

Draft for Discussion

BANGLADESH

**A National Strategy for Economic Growth and
Poverty Reduction**

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Chapter 1

Introduction

A. The Process of Policy Ownership

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

1.2 The planning and policy-making agencies of the Government, including the Planning Commission and relevant ministries, have been involved in the process. Along with using structured proforma, detailed interaction with Government functionaries was used to get their perception on cross-cutting and sectoral needs and issues, factors behind past successes and failures, and views and suggestions on how the situation can be improved. An Inter-Ministerial Task Force was formed to ensure close interaction and coordination. For operational purposes, the strategy paper will form the core of the Sixth Five Year Plan (2002-2007) beginning from 1 July 2002.

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

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

1.5 At the first stage, twenty-one preparatory consultations have been conducted at upazila, division and national levels. In each division of the country, consultations were organized at the upazila level with the poor including women and men, members of NGOs, and various occupational groups. Similar consultations were also organized with field-level functionaries of the Government ministries and agencies, NGOs, women's groups, local and religious leaders, local government representatives, and cross-section of the civil society. This was followed by consultations at the divisional level with Government officials, representatives of the civil society, professional and women's groups and NGOs. A separate consultation with the urban poor in Dhaka city was also organized. Finally, three separate consultations were held at the national level involving the Government officials, representatives of professional groups and the civil society, and the development partners. Along with the expectations of different stakeholders, the consultations provided important platforms to share ground realities, assess deficiencies of past efforts and factors behind slow achievements, and measures needed to achieve faster poverty reduction and social

development. The consultations were organized and facilitated by the Bangladesh Rural Advancement Committee (BRAC), a leading NGO of the country.

1.6 At the second stage, after the preparation of the draft strategy paper, mid-term consultations with a wider cross-section of stakeholders will be organized to solicit their views, incorporate suggested changes, and validate the proposed strategy. The process will also help identify specific programs and projects in different areas needed to implement the poverty reduction agenda. The Government would like to make such consultations a part of the planning process of the country and continue efforts for fuller participation of the stakeholders in formulation, implementation, and monitoring and evaluation of the poverty reduction agenda.

B. The Silent Ascent

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

1.8 *First*, Bangladesh has achieved impressive success in the area of population control. Total fertility rate (TFR) declined from 6.3 in 1975 to 3.3 in 1997-99. Accordingly, population growth rate has come down from 2.9 per cent per annum in the mid-1970s to 1.5 per cent in the late-1990s. The remarkable feature of this rapid decline was that it had been achieved not only at a low level of income but also at a low level of literacy. The infant mortality rate also declined from 153 deaths per thousand live births in 1975 to 62 in 2000. The pace of progress in infant and under-five mortality reduction during the nineties was among the fastest in the developing world.

1.9 *Second*, Bangladesh witnessed significant success in overcoming the phenomena of mass starvation and the threat of famine syndrome in the backdrop of endemic vulnerability to natural disasters. At the aggregate level, the country has achieved the desirable objective of near self-sufficiency in rice production with a declining cultivated area.¹ Increased disaster preparedness combined with expanded capacity to implement lean-season targeted wage-employment and transfer programs have played an important role in ensuring minimum food entitlements for the poorest during the times of crisis.

1.10 *Third*, Bangladesh has made impressive gains in reducing child malnutrition rates during the last 15 years. According to Bangladesh Bureau of Statistics (BBS) data, the rate of stunting for children in the age group of 6-71 months which was 69 per cent in 1985/86 dropped to 49 per cent in 1999/00. The proportion of underweight children has gone down from 72 per cent in 1985/86 to 51 per cent in 1999/00. The Demographic and Health Survey (DHS) data available for the second half of the nineties show a faster decline. The rate of stunting for the age group of 0-59 months has gone down from 55 to 45 per cent during 1996-2000 and, that for underweight, from 56 to 48 per cent during the same period.

¹ The 1996 agricultural census showed that the land area operated by rural households declined from 9.2 million hectares in 1983/84 to 8.2 million hectares in 1996, indicating that 82,000 hectares went out of agriculture every year because of expansion of urban areas, increase in homestead land and development of rural infrastructure.

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

1.12 *Fifth*, low-income contexts in Bangladesh as elsewhere suffer not only from a ‘weak’ state, but also from weak civic and grass-roots movements and activism. The advances made by the non-government organizations (NGOs) and civil society organizations (CSOs) as alternative delivery mechanisms as well as vocal civic institutions have played a pivotal role in the reversal of fortunes. *Social entrepreneurialism* through catalyzing the developmental roles of the *organizations of the poor* such as community based organizations (CBOs) and *organizations for the poor* (NGOs and CSOs) has been an important strategic element in the poverty reduction strategy. These social enterprises have been playing an important role in developing a pro-poor development agenda in Bangladesh.

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

C. Progress in Cross-Country Perspectives

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

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

² Even if one takes into account the recent performance, the pace of income-poverty reduction over the period between 1983/84 and 2000 does not exceed 1.4 per cent per year.

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.³

1.16 The relatively higher social progress at a low level of income is also vindicated by the comparison of predicted (for a given level of per capita income) with the actual values of social indicators achieved by the country (Table 1). Compared with the predicted values, the actual progress recorded has been higher for the contraceptive prevalence rate, lower for population growth rate as well as for TFR and CBR, higher for life expectancy at birth and child immunization coverage, and lower for IMR. One vitally important indicator where Bangladesh is visibly lagging behind, notwithstanding the progress in the expansion of primary and secondary education in the nineties, is the literacy rate reflecting the enormous burden of the initial backlog of the illiterate population.

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

Indicators	Predicted values	Actual values
1. Population growth rate (annual %)	2.45	1.59
2. Total fertility rate (TFR) (births per women)	4.68	3.20
3. Contraceptive prevalence rate (% of women aged 15-49)	23.16	53.00
4. Crude birth rate (CBR)	35.26	23.40
5. Crude death rate (CDR)	11.49	8.40
6. Infant mortality rate (IMR) (per 1000 live births)	70.78	65.00
7. Life expectancy at birth, female (years)	59.50	60.8
8. Life expectancy at birth, male (years)	56.19	60.4

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

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

D. Structure of the Paper

1.18 The paper is divided into seven chapters, each addressing a lead question. The first chapter addresses the question as to "what are the broad lessons from the past development experience". It captures the salient features of social progress notwithstanding the challenging odds facing the country. The second chapter addresses the question as to "where we stand

³ For a cross-country comparison of progress in social indicators, see Annex Tables 1 and 2.

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

E. Summary Points

1.19 Notwithstanding the early negative predictions, Bangladesh has achieved considerable success in several spheres such as population control, reduction in child mortality and child malnutrition, mainstreaming women into the development process, catalyzing grass-roots activism through NGOs and CBOs, and in making democratic transition. These successes show the importance of undertaking public action (through the government and non-government sectors) at low-income level to realize higher social possibilities.

Chapter 2

Poverty State of the Nation

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

A. Broad Trends over Last Decades

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

Trends in Income-Poverty

2.3 Bangladesh made notable progress in income-poverty reduction since Independence.⁴ The income-poverty trends since the early nineties based on HIES unit-record data show the following pattern. Between 1991/92 and 2000, the incidence of national poverty declined from 58.8 to 49.8 per cent, indicating a modest reduction rate of 1 percentage point per year. The declining trend is robust to the choice of poverty measures (Table 2). The results further show that progress on reducing the head-count index of poverty was better in urban areas. However, rural areas displayed better progress in reducing the depth and severity of poverty, as captured by trends in poverty gap and squared poverty gap, respectively.

2.4 Additional evidence from the Bangladesh poverty literature based on HIES grouped distribution data maps the progress in poverty reduction since the early eighties (see Annex Tables 3 and 4). The results broadly indicate that the progress was faster during the nineties compared with the eighties. The faster pace of poverty reduction in the nineties is attributable to the accelerated growth in consumption expenditure (income).⁵ The comparative progress was uneven between rural and urban areas. The pace of rural poverty reduction was slow in the eighties, but became faster in the nineties. The reverse is true for the urban areas.

2.5 Poverty trends are influenced by the contemporaneous changes in inequality. Inter-decade contrasts are noticeable in this respect as well. Thus, the level of inequality, as

⁴ The consumption expenditure data have been used to estimate trends in income-poverty since consumption is considered to be a better indicator of permanent income status in a country like Bangladesh.

⁵ Thus, the annual per capita HIES consumption expenditure growth at national level, which was just 0.6 per cent during the period between 1983/84 and 1991/92, rose to 2.7 per cent between 1991/92 and 2000. It may be noted that the annual growth in per capita GDP was around 1.5 per cent during the eighties, but nearly doubled during the nineties.

measured by consumption expenditure distribution, showed very little change during the eighties (Annex Table 4). The picture changed during the nineties as the Gini coefficient rose considerably, with urban inequality rising much more than rural inequality. Thus, during the period between 1991/92 and 2000, the level of consumption expenditure inequality increased from 30.7 to 36.8 per cent in urban areas, and from 24.3 to 27.1 per cent in rural areas (Table 2). The rising trends in inequality is possibly one important reason as to why the poverty reducing effects of accelerated growth were not translated in full in the nineties.

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

Trends in Human-Poverty

2.7 Human-poverty trends also show considerable improvement. The human poverty index which stood at 61 per cent in the early eighties declined to 35 per cent in the late nineties (BIDS 2001).⁶ The index of human poverty declined by 2.54 per cent per year compared with 1.45 per cent in the national head-count ratio for income-poverty over the last two decades.

Table 2
Trends in Poverty and Inequality in the Nineties

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

⁶ *Fighting Human Poverty: Bangladesh Human Development Report 2000*, Bangladesh Institute of Development Studies, Dhaka, 2001.

Source: BBS, *Preliminary Report of Household Income and Expenditure Survey 2000*, Dhaka, 2001 and World Bank, *Poverty Trends in Bangladesh during the Nineties*, Background Paper No. 1 (Draft), World Bank, Washington D.C.

