordingly, average CPI inflation rate in FY 06 is projected to remain at 6.5 percent, about the same level as the FY05 level. With reduction in money and credit growth and easing of domestic supply bottlenecks, average CPI inflation is projected to decrease to 6.0 percent in FY07, 5 percent in FY08 and then gradually stabilize at 4.5 percent in FY09.

6.A.4 External Sector

6.16 As mentioned in Chapter 5, there has been a great deal of uncertainty about the probable adverse impact of the phase-out of the textiles quota regime on December 31, 2004 on Bangladesh's RMG exports (about three-fourths of total exports). However, taking a cautious view on the prospects of the RMG sector combined with above-average growth of non-traditional export items, the growth of overall export earnings was projected to be about 9 percent in U.S. dollar terms in FY05. The export sector performed much better than anticipated and a 14 percent growth was registered because of higher growth of knitwear exports to the EU market. Since the international buyers did not quickly change sourcing of imports immediately after the new regime which started in January 2005, it is expected that the major impact of the change over will come in FY06. However, the export sector, specially the RMG industry, is likely to adjust to the shock and overall exports will continue to grow at the same rate i.e. by 14 percent in FY06. The growth rate of exports will decline to 12 percent in FY07 which will be maintained in subsequent years. The projection also assumes that Bangladesh will receive some benefits in terms of reduction of average import duties in the USA and the EU on RMG products originating in Bangladesh. Import payments are projected to grow at a somewhat lower rate after its peak rate in FY05. Imports will grow by 15 percent in FY06 and by 13.5 percent in FY07; the rate will decrease to 12.5 percent in FY08 reflecting mainly the need for intermediate and capital goods imports in support of the growth targets.

6.17 Remittance growth rebounded in FY05 after a slowing down in FY04. Encouraged by some real depreciation of the Taka, and the government measures to divert the flow of remittances through the formal channel, remittance growth is projected to be 13 percent in FY06. The rate is estimated to decline by 1 percentage point in each of the following two years and stabilize at 11 percent in FY08 - FY09.

6.18 The gross official foreign exchange reserve stood at US\$3.02 billion in FY05 which is about 2.6 months of import cover. In subsequent years the reserve accumulation will continue reaching US \$4.4 billion in FY09 which is about 2.5 months of import cover. The high level of foreign reserves will act as a cushion against any adverse shocks that may arise in future.

6.B Investment Programme

6.19 As mentioned in Section 6.1, the Medium-term Macroeconomic Framework has been designed to achieve sustained growth and poverty reduction which are a step towards attainment of MDGs. The Framework reflects in broad numerical terms the outcomes or requirements of the strategies presented

in the Strategic Blocks and the Supporting Strategies. The investment projection has been made to achieve the target growth rate. However, it is expected that an increasing proportion of total investment will be made by the private sector including foreign direct investment. The achievement of the goals of PRSP will require substantial reorientation and increase of public expenditure along with improvement in its quality as reflected in the public expenditure programme. The volume of private investment will be determined by the market with the Government playing a facilitating role. In so far as public expenditure is concerned, the Government will allocate both revenue and development expenditures to various sectors of the economy for successful realization of the PRSP. The responsibility for rationalization and allocation of revenue expenditure falls under the purview of the Ministry of Finance while that of development expenditure falls under the purview of the Planning Commission. The Commission will select a set of projects and programmes which will act as a vehicle for operationalising the PRSP. A Three Year Rolling Investment Programme (TYRIP) incorporating these projects and programmes for generating a growth path required to reduce poverty by half by 2015 is being prepared. The TYRIP will be periodically reviewed in the light of the PRSP.