B. Trends in Rural Poverty

2.8 Available evidence indicates faster progress in rural poverty reduction in the nineties compared with the eighties. According to HIES data, the incidence of rural poverty, which declined by only 0.9 percentage point between 1983/84 and 1991/92, has gone down by 9.3 percentage points between 1991/92 and 2000 (Annex Table 3). The higher progress in the nineties is also indicated by alternative source of data such as the 62-village panel data generated by BIDS. Thus, the incidence of rural poverty marginally increased from 57.5 per cent in 1987/88 to 59.3 per cent in 1989/90; poverty situation improved in the subsequent period as the rural head-count declined to 51.7 per cent in 1994. Even though the pace of poverty reduction has accelerated in the nineties, the overall pace of reduction has been modest. This modest poverty reduction rate has been expressed as being restricted to about “1 percentage point decline per year”. This is borne out by virtually all survey data for the nineties, including HIES and micro-level panel surveys. A recent update of the BIDS panel survey available for a sub-set of 16 villages shows a decline in the incidence of rural poverty from 64.8 per cent in 1987/88 to 53.9 per cent in 1999/00.⁷ Data collected from the Poverty Monitoring Survey (PMS) carried out by BBS with support from the MIMAP-Bangladesh Project also show similar modest rate of rural poverty reduction: from 47.9 per cent in 1996 to 44.9 per cent in 1999.⁸

2.9 The immediate question that springs up is-- what explains the relatively modest progress in rural poverty reduction in the nineties? The slow progress in rural poverty reduction is especially intriguing in the backdrop of higher agricultural growth witnessed during the second half of the nineties. One possible explanation is that much of the agricultural growth came from the expansion of HYV rice production, especially during the winter season. The increase in productivity in rice cultivation has, however, not been translated into higher farm incomes due to slower increase in paddy prices compared to the wage rate and fertilizer prices. The nominal wage rate increased almost at par with the consumer price index, but because of the slow increase in the nominal price of paddy, the entitlement of staple food for the land-poor households improved substantially. It is possible that increase in rice production benefited the land-poor labor-selling households more through the effects of low staple prices than the rice farmer households because of the relatively small farm size in the country and the unfavorable terms of trade of rice. Thus, the improvement in rice technology can make only a modest contribution to increase in household income and hence, the rate of reduction of income-poverty in rural areas. It appears, therefore, that while agricultural growth will continue to play a major role in rural poverty reduction process, its quantitative impact on poverty reduction would be contingent on diversifying to high-value added crops as well as non-crop agriculture such as poultry, livestock and fishery sectors. The same applies to the prospects for non-farm economy in the rural poverty reduction where the key challenge would be to link the poor producers with high valued-added non-farm activities.

⁷ For evidence on 1987-94, see Hossain M. et al (2000), ‘Growth and Distribution of Rural Income in Bangladesh’, *Economic and Political Weekly*, Vol. 35, Nos. 52-53. For evidence on 1987-00, see Hossain M. et al (2002), *Changes in Agriculture and Economy in the Flood-Prone Environment in Bangladesh, 1988 to 2000: Insights from a Repeat Survey of 16 Villages*, mimeo, IRRI.

⁸ Trends in agricultural real wages for casual daily laborers also support this conclusion. Thus, the nominal daily agricultural wage rate has increased from 42 taka in 1991/92 to 51 taka in 1995/96, rising further to 64 taka by 2000. However, the real gains to agricultural laborers appear modest when deflated by the cost-of-living index for the poor, as proxied by the rural poverty line. The extent of increase in real agricultural wages was only about 13 per cent during the nineties.

C. Trends in Urban Poverty

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

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

Box 1: Simulating National Poverty with Macro Growth Data

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

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

2.12 The Poverty Monitoring Survey (PMS) indicates that, between April 1996 and May 1999, the urban poverty gap index—a distributionally sensitive measure of poverty—declined from 14.2 per cent to 11.2 per cent. The squared poverty gap index for urban areas also declined from 6.1 to 4.2 per cent indicating improvement in the conditions of the poorest

of the poor in urban areas. The incidence of urban head-count shows a very small decrease—from 44.4 to 43.3 per cent.

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

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

D. Dimensions of Human Poverty

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

Deprivation in Health

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

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

2.18 The maternal mortality rate (MMR) is an important indicator of well-being. The Bangladesh Maternal Mortality Survey 2001 indicates a mortality rate of 320 deaths per 100,000 live births in the period 1998 to 2001 using the method based on household deaths with a verbal autopsy identification of maternal deaths. Clearly, reproductive health care continues to remain a major weakness of the health care system in Bangladesh. Moreover, significant socio-economic differentials persist in maternal health care. Thus, 69 per cent of the households belonging to the lowest wealth quintile do not avail any antenatal care compared with 22 per cent in the richest quintile.

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

Deprivations in Education

2.20 Impressive progress has been achieved in expanding basic and elementary education in the nineties. Underlying the progress in basic education is the rapid expansion of school enrollment at the primary level. Thus, the gross enrollment in primary schools increased from 59 per cent in 1982 to 96 per cent in 1999. The gender gap in education is closing at an impressive pace. Both DHS and HIES data point out a clear female edge over male at primary and junior secondary (VI-VIII) levels. There is, however, considerable gender gap in enrollment in age group 16-20, which becomes especially pronounced after 21. While one cannot undercut the success already achieved in promoting gender equality at primary and junior secondary level, Bangladesh needs to make a major effort to achieve gender equality at higher secondary and tertiary levels.

Trends in Child and Maternal Malnutrition

2.21 The nutritional situation started improving since the mid-eighties. According to BBS data, the rate of stunting for children in the age group of 6-71 months which was 68.7 per cent in 1985/86 dropped to 49 per cent in 1999/00. The proportion of underweight children in the similar age group has gone down from 72 per cent in 1985/86 to 51 per cent in 1999/00. The HDS data, available for the second half of the nineties, show that the rate of stunting for the age group of 0-59 months reduced from 55 to 45 per cent. Similarly, the rate of underweight declined from 56 to 48 per cent between 1996/97 and 1999/00. The NSP data collected by HKI also confirms the trend of improvement in the child nutritional situation in the nineties in both rural and urban slums.

Inequality in Malnutrition

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

Table 3
Rates of Child Malnutrition among Under-five Children

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

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

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

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

E. Summary Points

- Bangladesh has achieved considerable progress in reducing income-poverty and human-poverty since Independence. The progress on human poverty reduction front was faster than in case of income-poverty.
- The rate of income-poverty reduction was slower in the eighties compared to the nineties. However, the overall pace of decline in income-poverty has been modest, being restricted to the reduction rate of 1 percentage point per year.
- Considerable regional variation in income-poverty and social indicators is noticeable.
- Even though the pace of improvement in social indicators has been impressive, this has not often accompanied by gender equality. The female disadvantage in child mortality (1-4 years) has remained persistent, while the female-male gap in acute malnutrition (as represented by severe stunting and wasting) has increased.

Chapter 3

Participatory Consultations on Poverty Reduction Strategy: Emerging Lessons

3.1 The past decade has been both a time of hope and a time of despair. The consultations with the poor and the civil society confirmed several positive trends as well as negative concerns.⁹

A. Positive Achievements

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

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

3.4 On the well-being dimensions, acute deprivations measured in terms of food and income entitlements seem to have improved. Enhanced access of the poor can be noted in terms of some basic non-income dimensions of poverty such as schooling and health care. Visibility and voice of women in intra-household and extra-household contexts have also increased. Perhaps, the singular idea that emerges from the participatory consultations at all levels relates to the deep sense of awareness relating to under-performance relative to potentials in every respect. There seems to exist a general agreement that through improved

⁹ The materials used in this section are drawn from the Poverty Reduction Strategy Consultation Report of BRAC (2002). Additional materials have been used from previous consultations carried out as part of the preparation of *Citizen Task Force Report on Poverty* (CPD 2001), *Voices of the Poor* Study for the World Development Report 2001 (Proshika 2000), and consultations carried out by the People's Empowerment Trust (Action Aid 2002).

governance and better coordination among the government, the private sector and the civil society, the major development impasses facing the country can be overcome.

B. Areas of Key Concerns

3.5 The grass-roots consultations have also revealed several key concerns that represent powerful negative tendencies in the development experience of the nineties.¹⁰ As one participant—a day labourer in Rupsha thana -- puts it, “positive developments in our lives have been precariously counterbalanced by equally powerful negative tendencies”.

Law and Order and Economic and Social Violence

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

3.7 The consultations point out the need for democratizing the state institutions operating at the local level including reform in the police system. The identified objectives of reforms include accountability of the law-enforcing agencies to the civil administration, greater sensitivity to issues of human rights, increased transparency and enhanced effectiveness. The growing violence against women, both in rural and urban areas, has been identified as a major concern as well as the emergence of *mastanocracy* (local terrorism) imposing considerable “transaction costs” on normal economic activity. The emerging picture is strikingly uniform in this respect—from *Rupsha* of Khulna and *Sadar Upazilla* of Barisal to *Mirsharai* in Chittagong and *Poba Upazilla* in Rajshahi, from *Sadar Upazilla* of Sylhet to *Savar* in Dhaka.¹¹

3.8 The grass-roots consultations have provided important insights regarding the social background of the local terrorists as well. While there exists considerable social heterogeneity, the terrorists are mostly high school or college dropouts, suggesting the possibility of interface between educated unemployment and terrorism. The political patronage was mentioned as one of the important concerns. The consultations at the divisional level have stressed the need for setting up of an independent judiciary, an independent anti-corruption body, a powerful office of the Ombudsman, and highlighted the role of a free press and active media. Many grass-roots participants have advocated the setting up of separate TV channels for the poor, which would be focused on development issues as well as programs that promote awareness about citizen rights and civil liberties.

¹⁰ This has been mirrored by several micro-level repeat village studies. See Siddiqui, K. (2000) *Jagatpur: 1977-97. Poverty and Social Change in Rural Bangladesh*, University Press Limited, Dhaka and Westergaard, K. and A. Hossain (2000), ‘Boringram Revisited: How to Live Better on Less Land’ in R. Jahan (ed) *Bangladesh: Promise and Performance*, University Press Limited, Dhaka.

¹¹ As one participant in Savar has put it, “Bangladesh has become contaminated with three evils--organized crime and terrorism, phensydyl drug, and arsenic.”

Effective Local Government and Decentralization

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

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

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

Quality of Education, Health, and Public Services

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

3.13 In both rural and urban consultations, a critical concern among the poor was the widening of the “education divide” between the rich and the poor. The poor were not able to provide their children with quality education. Consultations suggested a multidimensional action program involving the provision of uniform curricula at the primary and secondary levels, increased teacher-student contact hours, lowering the size of the student-classroom

ratio, ensuring supply of trained Science, Mathematics, and English language teachers, periodic teachers training and quality inspection, adequate lab facilities, playground and extra-curricular activities, accountability to the local community and to parents. A particularly recurrent theme in these consultations was the issue of inappropriate functioning of the School Management Committees (SMCs).

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

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

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

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

Coordination among Development Agencies and Institutions

3.18 The consultations revealed the need for forging greater coordination among diverse stakeholders functioning at the local level such as various government agencies and departments, NGOs and CBOs. The potential areas of development cooperation encompass the entire spectrum of service delivery involving agriculture, livestock, fishery, education, health, nutrition, social safety net, microcredit, and social mobilization. A particularly

disturbing aspect has been the lack of coordination of development activities among the NGOs themselves, leading to fragmentation of efforts, duplication and wastage, and lack of synergies.

Remunerative Employment and Economic Opportunities

3.19 A considerable part of consultations was devoted to ways and means to accelerate the pace of income-poverty reduction. The discussion pointed out the beneficial effects of rice-based new technology and stressed the importance of developing such technology for unfavorable environments. The consultations noted the impressive growth of poultry and fishery sub-sectors. Within non-agriculture, the development of road and marketing linkages and the attendant growth of transport, trading, and service sector employment were highlighted. The need for developing employment-generating sectors such as agro-processing and information-technology (IT) related industry for both domestic economy and export markets was emphasized. The role of information technology was viewed as important for generating employment for the graduates in both rural and urban areas.

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

Physical Infrastructure

3.21 The consultations strongly emphasized the role of physical infrastructure in accelerating the rate of poverty reduction, especially in rural areas. The package includes nine important elements: road, railways, waterways, electricity, gas, storage, port, telecommunication, and information. The consultations underscored the need for expanding further the network of all-weather feeder roads in rural areas and drew attention to the problem of maintenance. The neglected areas of railways and waterways received particular attention, especially from the viewpoint of environment-friendliness of these modes of transport. The growth impact of electricity through its cost-reducing effects on use of irrigation equipment was emphasized. In addition, its direct impact on modernization of rural industry, contribution to longer working hours for commercial enterprises, along with favorable influence on social development were mentioned. The consultations stressed the importance of developing adequate storage facilities at the thana level, especially in promoting increasing commercialization of agriculture (vegetables, poultry, and fishery products). The critical importance of developing adequate and efficient port facilities figured prominently in consultations at divisional headquarters. The consultations strongly emphasized the need for extending telephone networks to rural areas and advocated greater competition and privatization in this area. Telecommunication would help in regional market integration and increase the effectiveness of the early-warning system for preventing disasters. Availability of information technology at the local level was advocated from the perspective of improving the overall system of governance as well.

Other Issues

3.22 The grass-roots consultations pointed out several issues which demand additional attention. Thus, broad concern was expressed over the tendency of *regionally unbalanced*

development, highlighting the widening gaps between infrastructurally advantaged and disadvantaged areas. The problems of environmentally fragile settings such as hill areas, char areas, river-erosion areas, salinity and flood-prone areas received particular attentions in this regard. An important area of concern was the *lack of adequate participation* of diverse categories of socially vulnerable groups such as those residing in ecologically vulnerable areas, the tribal and the hill people, specific social categories such the disabled, women-headed households, and those engaged in marginal occupations. Another important issue was the need for *developing social solidarity* at the community level. While a plethora of poor people's organizations such as micro-finance groups and *samities* had emerged at the local level, the extent of cooperation across the poor communities and groups (the bonding and bridging aspect) was considered low undermining a potential important source of faster poverty reduction and social development. The consultations also pointed to the persistent *problem of polarized politics*, lack of cooperation, mutual respect and trust among major political parties, lack of democratization of the political parties and processes acting as serious constraints on economic and social progress.

C. Summary Points

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

Chapter 4

Major Milestones: Poverty Targets and Key Social Development Goals

A. The Vision

4.1 With the Constitutional obligation of developing and sustaining a society in which the basic needs of all people are met and every person can prosper in freedom and cherish the ideals and values of a free society, the vision of Bangladesh's poverty reduction strategy is to substantially reduce poverty within the next generation. For this, poverty reduction has been made the overarching development goal and Bangladesh's commitment is to achieve the Millennium Development Goals (MDGs) and targets set in the Partnership Agreement on Poverty Reduction (PAPR) with the Asian Development Bank (ADB). Through adopting a comprehensive approach, the Strategy visualizes that, by the year 2015, Bangladesh would achieve the following targets:

- (i) Reduce the number of people living below the poverty line by 50 per cent;
- (ii) Attain universal primary education for all girls and boys of primary school age;
- (iii) Eliminate gender disparity in primary and secondary education;
- (iv) Reduce infant and under five mortality rates by 65 per cent, and eliminate gender disparity in child mortality;
- (v) Reduce the proportion of malnourished children under five by 50 per cent and eliminate gender disparity in child malnutrition ;
- (vi) Reduce maternal mortality rate by 75 per cent; and
- (vii) Ensure availability of reproductive health services to all women;

B. Feasibility of Target Attainment

4.2 The poverty targets and social development goals are presented in Table 4. Given the pattern of economic growth, which is accompanied by rising inequality, the growth elasticity of poverty reduction for rural areas is estimated at -0.73, while the figure for urban areas is -0.64.¹² Using these elasticities, the results, as presented in Annex Table 6, show that the attainment of the Millennium goal of reducing the income-poverty level by half by 2015 will require significant additional efforts. The rural head-count index will be halved by the year 2015 only if the per capita rural consumption expenditure grows at a rate of at least 4 per cent per year. The calculations show that if the goal of reducing the incidence of national poverty by half is to be achieved by 2015 then Bangladesh needs to sustain a GDP growth rate of about 7 per cent per year over the next 15 years.¹³

¹² These elasticities are lower than the estimates derived under the distribution-neutral growth. The paper follows Ravallion and Sen (1996) to calculate *growth elasticity of poverty reduction under inequitable growth*. The latter represents elasticities implied by the actual changes in poverty measures and the mean relative to the poverty line, as observed over the period 1991/92 to 2000 reflecting the effects of rising inequality over the period.

¹³ The required GDP growth reflects the income and population growth during the period in order to sustain the consumption expenditure to achieve the target. It may, however, be noted that the target reflects the reduction of income poverty by half from the benchmark of 2000.

Table 4
Major Goal-Posts: Poverty Targets

Target	Current (2000)	2003	2005	2010	2015
Indicators in light of MDGs:					
Income-Poverty	50	46	44	35	25
Adult Literacy	56	63	68	79	90
Primary Enrollment	75	80	83	92	100
Secondary Enrollment	65	70	75	85	95
Infant Mortality Rate (IMR)	66	58	51	37	22
Under-Five Mortality Rate	94	82	73	52	31
Maternal Mortality Rate (MMR)	320	300	280	240	147
Life Expectancy	61	63	65	69	73
Population Growth	1.6	1.5	1.5	1.4	1.3
% Children Underweight	48	45	43	39	35
Reduction in Anti-Female Bias:					
Female (7+) Literacy (% of Male)	80				
Female Enrollment at Tertiary Level (% of Male)	33				
				Eradicate by 2010-15	
Female Underweight Moderate or Severe, <5 Years (% of Male)	8				
Female Underweight Severe, <5 Years (% of Male)	26				
Female Mortality, 1-4 Years (% of Male)	133				

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

4.3 As regards other indicators, the likelihood of target attainment is higher given the encouraging performance of the nineties in reducing child mortality and child malnutrition as well as success in removing gender inequality at primary and secondary schooling. The available evidence also suggests that the MDG target of halving malnutrition rates by 2015 is not likely to be met through economic growth alone. More effective public actions than in the past will be necessary in attaining the goal of halving malnutrition. This would also require the exploitation of important synergies between income and non-income indicators. Many of the social indicators

included under the MDGs are influenced by economic growth through the channels of income-poverty reduction and public expenditures on social sectors. As the level of income-poverty gets reduced and private spending on social sectors increases, progress in attaining social development goals will be further stimulated. Better governance of social expenditures along with higher allocations through government and non-government channels, as emphasized under the strategy, would provide additional momentum to the process of social development.

C. Summary Points

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

Chapter 5

The Poverty Reduction Strategy

A. The Strategy: All Routes Matter

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

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

5.3 Along with integrating economic and social policies, the strategy aims at expanding decent employment opportunities through both wage and self-employment. For this, an integrated approach would be followed to create an employment-expanding macroeconomic framework through (i) adjusting public expenditure, ensuring monetary and fiscal prudence, and promoting employment friendly private investments; (ii) addressing sectoral employment concerns with appropriate investment and trade policies and promoting 'lead' sectoral and sub-sectoral activities; (iii) strengthening special and targeted employment programmes for the vulnerable poor; and (iv) implementing measures for skills upgradation of the labour force on the basis of demand-oriented skills mapping. In view of the importance of congenial labour relations and an efficient and equitable regulatory framework in attracting domestic and foreign investments, the strategy would broaden the social dialogue on labour policies to include dispute settlements along with issues related to skills development, social protection, productivity, gender discrimination, and child labour.¹⁴

B. Increasing Pro-poor Economic Growth

5.4 Increasing pro-poor economic growth will be one of the key elements in achieving success of the Strategy. The sources of increased growth would involve several areas: (i) higher private investment in all sectors and increased inflow of foreign direct investments

¹⁴ For major policy issues relating to employment and labor market see Annex 2.

(FDIs) through ensuring good governance and installing measures to reduce transaction costs and promote investment-friendly environment; (ii) increased efficiency and technological progress across the economy including promotion of information and communication technologies (ICTs) and biotechnology; (iii) expanded growth of industry (particularly small and medium enterprises) and service sectors; (iv) diversification in crop production and nonfarm (e.g. livestock) sector growth; and (v) expansion and diversification of the export sector. The aim would be to increase GDP growth to around 7 per cent per year, on an average, during the next decade along with a high growth of the rural economy. For ensuring such growth, priorities, sequencing and interrelationships of macro and sector policies would be taken into account. Within the medium term framework, priorities would be given to ensure the following: (i) stable macroeconomic balances; (ii) strong institutions and improved governance; (iii) private sector-led and outward oriented growth; (iv) Government-private sector (including NGOs) partnership; and (v) gender sensitive macro and policy framework.

5.5 Increasing growth and bringing a pro-poor orientation in the growth process would be achieved through emphasizing four priority areas: (i) accelerated growth in rural areas and development of agriculture and non-farm economic activities; (ii) small and medium manufacturing enterprises; (iii) rural electrification, roads, and supportive infrastructure; and (iv) information and communication technologies. The rural growth strategy would be driven by policies to intensify rice production and spur crop diversification and nonfarm production requiring more effective water management, improved rural infrastructure and institutions, strengthened research and development efforts, enhanced credit access, and expanded domestic/export marketing and distribution channels. To catalyze growth of non-farm activities and small enterprises, expansion of infrastructure facilities and supportive policies would be given priority. The rural growth policies would address environmental problems ranging from widespread resource depletion and ecological degradation, arsenic contamination of water, and vulnerability to natural disasters to ensure sustainability of the outcomes. The development of information and communication technologies (ICTs) would be used as an expanding source of growth of the economy. In all these efforts, the private sector would play a key role. To facilitate the process, a strong and competitive private sector would be fostered, infrastructure capacity (especially power, telecommunications, roads and ports) would be expanded, financial markets would be strengthened, environment for foreign investment would be improved, quality of the labour force would be raised, administrative and legal systems would be reformed, law and order situation would be improved, and public transparency and accountability would be increased.

B1. Ensuring Macroeconomic Balances

5.6 The recent developments indicated strains in several macroeconomic indicators.¹⁵ The fiscal and external imbalances were aggravated, pressure on foreign exchange reserves mounted, export earnings and industrial production slowed down, and overall growth rate of the economy declined in 2001/02. In addition to domestic imbalances, the global slowdown and a weakened global economy fueled the events. Nonetheless, the per capita GDP would grow by about 3 per cent this year which is no small achievement for Bangladesh in a turbulent year.