Chapter VII

Goals, Target Attainment and Costing

7.A Target-setting on Major Goals against Benchmarks

7.1 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 and in the reports of the Independent South Asian Commission on Poverty Alleviation (ISACPA). Through adopting a comprehensive approach and by taking into account the country's past international and regional commitments and evolving national realities, the Strategy visualizes that, by the year 2015, Bangladesh would achieve the following goals/targets:

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

7.2 Targets against key poverty and social development goals are presented in Table 10.

Table 10: Target Setting on Major Goals against 2002 Benchmark

Indicators	1990	2002 Benchmark	Annual Progress Over 1990-02 (%)	2015	Annual Progress Over 2002-15 (%)
Income-Poverty (percent)	59(50)	50*(40)	-1.5(-1.9)	25(20)	-3.3(-3.3)
Extreme Poverty (percent)	28	19*	-3.2	9.5	-3.3
Adult Literacy (percent)	35	49.6	3.5	90	6.3
Primary Enrolment (percent)	56	86.7	4.6	100	1.2
Secondary Enrolment (percent)	28	52.8	7.4	95	6.1
Infant Mortality Rate (per 000 live births)	94	53	-3.6	18	-5.1
Under-Five Mortality Rate (per 000 live births)	108	76	-2.5	25	-5.2
Maternal Mortality Rate (per lakh live births)	554	390	-2.5	98	-5.8
Life Expectancy (Years at birth)	56	64.9	1.3	73	1.0
Population Growth (percent)	2.1	1.4	..	1.3	..
Children Underweight (percent)	67	51*	-2.4	26	-3.3

*Indicates benchmark data for 2000.

Notes: 1. The income poverty estimate is taken from the World Bank CBN estimate of HIES unit-record data. The alternative estimate, given in parenthesis based on HIES grouped distribution data and supported by other available non-HIES data, shows a poverty incidence of 40 percent in 2000. Use of the latter estimate will change the progress in poverty reduction estimates.

2. Adult literacy rate, net primary enrollment, net secondary enrollment, infant mortality rate, under-five mortality rate and maternal mortality rate are based on Report of Sample Vital Registration System, 2004, Bangladesh Bureau of Statistics, 2004

3. Population growth rate is based on Census 2001, BBS

4. Percent of underweight children is based on Child Nutrition Survey, 2000, BBS.

7.B Costing for Attainment of MDGs

7.3 At the Millennium Summit in September 2000, 189 nations adopted the Millennium Declaration with eight specific goals, known as Millennium Development Goals (MDGs), for human development and poverty reduction. The goals have been commonly accepted as a framework for measuring development progress, which are mutually reinforcing and time-bound. The eight MDGs comprise 18 targets and 48 indicators. Where possible, targets are quantified and time-bound with specific indicators. This, in fact, lays the foundation for an accountability framework and a global partnership for progressively eradicating poverty. These targets are to be achieved by 2015, the comparison point being 1990.

7.4 Bangladesh made noteworthy progress in poverty reduction and MDGs attainment during the past decade. The level of poverty has declined steadily by one-percent point per year since the 1990s. Primary school enrolment has increased substantially. It is noted that the gender gap in enrolment at primary and secondary levels has been virtually eliminated. In spite of the noteworthy progress, realization of MDGs by 2015 may not be attainable with a *business-as-usual* attitude. One of the important instruments to achieve the various MDGs and PRS goals is to act proactively through goal-oriented

interventions with relevant programmes. Interventions require appropriate costing of the programmes as well as subsequent financing of such programmes. Government of Bangladesh has developed the Sustainable Human Development Modelling System to be used for, among other things, costing of MDGs attainment. The Model has already been recognized by the UN system for replication to other developing countries. The NPPF will use the modelling system in conjunction with needs assessment exercises to prepare costs for attaining MDGs.

7.5 The government of Bangladesh is committed to achieve the development goals of the PRSP. Accordingly, domestic resource mobilization efforts have been intensified and higher amounts of resources are being allocated to implement projects/programmes aimed at realizing the MDGs and PRS goals. However, the estimated cost of projects and projection of the domestic resource situation over the medium and long-term suggests a probable gap between resource need and domestic resource availability. Implementation of project/programme thus requires firm commitment from the donor community to fill the resource gap. Furthermore, prioritization of projects is also needed. The aim of this chapter is to assess resource requirements of some MDGs-linked projects as well as to identify some key projects/programmes which are important for reducing poverty. These projects have been chosen according to their pro-poor character and their importance for creating and expanding the resource base of the poor and generating positive externalities. The costs of some programmes are provided below as an indicative exercise.