5.7 The policy response by the Government involved several measures. The monetary policy was made more accommodating: lending rate was lowered for exports of RMG items, frozen food, and agro-industrial products; refinance facility was provided for lending for

¹⁵ For a brief review of the trends and major issues in the macroeconomy see Annex 3.

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

Box 2: Macroeconomic Fundamentals: Recent Weaknesses

The weakening macroeconomic fundamentals since the late 1990s particularly due to slowdown of the export-oriented manufacturing sector, high fiscal deficit, increased domestic borrowing, falling foreign exchange reserves, adverse external factors, and slow pace of any meaningful structural reforms, was aggravated by the September 2001 events in the United States and subsequent shocks to the global economy.

- The growth of industrial production slowed down: the quantum index stood at 227 in October 2001 compared with 221 in October 2000 indicating an increase of only 2.7 per cent;
- Export earnings declined to US \$ 2460 million during July-November 2001 compared with US \$ 2762 million during the same period of 2000. The RMG sector was especially hard hit by weakening of the US market (which receives 45 per cent of Bangladesh's RMG exports) resulting in the closure of about 1,300 garments factories and rendering about 0.4 million persons jobless, mostly women;
- Pressures on foreign exchange reserves increased sharply due to deteriorating external environment and loose fiscal and monetary policies;
- The Government's increasing recourse to domestic borrowing, sharp increases in SOE losses, and high non-performing loans of NCBs and DFIs contributed further to macroeconomic weaknesses.

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

of the SOEs to contain their demand on budgetary and bank resources would be implemented to support the stabilization policies in the short term.

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

5.10 A stable macroeconomic framework e.g. low and stable inflation, low budget deficits, and sustainable external debt would be critical for implementing the poverty reduction strategy. This would create an enabling environment for higher growth with greater scope for poverty reduction. Within the medium term, four areas would be emphasized: (i) increased domestic resource mobilization; (ii) rationalized and improved quality of public expenditure; (iii) a prudent monetary policy; and (iv) improved foreign sector management.

5.11 For effective resource management, the Government would limit the use of non-concessional loans, broaden the tax base and enhance the efficiency of the tax system, and rationalize the state-owned enterprises (Box 3). The Government would set up a Public Expenditure Review Commission and a Commission on Reforming the Public Revenue System for reviewing expenditure and revenue decisions, respectively. A similar review has already been institutionalized as an ongoing internal activity of the Ministry of Finance. The budgeting process would be made more transparent through increased pre-budget consultations and creating institutional mechanisms for participation of various groups and the civil society. The Parliamentary oversight of the budget will be strengthened through ensuring more effective roles of the Public Accounts Committee, Public Estimates Committee, Public Undertakings Committee and the thirty-five Parliamentary Standing Committees on individual ministries.

Box 3: Reforming State-Owned Enterprises

Given the large fiscal drain by the SOEs and their overall inefficiency, a key ingredient of the Government's deficit reduction strategy would be to bring a balance in their financial accounts. The Government would implement a comprehensive programme aimed at privatization and downsizing of the state-owned sector. For the purpose, a sequenced approach would be followed beginning with privatizing or liquidating the manufacturing enterprises. In the case of utilities and services (e.g. gas, power, water, railways, shipping and telecommunications), appropriate modes would be adopted like outsourcing, divestiture, public-private partnerships and others. While liquidation of non-viable enterprises and privatization of manufacturing SOEs would be the priority agenda to ease the administrative and financial burden in the short run, remaining SOEs would be given operational autonomy and allowed to operate along commercial lines under hard resource constraints. In case any SOE is required to pursue non-commercial objectives, the costs of such constraints would be calculated and compensated through the budget in a transparent manner.

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

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

Leveraging Globalization

5.13 The move towards globalization, with its significant social and economic impact, has brought both challenges and opportunities. The strategy would be to pursue trade liberalization and seize the opportunities by effectively managing the process. This would require strengthening institutional capabilities, addressing structural weaknesses, and improving the policy regimes. The pro-poor programmes will be made strong to complement the liberalization agenda. Macroeconomic stability and robust growth would ensure that employment losses as a part of needed economic restructuring can be offset by rapid growth in other sectors. The process would be made sensitive to social costs with appropriately targeted social safety nets for the affected poor and guided by institutional capacity to manage the transition period. Exploiting globalization opportunities would require a sound investment climate, affordable access to information and communication technologies (ICTs), improved efficiency of trade promoting services, and investments in human capital and skills to exploit new opportunities.

Developing the Private Sector

5.14 Under the strategy, the private sector will be the engine of economic growth. The Government will create an investment-friendly environment and act as a facilitator through pursuing policies to create a stable macro economy, improve law and order, promote good governance, maintain competitiveness, alleviate infrastructure bottlenecks, ensure cost effective fiscal and financial services, and provide market information and support services.

5.15 Under the 1999 Industrial Policy, restrictions on private sector participation in all sectors except defense, nuclear energy, printing of currency notes, and forest plantation and mechanized extraction in reserved forests, have been removed. The Government is aware of the constraints hindering the growth of the private sector and would implement effective measures to remove the hurdles through effective and coordinated policies and actions. The key areas would be: infrastructure development (e.g. power, telecommunications, roads and ports), strengthened financial and capital markets, quality of the labour force, reduced costs of doing business by reforming institutional and regulatory framework, improved law and order condition, and better environment for foreign investment.

Financial Sector Management

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

5.17 The poor governance of the nationalized and domestic commercial banks and specialized development banks has resulted in high share of classified loans, low loan recovery rates, lack of discipline and other symptoms limiting access to credit to genuine investors, raising interest rates and acting as a drag on economic growth. Along with necessary legal amendments, the Government would improve overall governance of financial institutions through several measures e.g. appointing suitable persons on the boards and in the top management of public financial institutions with adequate restructuring authority and autonomy, strengthening loan approval departments, and enforcing the requirement to regularly publish financial statements prepared in accordance with International Accounting Standard (IAS). A banking sector policy will be formulated including an efficient regulatory framework for the microfinance institutions (MFIs).

B2. Promoting Good Governance

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

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

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

Government's priority is to take all necessary measures for ensuring a strong and independent judicial system.

5.21 With increasing concerns regarding law and order situation and violence against women, comprehensive and fundamental reform in the police service is a priority agenda for the Government. The measures will include review of the structure of incentives, training and modernization of the police force, steps to remove undue political and other interference in performance of duties, rapid action against negligence of duty and corruption, and mechanisms to institutionalize civilian oversight.

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

5.23 Improvements in public purchase and procurement systems are closely linked to financial accountability. For improving efficiency, transparency and accountability, several measures will be adopted e.g. introduction of effective and well-specified public procurement rules and guidelines, standard bidding documents, procurement laws, public procurement website and electronic bid processing, rationalization of procedures and approval process, framing of code of conduct and procurement auditing and monitoring indicators. For this a Central Procurement Policy Unit in Implementation Monitoring and Evaluation Division (IMED) would be created. The management capacity will be improved through training and institutionalizing monitoring and evaluation of performance.

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

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

at senior policy levels, and transferring relevant government support services to the private sector on a contract basis.

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

B3. Agriculture and Rural Development

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

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

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

5.30 The Government would create a policy environment that is (i) supportive of agriculture and rural nonfarm sectors; (ii) oriented towards small farmer development; (iii) capable of providing right incentives to adopt new technologies; (iv) conducive to higher investments in social and economic infrastructure in rural areas; and (v) adequate to ensure proper functioning of rural institutions and provide market access for rural products (see Annex 4 for detailed policies). For the purpose, the Government has taken up a Plan of Action (PoA) to implement the National Agricultural Policy 1999 which indicates specific areas where interventions would be needed.

Rural Non-farm Growth

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

5.32 In the past, rural non-farm activities played an important role in generating new sources of employment in the rural area, but the productivity growth in the sector has been modest. The way-out from the situation requires some degree of upscaling with improved technology and marketing support. The process can be further stimulated by forging urban-rural links in design, production, and marketing stages. For this, a decentralized industrial process around secondary towns and periurban areas will be pursued.

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

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

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

5.36 The Government has formulated the National Rural Development Policy 2001 to guide the comprehensive development of the rural areas. The Policy attaches importance on

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

B4. Manufacturing Growth

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

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

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

5.40 The Government's efforts to accelerate manufacturing growth and increase its poverty reduction role would emphasize several elements. For the privatization programme, a firm timetable would be set to assert the Government's political will and send clear signals to those who oppose the programme. Necessary measures would be taken to reduce social costs of labour adjustment through appropriate safety-nets and help retrenched workers to reintegrate into the labour market (see, Annex 5 for details on industrial policies).

B5. Infrastructure Development

5.41 The impact of roads on poverty is well documented in Bangladesh. Similarly, along with the spread of literacy, improvement in road network, and higher household savings through microcredit operations, the availability of electricity is important in promoting private investment in rural areas. In rural Bangladesh, a large part of the growth impact of electricity is realized through its cost-reducing effects on use of irrigation equipment. In addition, provision of electricity will directly impact on the modernization of rural industry, contribute to longer working hours for commercial enterprises, along with favorable influence on social development. In general, power sector investments would be given priority over other investments in physical infrastructure in the coming years.

5.42 Telecommunication is the third critical element in the infrastructural package for pro-poor growth. The relative importance of telecommunication has increased manifold following the revolution in information technology. Telecommunication would help in regional market integration, increase the effectiveness of the early-warning system for preventing disasters, and help improve the system of governance (see Annex 6 for detailed policies).

B6. Technology Policy

5.43 A comprehensive technology policy (especially ICT and biotechnology) would be adopted for purposes of eradicating poverty in the country. New technology is critical in developing new seeds for agriculture and in their adoption in adverse agro-ecological environments. It will also help linking hitherto disintegrated national and local markets with global markets. Development of information technology will be an important source of future economic growth and play a critical role in employment generation, fostering productivity enhancing human development (impacting on both knowledge as well as service delivery dimensions) and improved governance.

5.44 The present institutional infrastructure for delivery and adoption of new technology, however, is inadequate. Enhancing technological capability in the public sector and removing barriers in the private sector remains the strategic challenge. Innovation and adoption of technology requires skills that depend on vocational and technical education, transfer of appropriate technology and more reliance on “learning by doing” in the globalized supply chains of production.

C. Increasing Human Development of the Poor

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

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

5.47 *Second*, the control of communicable diseases and improved maternal and child health to reduce high child and maternal mortality remains the highest public priorities. The main causes of avoidable deaths in the low-income countries including Bangladesh are tuberculosis, childhood infectious diseases, maternal and perinatal conditions, micronutrient deficiencies, and malaria and tobacco-related illnesses. The epidemiological evidence from Bangladesh and elsewhere conveys a crucial message: the vast majority of the excess disease burden is the result of a relatively small number of identifiable conditions, each with a set of existing health interventions that can dramatically improve health. The problem is that these interventions do not adequately reach the poor. A package of essential health interventions with enhanced programs of family planning catered to the needs of the poor would have strong poverty reducing effects as the improvements in health would translate into higher quality of children, lower income erosion due to health shocks, higher productivity, and higher economic growth. Implementation and access of current essential service package (ESP) under the sector-wide approach need to be ensured with special focus on the health needs of the poorest and the most vulnerable both in rural and urban areas. Even though the priority focus is currently on communicable diseases and maternal and perinatal health, non-communicable diseases (NCDs) are also of great significance. Many of these non-communicable diseases, including cardiovascular disease, diabetes, mental illnesses, and cancers, can be effectively addressed by relatively low-cost interventions, especially using preventive actions relating to diet, smoking, and lifestyle. The coverage of current ESP needs to be broadened to include some of the key NCDs as well.

5.48 *Third*, such a re-orientation towards wider coverage of the poorest as well as broadening of the scope of essential health package will have considerable resource implications. According to the recent estimate by the WHO Commission on Macroeconomics and Health 2001 the set of essential interventions costs, on average, about \$34 per person per year, which is much higher than the current level of public spending of around \$5 recorded for Bangladesh. The huge resource gap in financing the health needs of the poor cannot be met without additional resource mobilization from external resources. The key recommendation of the WHO Commission on Macroeconomics and Health is that the world's low-income countries, in partnership with high-income countries, should scale up the access of the world's poor to essential health services, including a focus on specific interventions. This issue merits consideration under the proposed poverty reduction strategy. A plea for higher resource allocation for the health sector should, however, accompany strong commitments to substantially improve the present level of health sector governance within the shortest possible time. NGOs can emerge as an important actor in this regard by delivering high-quality health care services, especially at primary and secondary levels.

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

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

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

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

D. Women's Advancement and Removing Gender Gaps

5.53 Empowering the women is crucial both for its intrinsic value as a welfare goal and as *instrument* for bringing about favorable social and economic change. Bangladesh has made considerable progress to bring about greater women's empowerment, which, in turn, led to significant development effects. Most of the micro-success stories of Bangladesh are associated with the pronounced role of women in economic and social spheres. The strengthening of these measures would further contribute to decline in fertility rate, improvement in child and maternal nutrition and greater welfare for the women themselves.

5.54 While the gender-gap is closing in Bangladesh for most social indicators, the overall level of empowerment measured in terms of literacy, work force participation, property rights, and credit access leaves much to be desired. A related institutional issue is to increase the political voice of women, especially poor women, which will further enhance their agency role and hence, contribute to faster progress in the well being of children and women. Several areas of critical importance will be emphasized for furthering women's advancement. These include: policies and institutional actions to combat continuing negative sex ratios, violence against women, high maternal mortality, restrictions on women's employment and economic opportunities, policies to ensure formal equality, supporting affirmative actions at all levels and in all spheres, creating women-friendly institutional environment, and generating gender-disaggregated statistics.¹⁶

E. Strengthening Social Protection

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

5.56 The first set of policies will focus on the *social safety net* for the poor through works and income transfer programs. These include various food-assisted and cash-assisted programs such as VGD/IG-VGD, FFW, old-age pension schemes in rural areas, support for the female destitutes, and traditional relief programs. The second set of policies will put emphasis on the development of *social solidarity*. This is a relatively new area but would be used as an increasingly important route for social interventions. The newly set up umbrella support organization such as the Social Development Foundation (SDF) will play an important role in fostering social capital formation by promoting CBOs and local associations in building and maintenance of small-scale community infrastructures. Encouraging the bonding and bridging across self-help groups under GOs and NGOs at the local level will be an important area of intervention. The third set of policies will relate to *risks insurance*. Policies for preventing and/or mitigating risks will cover four categories. *First*, providing access to credit to the poor in times of emergency to ease the burden of shocks, reduce distress sales and "negative" methods of coping. *Second*, ensuring good public health services to reduce health hazard related income and consumption shocks. This would be particularly relevant in the context of emergency health care provisioning (as in the case of health hazards due to injuries and accidents) as well as major public health problems such as arsenic and dengue fever. *Third*, strengthening disaster preventing and mitigating mechanisms to enhance the coping capability of the poor in times of natural disasters. This is important from the perspective of averting large-scale entitlement failure, which may result in as a consequence of severe natural disasters (including river erosion). *Fourth*, the poor often suffer more from violence and personal insecurity. Costs of coping with such shocks impose enormous burden

¹⁶ For a brief review of issues related to women's advancement see Annex 7.

on the poor. Counterveiling measures will be adopted through a broad-based action program including improvement of law and order, accountability of police administration, ensuring better human rights, decentralizing and democratizing the functioning of state institutions to reduce harassment and transaction costs, simplifications of rules and procedures, legal and judiciary reforms to reduce high coping costs involving legal/ court expenses, supporting citizen actions against gross violations of human rights, and ensuring the freedom of the press and the media.

F. Enhancing Participation from Below

5.57 Policies and institutional measures for broadening participatory governance and enhancing the “voice” and “influence” of the poor would involve several actions. The policy and institutional measures would mainly relate to strengthening the system of good governance, especially decentralization at the local level. Decentralization and devolution of power will be regarded as an essential pre-condition for good governance. Policy consultations on poverty reduction strategy at the grass-roots level have unequivocally favored the creation of a multi-tier ensemble of effective local government bodies at union, thana, and district levels. The consensus view emerging from the consultation supported the idea of a strong (with adequate financial and administrative power) and popular (elected with people’s mandate) local government. Local government was seen as one of the key instruments for ensuring improved quality and enhanced accountability of public services both in rural and urban areas. The local bodies would be given adequate budget allocations on a matching grant basis keeping in view the poverty ranking of the area. There would also be emphasis on capacity building at the local level.

5.58 An additional group of measures would emphasize building grassroots level initiatives—outside the domain of local government—to create a demand-driven receiving mechanism “from below” to act as a pressure mechanism on the quality of governance. To this end enabling environment needs to be created for the development of local-level democracy through the promotion of grass-roots organizations as well as fostering community activities that encourage greater social solidarity.

G. Policies and Institutions for Reducing Inequality

5.59 Along with economic growth, policies would be emphasized to prevent any serious worsening of income distribution to ensure poverty reduction as average income increases. For the purpose, one important avenue would be to ensure broad-based asset access to the poor. While traditional asset (e.g. land) distribution has limited scope in Bangladesh, other measures for reducing inequality will be emphasized. The poor can get access to land through the tenancy market and benefit considerably through enforcement of better terms and conditions for tenancy. Moreover, the problem of reducing inequality will be addressed in terms of a broad asset framework. Since the access to physical capital is technically constrained by limited availability, access to other assets on the part of the poor will be considered. Providing access to human assets such as basic education and higher level of skills will help the poor to access better employment and income. Similarly, ensuring expanded access to financial assets via microcredit would help the poor to undertake income-generating activities. Access to natural assets such as common property resources would help the poor in mitigating risk in times of distress. Access to social assets will be expanded by building grassroots organizations of the poor at the village level, leading to better networking capacity and act as a risks-insurance mechanism. Finally, the access to political assets—

greater empowerment—would help the poor to ensure a fair share in public resources and benefits of development.

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

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

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

H. Caring for Environment

5.63 The link between environment and poverty can hardly be overemphasized. Factors influencing poverty like inadequate access to physical asset bases, preponderance of risks, uncertainties and vulnerabilities and spatial problems affecting livelihoods and crisis coping capacities do indeed originate from environmental factors and one can, therefore, find certain linkages between the two. The more visible environmental problems are mostly associated with regenerative resources, which are in danger of exhaustion from excessive use. These resources include not only animal, bird, plant and fish populations, but also land, water and air. They can complement other goods and services and can also supplement income at time of stress. So depletion of many of these environmental resources can make some categories of people destitute even when an economy is growing. That there is an intimate relationship between environmental degradation and an accentuation of destitution is recognized under the strategy. Women and children are particular victims of environmental degradation and the poor are not necessarily polluters. They are mostly forced to face an adverse environment (e.g. shrinking opportunities of gathering water, inadequate access to local commons) with significant implications for deprivation. Their workload goes up and sources of income

dwindle. They then suffer from malnutrition and ill health with further impact on income erosion.

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

5.65 Under the strategy, environmental conservation would be integrated into national poverty alleviation strategies. Given the large number of environmental problems across various ecological zones, some target groups of people are always at high risk of exposure to poverty and environmental degradation. They would be identified clearly. The nexus among poverty and environment as well as with development and population policies would then be understood in a holistic manner. Isolated poverty alleviation strategies will not be effective if these are not environmentally sound, participatory in nature and focused on building local and national capacities for self-reliance. Incorporating people's knowledge, perception and attitudes in planning and implementation will be taken as vital for environment friendly development.

I. Summary Points

- There are five main avenues of the proposed poverty reduction strategy. These are: *pro-poor economic growth* for increasing income and employment of the poor; *human development* of the poor for raising their capability through education, health, nutrition and social interventions; *women's advancement and closing of gender gaps* in development; *social safety nets* to the poor against anticipated and unanticipated income/consumption shocks through targeted and other efforts; and *participatory governance* for enhancing *voice* of the poor and improving *non-material dimensions* of well-being including security, power and social inclusion by improving the performance of anti-poverty institutions and removing institutional hurdles to social mobility.
- Policies and institutional actions delineated under the proposed poverty reduction strategy will be designed to reach out to the poorest and the remote rural areas, which are vulnerable to adverse ecological processes (including *chars* and river erosion affected areas) and those with high concentrations of socially disadvantaged and marginal ethnic groups. Special attention will be given to the development problems of the hill people of CHT and tribal population residing in other parts of the country.

Chapter 6

Medium Term Macroeconomic Framework

6.1 For implementing the poverty reduction strategy, a medium term macroeconomic framework has been specified covering the period FY2003 and FY2005. The framework has been worked out based on the estimated values for FY2002. The purpose is to enable the tracking of relevant indicators and monitor the progress based on key intermediate outcomes. Obviously, designing such a framework is a part of the continuous process of preparing the strategy, which will be updated and adjusted periodically on the basis of actual changes and developments.

6.2 As a first step, the key macroeconomic fundamentals have been specified which will provide the policy outcome targets (Table 5).¹⁷ These targets will be supplemented, for monitoring the progress, with related sectoral and sub-sectoral indicators in key poverty related areas e.g. food availability and consumption, nutrition, education, health, population, water supply and sanitation, access to microcredit and targeted programmes, and other welfare programmes. The indicators will be specified at a sufficiently disaggregated level to bring out gender, spatial and other characteristics.