7.C Cost of Primary School Programme

7.6 The cost of primary school programme is shown in Table 11. Total cost is calculated using the primary school population drawn from a cohort component demographic model. The projected primary school population size derived from the cohort component non-linear demographic model may vary from the school population size based on linear projection.

7.7 Per student capital and variable unit costs are obtained from the BIDS study on “Millennium Development Need Assessment.” The unit costs are estimated on the basis of “best practice” norms recommended by the “Millennium Project.”

7.8 Assumptions of the cost of primary school programme are:

- Primary school sizes are derived from a cohort component population model, which captures the behaviour of 80 age-cohorts over the period 1992 to 2050. Population is projected to stabilise at 2050.
- Unit variable cost and capital cost under option 1 are taken from the BIDS study. Costs have been assumed to remain constant over the reference period (2005 to 2015). It is also assumed that male and female students would face the same capital and variable unit cost.
- In option 2, efficiency in cost cutting for the variable cost component is assumed. Per student variable cost is assumed to reduce by 10 percent between 2005 and 2010 and by a further 10 percent between 2010 and 2015.

Table 11: Total Primary School Cost

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Option 1											
Male											
Primary Class Size (Million Person)	8.6	9.0	9.4	9.9	10.3	10.7	10.9	11.2	11.4	11.5	11.7
Per Student Variable Cost (USD)	46	46	46	46	46	46	46	46	46	46	46
Per Student Capital Cost (USD)	9	9	9	9	9	9	9	9	9	9	9
Total Variable Cost (Million USD)	397	413	433	454	474	490	503	513	523	531	540
Total Capital Cost (Million USD)	78	81	85	89	93	96	98	100	102	104	106
Total Cost (Million USD)	475	493	517	543	567	586	601	614	625	635	645
Female											
Primary Class Size (Million Person)	8.2	8.5	8.9	9.2	9.5	9.8	10.0	10.2	10.3	10.5	10.6
Per Student Variable Cost (USD)	46	46	46	46	46	46	46	46	46	46	46
Per Student Capital Cost (USD)	9	9	9	9	9	9	9	9	9	9	9
Total Variable Cost (Million USD)	379	392	407	424	438	451	461	469	476	482	489
Total Capital Cost (Million USD)	74	77	80	83	86	88	90	92	93	94	96
Total Cost (Million USD)	453	469	487	507	524	539	551	561	569	577	585
Total (Male+Female) Cost (Million USD)											
	928	962	1004	1050	1091	1125	1152	1175	1194	1212	1230
Option 2											
Male											
Per Student Variable Cost (USD)	46.0	45.1	44.2	43.2	42.3	41.4	40.5	39.6	38.6	37.7	36.8
Total Variable Cost (Million USD)	397	404	415	427	436	441	443	441	439	436	432
Total Capital Cost (Million USD)	78	81	85	89	93	96	98	100	102	104	106
Total Cost (Million USD)	475	485	500	516	529	537	541	542	541	540	537
Female											
Per Student Variable Cost (USD)	46.0	45.1	44.2	43.2	42.3	41.4	40.5	39.6	38.6	37.7	36.8
Total Variable Cost (Million USD)	379	384	391	398	403	406	406	403	400	396	391
Total Capital Cost (Million USD)	74	77	80	83	86	88	90	92	93	94	96
Total Cost (Million USD)	453	461	471	481	489	494	496	495	493	490	487
Total (Male+Female) Cost (Million USD)											
	928	946	971	997	1018	1031	1037	1037	1034	1030	1024

Note: Total cost may not add up because of rounding

7.D Cost of Sanitation Programme

7.9 Lack of safe water supply and sanitation has a deleterious impact on public health. Lack of proper sanitation and drainage facilities and inadequate supply of water are the major cause of diarrhoea and related diseases in Bangladesh.