6.3 The macroeconomic framework is supported by a detailed budgetary expenditure framework indicating the public resource envelope and expenditure pattern required to achieve the desired growth and poverty reduction targets. The expenditure framework, however, will be further disaggregated to identify sectoral poverty focused programmes and projects along with their detailed costing in order to implement the proposed strategy. The expenditure pattern is consistent with the Government's proposed macroeconomic framework. A key concern of the Government will be to achieve the macroeconomic targets in order to ensure that the expenditure pattern, particularly its poverty reduction elements, is protected. Tables 6, 7, and 8 give the details of the current and revenue expenditures of the Government and the resources that would be devoted to realizing the specific targets of the strategy.

6.4 The macroeconomic framework envisages a stable macroeconomic environment during the period from FY2003 to FY2005. It seeks to achieve and maintain stability through ensuring higher growth and keeping budgetary deficits under control. The fiscal deficit as a proportion of GDP will be brought down over the three years period. Increased domestic resource mobilization and rationalized and improved quality of public expenditure will form the basis of reducing the budget deficit. Further, broad money will be allowed to grow in line with the demand for money in the expanding economy so that a stable money market is ensured along with macroeconomic stability.

6.5 The budget deficit will be financed by both domestic and foreign resources. The Medium Term Macroeconomic Framework puts emphasis on domestic resource mobilization. It is expected that greater volume of foreign resources will be forthcoming to finance, among others, the poverty reducing projects under the strategy. The domestic component of financing will depend on borrowing from both the private sector and the Bangladesh Bank. Traditional savings instruments as well as innovative instruments like poverty reduction bonds will be considered for mobilizing resources from the private sector. A clear objective will be set such that crowding out of private investment through public sector borrowing does

¹⁷ The details are provided in Annex Table 7.

not take place. Borrowing from the Bangladesh Bank will be in line with money supply growth target to maintain price stability.

6.6 Accelerated poverty reduction will require higher amount of domestic resources. The Government has already stepped up its efforts to mobilize greater amount of domestic resources through various short term measures. Future efforts to increase resource mobilization will focus on further reforms in the revenue system. Measures have been initiated to tighten VAT administration and strengthen VAT audit and enforcement. The current discretionary VAT exemption will be gradually eliminated.

6.7 The yields from Income tax will be improved through modernization of income tax laws, broadening the tax base, simplification of procedures for filing tax returns under self-assessment, and strengthening the tax administration. The revenue from customs duty will be increased through strengthening customs administration and intelligence, audit and automation of the customs process. Non-tax revenue will be increased through strengthening the non-tax revenue cell, plugging the leakages in non-tax revenue system and rationalizing the rates and charges for products and services.

Table 5
Medium Term Macroeconomic Framework

	Estimate	Projections		
	FY 02	FY 03	FY 04	FY 05
National income and prices				
Real GDP growth (%)	4.8	5.6	6.0	6.3
Inflation (annual average, %)	2.3	3.1	3.5	4.2
Investment and savings (% of GDP)				
Gross investment	23.2	23.9	24.6	25.5
Private	16.1	16.8	17.5	18.1
Public	7.1	7.1	7.2	7.3
Gross domestic savings	17.9	18.4	19.0	19.5
Gross national savings	22.4	23.1	23.8	24.5
Government budget (% of GDP)				
Total revenue	9.8	10.7	11.7	12.4
Tax	8.0	8.7	9.5	10.0
Non Tax	1.8	2.0	2.2	2.5
Total expenditure	15.1	15.9	16.6	17.2
Revenue	8.1	8.2	8.2	8.2
Development	6.1	7.0	7.7	8.3
Budget balance	-5.3	-5.2	-5.0	-4.8
Net financing				
Domestic	3.0	3.0	2.7	2.7
Foreign	2.3	2.2	2.3	2.0
Money and credit (% change)				
Domestic credit	10.40	12.77	12.99	13.61
Private sector	10.60	11.24	13.08	14.08
Broad money (M2)	10.00	12.84	13.05	13.64
Balance of payments (% of GDP)				
Exports	13.09	13.56	13.86	14.14
Imports	19.45	19.58	18.92	18.12
External flows (billion US \$)				
Remittances	2.39	2.42	2.62	2.83
Aid disbursements	1.48	1.59	1.66	1.67

6.8 The Government expenditure as a proportion of GDP will decline slightly during the three years period. However, the decline will not affect the social sectors which have greater poverty reducing effects. In fact, significantly higher expenditures will be devoted during the period to social sectors and infrastructure to achieve accelerated poverty reduction.

6.9 A declining trend is observed in aid disbursements in recent years. However, the expenditure programme under the strategy would require increased resources from both domestic and foreign sources. Consequently, an increase in the level of aid disbursement is contemplated for implementing the poverty reduction agenda.

Table 6
Budgetary Expenditures: Revenue Expenditures

	Estimate		Projections					
	FY 02		FY 03		FY 04		FY 05	
	Billion Tk.	% of GDP	Billion Tk.	% of GDP	Billion Tk.	% of GDP	Billion Tk.	% of GDP
Total Expenditure	410.51	15.14	468.50	15.87	538.80	16.64	617.16	17.21
Growth (%)	13.30		14.13		15.01		14.54	
Current/Rev. Expend./1	220.80	8.14	241.00	8.16	264.80	8.18	293.66	8.19
Growth (%)	9.50		9.15		9.88		10.90	
Composition of Revenue Expenditure								
A. General Administration	87.15	3.21	92.24	3.13	98.36	3.04	105.46	2.94
GPS	33.01	1.22	34.90	1.18	37.33	1.15	40.10	1.12
Defence	36.39	1.34	37.52	1.27	38.83	1.20	40.46	1.13
POS	17.75	0.65	19.82	0.67	22.20	0.69	24.90	0.69
B. Social Services	63.96	2.36	71.93	2.44	83.82	2.59	96.05	2.68
Education	38.50	1.42	43.12	1.46	50.50	1.56	56.42	1.57
Health	12.18	0.45	14.10	0.48	16.54	0.51	19.85	0.55
SSW	10.80	0.40	11.88	0.40	13.53	0.42	15.98	0.45
RCRA	2.48	0.09	2.83	0.10	3.25	0.10	3.80	0.11
C. Economic Services/2	12.88	0.48	13.67	0.46	15.50	0.48	17.92	0.50
AFL	9.91	0.37	10.06	0.34	11.08	0.34	12.62	0.35
MMC	0.55	0.02	0.69	0.02	0.83	0.03	0.98	0.03
RDC	0.82	0.03	0.98	0.03	1.25	0.04	1.56	0.04
CHTs	0.97	0.04	1.05	0.04	1.18	0.04	1.36	0.04
CLE	0.63	0.02	0.89	0.03	1.16	0.04	1.40	0.04
D. Infrastructure Services/3	12.54	0.46	14.71	0.50	17.62	0.54	21.96	0.61
ST	0.97	0.04	1.17	0.04	1.45	0.04	1.88	0.05
FE	0.09	0.00	0.14	0.00	0.18	0.01	0.25	0.01
TC	4.76	0.18	5.80	0.20	7.25	0.22	9.48	0.26
HCS	6.72	0.25	7.60	0.26	8.74	0.27	10.35	0.29
E. Interest	46.47	1.71	48.45	1.64	49.50	1.53	52.27	1.46
Domestic	36.68	1.35	37.81	1.28	38.75	1.20	40.72	1.14
Foreign	9.79	0.36	10.64	0.36	10.75	0.33	11.55	0.32

Notes: The composition of FY02 refers to a total of Tk. 223 billion.

/1 Current Expenditures also include losses of Railway and Post Office.

/2 Rural Development and CHTs are assumed to be parts of Economic Services rather than parts of GPS.

/3 Science and Technology is as well assumed to be part of Physical Infrastructure rather than part of GPS.

SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, MMC = Mining, Manufacturing & Construction, AFL = Agriculture, Fisheries & Livestock,

CLE = Commerce, Labour & Employment, HCS = Housing and Community Services, GPS = General Public Services

POS = Public Order & Safety, RDC = Rural Dev. & Coop, ST = Science & Technology, FE = Fuel and Energy, TC = Transport and Communication.

Table 7
Budgetary Expenditures: Development Expenditures

	Estimate		Projections					
	FY 02		FY 03		FY 04		FY 05	
	Billion Tk.	% of GDP	Billion Tk.	% of GDP	Billion Tk.	% of GDP	Billion Tk.	% of GDP
Total Expenditure	410.51	15.14	468.50	15.87	538.80	16.64	617.16	17.21
Growth (%)	13.30		14.13		15.01		14.54	
Development Expenditure/1	165.20	6.09	206.50	7.00	250.00	7.72	296.50	8.27
Growth (%)	-0.40		25.00		21.07		18.60	
Composition of Development Expenditure								
A. General Administration	3.88	0.14	4.44	0.15	5.38	0.17	7.11	0.20
GPS	2.91	0.11	3.20	0.11	3.68	0.11	4.60	0.13
Defence	0.09	0.00	0.09	0.00	0.10	0.00	0.11	0.00
POS	0.88	0.03	1.15	0.04	1.60	0.05	2.40	0.07
B. Social Services	47.46	1.75	58.07	1.97	71.95	2.22	88.60	2.47
Education	23.21	0.86	28.42	0.96	34.55	1.07	42.75	1.19
Health	12.32	0.45	16.01	0.54	20.41	0.63	25.50	0.71
SSW	10.25	0.38	11.79	0.40	14.74	0.46	17.40	0.49
RCRA	1.68	0.06	1.85	0.06	2.25	0.07	2.95	0.08
C. Economic Services/2	26.55	0.98	31.08	1.05	37.12	1.15	43.44	1.21
AFL	21.53	0.79	24.76	0.84	28.70	0.89	32.28	0.90
MMC	2.88	0.11	3.24	0.11	4.05	0.13	4.96	0.14
RDC	0.18	0.01	0.60	0.02	1.10	0.03	1.65	0.05
CHTs	0.86	0.03	1.00	0.03	1.20	0.04	1.45	0.04
CLE	1.10	0.04	1.48	0.05	2.07	0.06	3.10	0.09
D. Infrastructure Services/3	94.11	3.47	112.91	3.83	135.55	4.19	157.35	4.39
ST	0.92	0.03	2.25	0.08	3.38	0.10	5.50	0.15
FE	23.39	0.86	26.90	0.91	31.62	0.98	35.95	1.00
TC	39.33	1.45	47.20	1.60	54.85	1.69	63.36	1.77
HCS	30.47	1.12	36.56	1.24	45.70	1.41	52.54	1.46
Other Expenditures	24.51	0.90	21.00	0.71	24.00	0.74	27.00	0.75
(Non-ADP Capital, Food and other Expenditures)								

Notes: The composition of FY02 refers to a total of Tk. 172 billion.

/1 Development Expenditures = ADP – Self-Finance + Non-ADP FFW.

/2 Rural Development and CHTs are assumed to be parts of Economic Services rather than parts of GPS.

/3 Science and Technology is as well assumed to be part of Physical Infrastructure rather than part of GPS.

SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, AFL = Agriculture, Fisheries & Livestock, MMC = Mining, Manufacturing & Construction

CLE = Commerce, Labour & Employment, HCS = Housing and Community Services, GPS = General Public Services

POS = Public Order & Safety, RDC = Rural Dev. & Coop, ST = Science & Technology, FE = Fuel and Energy, TC = Transport and Communication.

Table 8
Budgetary Expenditures: Revenue and Development

	Estimate		Projections					
	FY 02		FY 03		FY 04		FY 05	
	Billion Tk.	% of GDP	Billion Tk.	% of GDP	Billion Tk.	% of GDP	Billion Tk.	% of GDP
Total Expenditure	410.51	15.14	468.50	15.87	538.80	16.64	617.16	17.21
Current/Rev/1	220.80	8.14	241.00	8.16	264.80	8.18	293.66	8.19
Development/2	165.20	6.09	206.50	7.00	250.00	7.72	296.50	8.27
Non ADP Capital, Food & other Expend.	24.51	0.90	21.00	0.71	24.00	0.74	27.00	0.75
Composition of Expenditure: Revenue and Development								
A. General Administration	91.03	3.36	96.68	3.28	103.74	3.20	112.57	3.14
GPS	35.92	1.32	38.10	1.29	41.01	1.27	44.70	1.25
Defence	36.48	1.35	37.61	1.27	38.93	1.20	40.57	1.13
POS	18.63	0.69	20.97	0.71	23.80	0.73	27.30	0.76
B. Social Services	111.42	4.11	130.00	4.40	155.77	4.81	184.65	5.15
Education	61.71	2.28	71.54	2.42	85.05	2.63	99.17	2.76
Health	24.50	0.90	30.11	1.02	36.95	1.14	45.35	1.26
SSW	21.05	0.78	23.67	0.80	28.27	0.87	33.38	0.93
RCRA	4.16	0.15	4.68	0.16	5.50	0.17	6.75	0.19
C. Economic Services/3	39.43	1.45	44.75	1.52	52.62	1.62	61.36	1.71
AFL	31.44	1.16	34.82	1.18	39.78	1.23	44.90	1.25
MMC	3.43	0.13	3.93	0.13	4.88	0.15	5.94	0.17
RDC	1.00	0.04	1.58	0.05	2.35	0.07	3.21	0.09
CHTs	1.83	0.07	2.05	0.07	2.38	0.07	2.81	0.08
CLE	1.73	0.06	2.37	0.08	3.23	0.10	4.50	0.13
D. Infrastructure Services/4	106.65	3.93	127.62	4.32	153.17	4.73	179.31	5.00
ST	1.89	0.07	3.42	0.12	4.83	0.15	7.38	0.21
FE	23.48	0.87	27.04	0.92	31.80	0.98	36.20	1.01
TC	44.09	1.63	53.00	1.80	62.10	1.92	72.84	2.03
HCS	37.19	1.37	44.16	1.50	54.44	1.68	62.89	1.75
E. Interest	46.47	1.71	48.45	1.64	49.50	1.53	52.27	1.46
Domestic	36.68	1.35	37.81	1.28	38.75	1.20	40.72	1.14
Foreign	9.79	0.36	10.64	0.36	10.75	0.33	11.55	0.32

Notes: The composition of FY02 refers to allocations mentioned in Tables 6 and 7.
/1 Current Expenditures also include losses of Railway and Post Office.
/2 Development Expenditures = ADP – Self-Finance + Non-ADP FFW.
/3 Rural Development and CHTs are assumed to be parts of Economic Services rather than parts of GPS.
/4 Science and Technology is as well assumed to be part of Physical Infrastructure rather than part of GPS.
SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, MMC = Mining, Manufacturing & Construction, AFL = Agriculture, Fisheries & Livestock,
CLE = Commerce, Labour & Employment, HCS = Housing and Community Services, GPS = General Public Services
POS = Public Order & Safety, RDC = Rural Dev. & Coop, ST = Science & Technology, FE = Fuel and Energy, TC = Transport and Communication.

A. Policy Matrix for National Poverty Reduction Strategy

A broad outline of the major policy initiatives necessary to implement the poverty reduction agenda is given in Table 9. Several of these measures have been elaborated in the text as well as in accompanying annexes. These will be further elaborated as the process moves towards preparing a full-blown poverty reduction strategy.

Table 9
Policy Matrix for Poverty Reduction Strategy

Objectives	Actions Taken	Future Agenda
<p>A. Macroeconomic Framework</p> <ul style="list-style-type: none"> ● Create a stable and pro-poor macro-economic environment that supports growth and poverty reduction targets of the national poverty reduction strategy 	<ul style="list-style-type: none"> ● Short term measures to address recent fiscal and external imbalances and improve growth prospects. 	<ul style="list-style-type: none"> ● Adopt a transitional programme to implement comprehensive medium term stabilization and reform measures emphasizing (i) increased domestic resource mobilization; (ii) rationalized and improved quality of public expenditure; (iii) prudent monetary policy; and (iv) improved foreign sector management. ● Set up a Public Expenditure Review Commission and a Commission on Reforming the Public Revenue System for reviewing expenditure and revenue decisions, improve budget preparation and implementation, introduce a transparent budgeting process, set up an effective MIS for expenditure control and rationalization along with effective performance audit and evaluation. ● Adopt an integrated budget framework and re-allocate budgets more towards basic and pro-poor services improving their quality along with better targeting. ● Create a Poverty Focal Point for tracking pro-poor expenditures and publish regular reports, monitor poverty reduction indicators and assess impacts. ● Make explicit the gender concerns in macro and policy framework.
<p>B. Macro and Trade Reforms</p> <ul style="list-style-type: none"> ● Ensure efficient and equitable resource mobilization and resource utilization regimes, and improve export performance and external sector management. 	<ul style="list-style-type: none"> ● Measures to improve tax policy and tax administration, strengthen expenditure controls and improve expenditure quality. ● Financial sector reform programmes initiated. 	<ul style="list-style-type: none"> ● Implement programmes to improve financial accountability through installing efficient systems of procurement, accounting, audits and internal controls; privatize and rationalize SOEs; adopt efficient personnel and management practices for the civil service; reduce anti-export bias and tariff anomalies; and ensure policy consistency. ● Enhance autonomy and regulatory power of Bangladesh Bank, improve governance of public financial institutions, and remove deficiency of legal framework. ● Create facilitating environment for private sector led and outward oriented growth and Government-private sector (including NGOs) partnership. ● Pursue the trade reform agenda along with supplementary domestic reforms.

Objectives	Actions Taken	Future Agenda
<p>C. Governance</p> <ul style="list-style-type: none"> ● Ensure good governance by creating competitive environment, enforcing clear rules and regulations, and promoting voice and participation of the civil society. 	<ul style="list-style-type: none"> ● Steps of moving towards a transparent and 'open' government have been initiated. 	<ul style="list-style-type: none"> ● Strengthen the role of the Parliament and the Parliamentary Committees. ● Implement the judicial reform programme, separate the judiciary from the executive, establish Judicial Service Commission and Judicial Pay Commission. ● Introduce comprehensive reform in the police service, establish the office of the Ombudsman and an independent Anti-Corruption Commission, draw-up action plan for phased implementation of PARC recommendations, use informatics to improve governance, ensure effective and independent role of CAG office, improve public purchase and procurement systems, promote unhindered flow of information. ● Ensure decentralization and devolution of power through effective local government institutions. ● Enhance the role of mass media and the civil society as agents of accountability. ● Encourage building of the poor's social capital to ensure equitable access to public services and strengthen ability to influence policy.
<p>D. Sectoral Reforms</p> <ul style="list-style-type: none"> ● Ensure integrated and pro-poor growth of employment and output. ● Provide quality education, health, nutrition and other public services and re-orient policies for enhancing pro-poor orientation. 	<ul style="list-style-type: none"> ● Sectoral policies formulated and actions initiated. 	<ul style="list-style-type: none"> ● Implement agriculture and rural development, industrial and other sectoral policies through formulating time-bound action plans. ● Implement power sector reforms based on priorities to completing on-going reforms and addressing the problems of BPDB and DESA; enact an Electricity Act for providing adequate regulatory framework and transparent tariff policies. ● Enact a Gas Act and enhance gas sector development through reforms in regulatory environment. ● In telecommunications, create policy and regulatory environment with separate policymaking, regulatory and operation functions; operationalize an independent regulatory agency with specific mandatory functions; introduce reforms in BTTB to provide quality and competitive services. ● Implement social sector policies to improve access to the poor and enhance quality.

Chapter 7

Monitoring and Evaluation

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

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

A. Institutional Mechanisms

7.3 A *Poverty Focal Point* would be created within the Government for effective poverty-monitoring and tracking progress in implementing anti-poverty policies and programs envisaged under the national strategy for economic growth and poverty reduction. The focal point will be designed such that it can grow and function as an institutionally effective and technically competent Poverty Monitoring Unit with strong inter-ministerial linkages. Adequate measures will be taken for capacity building, and for undertaking poverty reduction strategy related research, monitoring and evaluation.

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

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

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

B. Monitoring Indicators

7.7 The matrix of proposed poverty reduction tracking and monitoring indicators is given in Annex-8. Evidently, the institutionalization of a comprehensive and efficient mechanism to ensure timely monitoring will require capacity building and coordination among the relevant agencies and departments. The details of the requirements will be worked out along with technical assistance requirements for meeting the needs. A sustainable poverty reduction strategy requires an effective system of managing the macroeconomy. Annex 9 provides a detailed description of tracking and monitoring indicators for macroeconomic management.

C. Road Map to Full Strategy

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

7.9 The proposed poverty reduction strategy, as delineated in the present paper, provides the broad (e.g. national) directions for achieving the poverty reduction goals. The efforts will be to move towards disaggregated targets to facilitate the formulation of specific programs/projects and detailed costing and its financing by the time the full-blown strategy is designed. During the period, the institutional framework and monitoring indicators along with their sources, benchmarks, and mechanisms for ensuring regular information flows will also be finalized such that an adequate monitoring and evaluation method becomes operational. The civil initiatives for regular monitoring of poverty and progress towards achieving the goals would also be developed during the period.

Table 10
Time Line for Full Strategy

Activity	Completion Date
<ul style="list-style-type: none"> • Consultations with stakeholders and adjustments in the framework 	December 2002
<ul style="list-style-type: none"> • Specification of disaggregated targets, programs/ projects, and detailed costing and financing 	March 2003
<ul style="list-style-type: none"> • Operationalization of the Poverty Focal Point and civic initiatives 	March 2003
<ul style="list-style-type: none"> • Finalization of the full Strategy 	March 2004

Annex Tables

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

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

- Source and Note: 1. Per-capita GNP growth data are from 1999 HDR.
2. Information on fertility, infant mortality, under-five mortality and human development index are from 1999 HDR; adult literacy rate is taken from *World Development Indicators* (CD-ROM version). For Bangladesh, adult literacy data for 1995 are taken from the Fifth Plan document.
3. Aggregate poverty estimates for South Asia and developing countries are from Ravallion and Chen (1996).