7.10 Assumptions of cost of sanitation programme are:

- It is reported that the rural population with sanitation facilities rose from 11 percent in 1990 to 35 percent in 2000. For urban locations the corresponding proportions were 71 percent and 74 percent respectively. In order to assess the size of the population to be provided with sanitation in each year over 2005 to 2015, proportions of the total population (e.g. both rural and urban) to be covered are assumed.
- Using the information of total rural and urban population to be covered over 2005 to 2015, the increase in the target population for each year is calculated. The increase in target population for each year is derived by the yearly difference of the population to be covered.
- Two levels of sanitation are considered. Level one (i.e. lower level) consists of three rings and one slab. The cost of level one is Tk.450 or USD7.5. Level two (i.e. higher level) is composed of five rings, one slab and pipe. The cost of a higher level of sanitation is Tk.1200 or USD 20. One may also vary the unit cost according to type of facility. Variation in cost by types would have implication on cost.
- It is also assumed that half of the target population would be provided with level one or lower-level sanitation facilities and the rest of the target population would be provided with higher-level sanitation facilities. Again variations in population coverage by types of sanitation would also have implication on cost.

Table 12: Total Sanitation Cost

Item	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Rural areas											
Population with Sanitation											
in million persons	45.02	47.11	49.23	51.38	53.55	55.75	58.19	60.66	63.15	65.66	68.17
as percent of rural population	41.0	42.4	43.8	45.2	46.6	48.0	49.6	51.2	52.8	54.4	56.0
annual increase in million person (target population)	1.85	2.092	2.12	2.146	2.172	2.194	2.447	2.469	2.487	2.504	2.519
Unit Cost Level 1 (USD)	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Unit Cost Level 2 (USD)	20	20	20	20	20	20	20	20	20	20	20
Share of Target Population under Level 1	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Share of Target Population under Level 2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total Cost Level 1 (Million USD)	6.94	7.85	7.95	8.05	8.15	8.23	9.18	9.26	9.33	9.39	9.45
Total Cost Level 2 (Million USD)	18.50	20.92	21.20	21.46	21.72	21.94	24.47	24.69	24.87	25.04	25.19
Total Cost (Million USD)	25.45	28.77	29.16	29.51	29.87	30.16	33.65	33.95	34.20	34.44	34.64
Urban areas											
Population with Sanitation											
in million persons	25.29	26.36	27.45	28.57	29.7	30.87	32.05	33.26	34.5	35.75	37.03
as percent of urban population	76.0	77.0	78.0	79.0	80.0	81.0	82.0	83.0	84.0	85.0	86.0
annual increase in million person (target population)	0.848	1.066	1.09	1.114	1.138	1.162	1.185	1.209	1.233	1.255	1.277
Unit Cost Level 1 (USD)	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Unit Cost Level 2 (USD)	20	20	20	20	20	20	20	20	20	20	20
Share of Target Population under Level 1	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Share of Target Population under Level 2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total Cost Level 1 (Million USD)	3.18	4.00	4.09	4.18	4.27	4.36	4.45	4.54	4.62	4.71	4.79
Total Cost Level 2 (Million USD)	8.48	10.66	10.90	11.14	11.38	11.62	11.85	12.09	12.33	12.55	12.77
Total Cost (Million USD)	11.66	14.65	14.99	15.33	15.65	15.98	16.30	16.63	16.95	17.26	17.56

Note: Total cost may not add up because of rounding

7.E Cost of School-Lunch Programme

7.11 Implementation of a primary school lunch programme may serve multiple objectives such as improving attendance, reducing the incidence of malnutrition as well as generating demand for local

food products and catering services through backward and forward linkages. It is not suggested, however, that such a programme be implemented solely by the state and programme cost too be borne by it. Viable implementation and financing arrangements with significant community participation will be key to the success of such a programme.

7.12 Assumptions of cost of school lunch are:

- The school lunch programme is assumed to operate for 5 years from 2005 to 2009.
- Total school population sizes for a 5-year period are projected from a cohort component education model.
- The target school population size for each year of the implementation period is set at 80 percent of the projected total school population. It is assumed that 20 percent of total school population may have come from non-poor families and thus do not need to be covered under a targeted programme.
- 200 active school days per year are also assumed.
- Two cost options are considered. In option 1, per student per day cost of lunch is set at Tk.10. In the other option, per student per day cost of lunch is set at Tk.5.
- A 10 percent administrative cost on the total value of the school lunch programme is also assumed.

Table 13: Total Cost of School Lunch Programme

Item	2005	2006	2007	2008	2009	Total
School Class Population (Million Person)	16.9	17.5	18.3	19.1	19.8	91.5
Target School Class (Million Person)	13.5	14.0	14.6	15.3	15.8	73.2
Option 1						
Active School Days	200	200	200	200	200	200
Per Student Per Day Lunch (Tk)	10	10	10	10	10	10
Total Lunch Cost (Billion Taka)	27.0	28.0	29.2	30.5	31.6	146.3
Administrative Cost (Billion Taka)	2.7	2.8	2.9	3.1	3.2	14.6
Total Programme Cost (Billion Taka)	29.7	30.8	32.1	33.6	34.8	161.0
Option 2						
Active School Days	200	200	200	200	200	200
Per Student Per Day Lunch (Tk)	5	5	5	5	5	5
Total Lunch Cost (Billion Taka)	13.5	14.0	14.6	15.3	15.8	73.2
Total Lunch Cost (Billion Taka)	1.3	1.4	1.5	1.5	1.6	7.3
Total Programme Cost (Billion Taka)	14.8	15.4	16.1	16.8	17.4	80.5

Note: Total cost may not add up because of rounding

Chapter VIII

Monitoring and Evaluation

8.A Objectives and Rationale of Monitoring and Evaluation (M&E)

8.1 Monitoring has rightly been projected as one of the eight strategic agendas of the PRS because of its multiple relevance pertaining to implementation, accountability, results-orientation, and, progress assessment. An effective monitoring strategy focusing both on process and outcomes will be central to the success of the PRS. Monitoring the progress of PRS will consist of continuous assessment of the flow of inputs and policy changes for the fulfilment of specific objectives and the appropriate utilization of the inputs to achieve target outputs. Both intermediate indicators i.e. inputs and outputs, and final indicators i.e. outcomes and impacts, will be monitored to track the progress of PRS and MDG attainment.

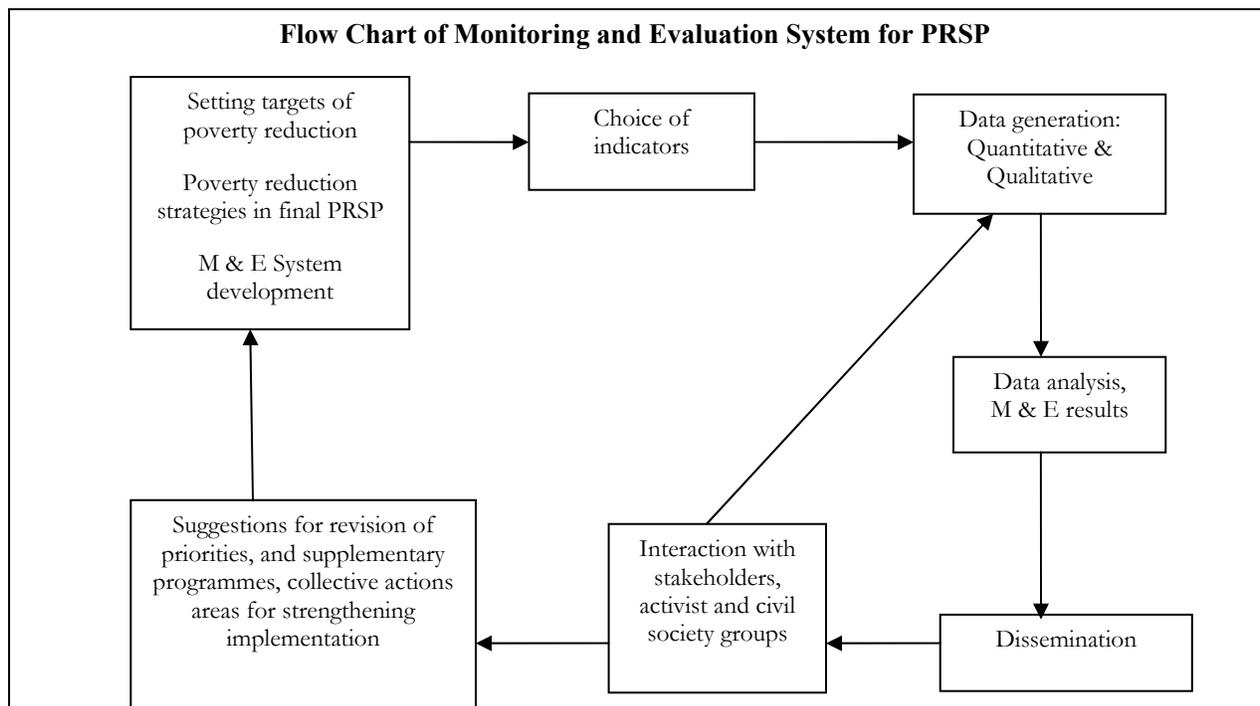
8.2 The objectives of monitoring and evaluation (M&E) of PRS will consist of the following:

- The results on the indicators of the system will be used by the Government for informed decision making, for re-setting priorities and revision of the targets, if necessary. Supplementary programmes may be put in place.
- Public knowledge of M&E results will help improve transparency and accountability of the Government.
- A better understanding of the linkages between the processes of implementation of the PRS and the outcomes in terms of achievements of poverty reduction targets can be obtained from M & E outputs.
- Choice of a set of indicators for M & E of poverty reduction will lead to conceptual clarity and put in place a data generation system which can help other related research and policy adoption.
- Monitoring consistency of project choice with PRS framework will also be an objective of the monitoring and evaluation process.

8.3 The process of monitoring and evaluation of PRS is a continuous one involving a number of overlapping sets of activities. Major steps of the monitoring & evaluation process will include the following:

- Development of conceptually sound and empirically feasible indicators.
- Institutionalize a flexible and effective monitoring strategy based on clarity of the monitoring tasks. While government will take the lead, there will be supplementary opportunities for monitoring outside of the government system.
- Progress monitoring on the action agenda spelled out in the policy matrices.
- Establishing benchmarks on indicators pertaining to MDGs and poverty status to facilitate evaluation of target achievement.
- Data generation for target achievements: census, surveys, qualitative studies and participatory poverty assessments. BBS, relevant agencies, academic and research institutions will have the responsibility and opportunity to generate the relevant data.
- Evaluation of achievement of targets of poverty reduction and MDGs.
- Dissemination of results and interaction with civil society, business community, media and other groups.

8.4 For a clearer exposition of the steps of M & E, the process has been shown in the Flow Chart given below:



8.B Data Generation for M & E

8.5 Data on M&E of PRS and attainment of MDGs will come from both government and non-government sources. Data on inputs and outputs will come primarily from concerned Ministries. While some data on outcome/impact indicators may come from different Ministries, the Bangladesh Bureau of Statistics (BBS) will be mainly responsible for generating data on these indicators.

8.6 BBS is the major source of national sample surveys; it has conducted several rounds of HES/HIES which is the major source of poverty statistics. There are also some MDG related surveys, namely, DHS, VRS, and CLS. However, the surveys are somewhat dated and cannot provide a recent benchmark for the PRSP. For example, the latest round of HIES was conducted in 1999-2000. Another round of HIES has been scheduled and the results will be available during 2006.

8.7 Data quality and the details of definition and methodology used in the major surveys conducted by the BBS should receive appropriate attention. There is a need for a review of all data sources that can be used for monitoring of poverty and MDGs. Need for special surveys and studies will have to be identified by the NFPF.

8.8 New rounds of surveys cannot be conducted simultaneously with HIES, because it will overburden BBS with consequent decline of quality. However, a separate module for MDGs may be included in future HIES. In addition to the usual surveys, an effective monitoring system will require data from other appropriately designed special surveys. Some new surveys and specially designed evaluation studies may be conducted by research organizations like BIDS and other public and private research organizations. PPRC has undertaken an update on the 62 village Analysis of Poverty Trends study in 2004 using both quantitative and qualitative surveys with the express purpose of assisting

benchmarking, particularly on MDG indicators, of the PRSP. Results from this study have been selectively included in this document.

8.9 Clear identification of indicators followed by streamlining of the mechanisms for generating reliable data are necessary but not sufficient for poverty assessment and the monitoring of PRS programme implementation. Proper utilization of such data and analysis of the linkages between policies, programmes and resulting outcome and impact are essential components of understanding the poverty reduction process. To achieve this, capacity building within the appropriate government institutions is an urgent need.

8.10 The institutional aspect of the monitoring system is elaborated in the following section.

8.C Outlining an Institutional Strategy of M & E System

8.11 Monitoring implementation of PRS and evaluation of actual poverty reduction will require a well-designed institutional mechanism. Such a mechanism has been outlined in Table 14. This includes on the one hand the primary role of the government with the NFPF having a central role, and on the other hand an independent and supplementary role for academic/research organizations and civil society groups.

8.12 The NFPF will have the primary responsibility for developing the detailed strategies for PRS monitoring. Responsibilities will include a) collating official data on PRS monitoring, b) coordinating monitoring efforts within and outside the Government, c) facilitating effective resolution of debates on indicators and methodologies and developing new indicators where necessary, d) undertaking relevant research and studies in collaboration with independent academic/research institutions and civil society groups, and e) facilitating feedback of outcome monitoring into policy-making. To be able to respond to these challenges, suitable capacity-building of NFPF will have to be addressed as a matter of priority. An associated issue here is the strengthening of BBS for producing quality data on poverty monitoring and MDG attainment.

Table 14: M & E Function and Institutions' Role

Task/Function	Responsible entity
Review of progress of PRS implementation and attainment of MDGs	The existing National Steering Committee will also be responsible for review of progress of PRS implementation and monitoring of attainment of MDGs.
Preparation of document on PRS implementation and attainment of MDGs	The National Poverty Focal Point, General Economics Division, Planning Commission
Monitoring consistency of projects and programmes with PRSP	A Technical Committee headed by the Member, Programming Division, Planning Commission and comprising all other Members of the Planning Commission, Secretaries of Finance Division, ERD, Planning Division, IMED and technical experts as selected by the Government.
Annual evaluation of poverty reduction and the causal factors, special studies on the poverty & MDG determinants & public dialogue	Independent academic/research institutions and civil society/private sector organizations

8.D Indicators for M & E

8.13 *A list of indicators for M&E of PRS and attainment of MDGs has been appended at annex 3.* The list is a suggestive one and will need to be refined in the actual process of monitoring. Information on all indicators may not be available at the desired level of disaggregation. On certain dimensions of poverty reduction policies, indicators may be drawn from a number of sources. Therefore, some degree of overlap in the characteristics of indicators may be inevitable. This is especially true for ‘pro-poor growth’ strategies, ‘women’s advancements and rights’ and ‘children’s advancement and rights’.

Annex

Thematic Groups and Their Composition

Sl. No.	Names of the Thematic Groups	Ministries/Agencies responsible
1.	Macroeconomic Stability and Pro-poor growth	<p>Lead Ministry: Finance Division, Ministry of Finance</p> <p>Associates: i) General Economics Division (GED), Planning Commission ii) Programming Division, Planning Commission iii) NBR iv) Bangladesh Bank and v) ERD</p>
2.	Financial Sector Reforms (including banking, trade and globalization)	<p>Lead Ministry: Finance Division, Ministry of Finance</p> <p>Associates: i) Ministry of Commerce ii) Bangladesh Bank iii) Security Exchange Commission iv) Export Promotion Bureau, and v) BEPZA</p>
3.	Infrastructural Development and Reforms including Power, Energy and Communications (Roads, Railways, Air, Port, Shipping and Inland Water Transport)	<p>Lead Ministries: i) Ministry of Communications ii) Power Division, Ministry of Power, Energy and Mineral Resources</p> <p>Associates: i) Energy Division ii) Ministry of Commerce iii) Ministry of Shipping iv) Ministry of Civil Aviation and Tourism v) LGED vi) RHD vii) REB viii) PDB ix) DESA x) DESCO xi) PGCB xii) BOGMC and xiii) BIWTA</p>
4.	Domestic Resources Mobilization	<p>Lead Ministry: Internal Resources Division, Ministry of Finance</p> <p>Associates: i) Finance Division ii) GED, Planning Commission iii) National Savings Directorate iv) Department of Postal Service v) Other concerned Ministries/Agencies</p>
5.	Reforms in Governance including civil service reforms, judicial reforms and Law and order	<p>Lead Ministry: Prime Minister's Office (Secretary, Prime Minister's office)</p> <p>Associates: i) Local Government Division ii) Establishment Division iii) Ministry of Law Parliamentary Affairs iv) Ministry of Home Affairs and v) Ministry of Commerce</p>

Sl. No.	Names of the Thematic Groups	Ministries/Agencies responsible
6.	Health including Population Planning, Nutrition and Sanitation	Lead Ministry: Ministry of Health and Family Welfare Associates: i) Local Government Division and ii) National Nutrition Institute iii) Relevant Directorates under the Ministry of Health and Family Welfare
7.	Education including primary and mass education, female education, vocational and technical education	Lead Ministry: Ministry of Education Associates: i) Ministry of Primary and Mass Education ii) Ministry of Women and Children Affairs iii) Ministry of Youth and Sports iv) Ministry of Labour and Employment v) Ministry of Expatriate Welfare and Overseas Employment vi) Ministry of Science and Information & Communication Technology, and vii) Directorate of Technical Education
8.	Women's and Children's Advancement and Rights	Lead Ministry: Ministry of Women and Children Affairs Associates: i) Ministry of Law and Parliamentary Affairs ii) Ministry of Social Welfare iii) Ministry of Home Affairs iv) Ministry of Labour and Employment and v) Ministry of Expatriate Welfare and Overseas Employment
9.	Rural Development including Food Security, Disaster Management, Safety-net Programmes, Micro credit and Rural Non-farm Activities	Lead Ministry: Rural Development and Cooperatives Division Associates: i) Ministry of Relief and Disaster Management ii) Ministry of Food iii) Finance Division iv) Ministry of Social Welfare v) Local Government Division vi) Ministry of Youth & Sports and vii) BRDB
10.	Agriculture (Crops, Fisheries, Livestock) and Environment including Forestry, Land Reforms, Land use, Safe Water Supply and Water Resources Management	Lead Ministries: i) Ministry of Agriculture and ii) Ministry of Environment Associates: i) Ministry of Land ii) Ministry of Fisheries and Livestock iii) Ministry of Water Resources and iv) Local Government Division
11.	Private Sector Development including SME	Lead Agency: BOI Associates: i) Representative from Ministry of Industries ii) BEPZA iii) BTRC iv) Energy Regulatory Commission v) Privatization Commission vi) BSCIC vii) Bangladesh Shilpa Bank viii) Chief Controller of Insurance, and ix) BASIC

Sl. No.	Names of the Thematic Groups	Ministries/Agencies responsible
12.	Information and Communication Technology and Technology Policy	<p>Lead Ministry: Ministry of Science and Information & Communication Technology</p> <p>Associates:</p> <ul style="list-style-type: none"> i) Ministry of Education ii) Ministry of Post and Telecommunications iii) BTRC iv) BCSIR v) Bangladesh Atomic Energy Commission, and vi) Bangladesh Computer Council