Annex Table 2

Child Malnutrition Rates in South Asia, 1990-2000

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

Source: Various DHS Reports.

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

Annex Table 3
Trends in Poverty: Consumption Expenditure Data

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

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

Annex Table 4
Summary Statistics on Growth and Inequality: Consumption Data

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

Source: See, note to the Annex Table 3.

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

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

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

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

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

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

Annex Table 7
Medium Term Macroeconomic Framework

	Estimate		Projections					
	FY 02		FY 03		FY 04		FY 05	
	Billion Tk.	% of GDP	Billion Tk.	% of GDP	Billion Tk.	% of GDP	Billion Tk.	% of GDP
Nominal GDP	2711.23		2951.72		3238.33		3586.77	
Growth (%)	7.06		8.87		9.71		10.76	
Real GDP	2258.50		2384.98		2528.08		2687.35	
Growth (%)	4.80		5.60		6.00		6.30	
Inflation (%)	2.30		3.10		3.50		4.20	
Investment and Savings								
Gross investment	628.46	23.18	705.17	23.89	796.95	24.61	913.55	25.47
Private	435.96	16.08	496.18	16.81	565.09	17.45	650.64	18.14
Public	192.50	7.10	208.98	7.08	231.86	7.16	262.91	7.33
Gross domestic savings	485.31	17.90	544.00	18.43	614.31	18.97	700.50	19.53
Gross national savings	607.86	22.42	681.26	23.08	769.43	23.76	876.97	24.45
Aggregate Budgetary Position								
Total Revenue	266.60	9.83	316.10	10.71	377.49	11.66	446.05	12.44
NBR Tax	207.30	7.65	243.60	8.25	289.40	8.94	339.00	9.45
Non-NBR Tax	11.50	0.42	13.50	0.46	15.52	0.48	17.85	0.50
Non Tax Revenue	47.80	1.76	59.00	2.00	72.57	2.24	89.20	2.49
Total Expenditure	410.51	15.14	468.50	15.87	538.80	16.64	617.16	17.21
Revenue Expend.	220.80	8.14	241.00	8.16	264.80	8.18	293.66	8.19
Development Expend.	165.20	6.09	206.50	7.00	250.00	7.72	296.50	8.27
Non-ADP Capital, Food and other Expenditures	24.51	0.90	21.00	0.71	24.00	0.74	27.00	0.75
Budget Balance	-143.91	-5.31	-152.40	-5.16	-161.31	-4.98	-171.11	-4.77
Financing	143.91	5.31	152.40	5.16	161.31	4.98	171.11	4.77
Net Foreign Financing	63.18	2.33	63.73	2.16	75.01	2.32	73.16	2.04
Grants	37.58	1.39	34.55	1.17	38.56	1.19	42.88	1.20
Gross Borrowing	50.60	1.87	57.68	1.95	71.79	2.22	78.58	2.19
Amortization	-25.00	-0.92	-28.50	-0.97	-35.34	-1.09	-48.30	-1.35
Multi and Bilateral Prog.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Budget Financing								
Net Domestic Financing	80.73	2.98	88.67	3.00	86.30	2.66	97.95	2.73
Banking System	35.35	1.30	38.60	1.31	35.54	1.10	39.45	1.10
Non-Bank	45.38	1.67	50.07	1.70	50.76	1.57	58.50	1.63
Discrepancy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Money and Credit (% change)								
Domestic credit	10.40		12.77		12.99		13.61	
Private sector	10.60		11.24		13.08		14.08	
Broad money (M2)	10.00		12.84		13.05		13.64	
Balance of Payments (billion US\$)								
Exports	6.12	13.09	6.67	13.56	7.48	13.86	8.45	14.14
Imports	9.09	19.45	9.63	19.58	10.21	18.92	10.83	18.12
External Flows (billion US\$)								
Remittances	2.39	5.11	2.42	4.92	2.62	4.85	2.83	4.73
Aid disbursements (gross)	1.48	3.17	1.59	3.23	1.66	3.08	1.67	2.79

Annexes

Methodology of Poverty Analysis

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

Trends in the Nineties Based on Unit-Record Data

For mapping recent changes in the poverty situation in the nineties the study uses poverty estimates reported in the 2000 HIES Preliminary Report issued by the Bangladesh Bureau of Statistics (BBS).¹⁸ The Cost-of-Basic-Needs (CBN) method was used to estimate the incidence of poverty. With the CBN method, poverty lines represent the level of per capita expenditures at which the members of a household can be expected to meet their basic needs (food consumption to meet their caloric requirement, but also non-food consumption). CBN poverty lines were first estimated for a base year, chosen to be 1991-92, and then updated to 1995-96 and 2000 for changes in the cost-of-living using a price index. Price indices for updating the 1991-92 CBN poverty lines to 1995-96 and 2000 were derived by combining price information available in the HES data sets and the non-food CPI. The HES data provide price information on food items and fuels that account for approximately two-thirds of the total household expenditure. Inflation of non-foods that cannot be calculated from the HES surveys was estimated by the non-food component of the CPI. As prices of some goods and services may vary between geographical areas in Bangladesh, the HES-based Tornqvist price indices were derived separately for each of the 14 main geographical regions. A weighted average of these and non-food CPI (disaggregated by urban and rural sectors) was then taken to derive the 14 region-specific cost-of-living indices for 1995-96 and 2000. These composite price indices were then used to update the 1991-92 CBN poverty lines to 1995-96 and 2000.

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

Long-Term Trends Based on Grouped Distribution Data

The poverty estimates reported in the 2000 HIES Preliminary Report issued by the Bangladesh Bureau of Statistics (BBS) cannot be used, however, for mapping the long-term changes in poverty and social development, especially since the early eighties. This has necessitated the application of grouped distribution data available from the various HIES

¹⁸ These estimates were derived collaboratively by BBS and the World Bank.

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

Employment and Labour Market Issues

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

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

The sectoral share of employment changed very little during the 1990s. Agriculture is the major sector providing employment to more than 60 per cent of the labour whereas expansion in employment opportunities in non-agricultural activities mostly occurred in the services sector including construction, trade, transport, hotels and restaurants, and community and personal services. The most striking development was the decline in manufacturing employment with the share declining to around 7 per cent in the late-1990s. In absolute terms, the level of manufacturing employment declined to 4.1 million in 1995/96 from 7 million in 1989 (which has marginally increased to 4.3 million in late-1990s). The decline in manufacturing employment and its concentration in two industries (textiles and garments account for more than 70 per cent of the manufacturing labour force) are worrying since Bangladesh needs to absorb an increasing number of unemployed people and the entrants to the urban labour market.

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

The challenge of the strategy will be to address the problems of creating enough employment to absorb the growing labour force. While the anti-poverty and employment-oriented growth that increases income opportunities for the poor will be accelerated, several direct

interventions will be made to make the process more employment-friendly in the short run. Along with self-employment generation through government and NGO interventions, public works and other labour-based infrastructure development programmes will be stressed. The labour-based infrastructure programmes will be designed such that these become cost-effective investments with appropriate employment practices and standards, economize on use of scarce resources, enhance poverty reduction role of physical infrastructure, promote better management and use of locally available resources, and increase employment opportunities for the poorest segments of the population.

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

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

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

Macroeconomic Setting and Balances of the Bangladesh Economy

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

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

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

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

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

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

Agriculture and Rural Development

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

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

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

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

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

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

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

Box 4: Medium-term Potentials for Crop Production

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

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

The intensification effort would be directed to rice cultivation through several options e.g. pursuit of a breeding strategy with focus on grain quality, shorter maturity, and hybrid/super rice offering bright prospects of increasing yields; adaptive research and effective research-extension linkages; and efficient water resource management. In case of rice, around 45 per cent of the total area is currently planted with local varieties although the average yield of

local varieties is half the yield of HYVs. The removal of agronomic and other constraints to transform the potential area from local into HYVs of rice will contribute to increased rice yield. Similarly, in areas, which are suitable for local rice varieties, measures to raise yields will contribute to increased production.

The measures for diversification would include: intensification of rice production to release land and other resources for nonrice crop cultivation; specific targeting of flood free uplands; incorporation of nonrice crops in rice based farming systems; effective extension messages; promotion of agri-business and agro-processing; and investments in transport, communication, and storage infrastructure and information network.

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

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

In managing forest resources, some success has been achieved through industrial plantations, mangrove afforestation in newly accreted lands and degraded forestlands, public awareness on tree planting and efforts of the NGOs. The Government would expand these momentum

and address several concerns e.g. conservation of natural forests and protection of biodiversity, management and utilization of existing public plantations, development of wood sources, and management and expansion of mangrove plantations. For proper management, several options would be adopted e.g. use of new management plans, better silvicultural treatments, expansion of computerized resources information system, strengthening forestry research, capacity building and human resources development. The communities would be involved through participatory forest management with better access of local communities to natural resources. Enabling environment for private sector plantation development and public-private partnerships would be created.

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

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

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

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

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

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

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

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

Measures would be taken to avail opportunities along several directions: geographically (fast growing import markets), horizontally (increasing the spread of export commodities, and vertically (increasing value added of export commodities). The Agreement on Sanitary and Phytosanitary (SPS) measures has implications for Bangladesh's exports of frozen food, dried fish, tea, vegetables and other food products. Steps to harmonize SPS and Technical Barriers to Trade (TBT) measures with international standards would be implemented. The application of good agricultural practices (GAPs), good veterinary practices (GVPs), good

hygiene and manufacturing practices and adoption of quality assurance systems e.g. Hazard Analysis and Critical Control Point (HACCP) system will be encouraged to boost agricultural exports. This will assist to consolidate trade with traditional markets, open new opportunities and attract premium prices by ensuring consistency of safety and compositional quality of agricultural products.

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

For increasing agricultural investments, action on two fronts would be taken: creating an institutional and policy environment that provides incentives for accelerated private investment; and enhancing public investment in key areas. Public investment in agricultural research and development (R & D) will focus on building capacity to accelerate technological progress. The emphasis will be on site and season-specific technologies and extension messages in combination with credit and marketing services. The management problems of the National Agricultural Research System (NARS) would be effectively resolved along with a move to institute a demand-driven research system. The extension services would be geared towards strengthening links between research institutions and those who can apply the research e.g. farmers, NGOs, local government institutions and other service providers. A strengthened client-orientation by decentralizing programme development to the upazila level will be given priority. For efficient marketing, public investments would be increased in rural infrastructure, electrification, developing regulatory frameworks and availability of market support services e.g. quality control, grades and standards, and market information.

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

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

For ensuring the delivery of essential services and creating an enabling environment, public sector allocations to agriculture would be rationalized. The public expenditure on agriculture,

as a percentage of total development expenditure, has steadily declined in the 1990s while agriculture's share in private investment has stagnated. This indicates premature shifts of resources away from agriculture creating dampening effects on the rural economy. The Government's support programme would aim to increase productivity-enhancing private investments in agriculture for creating robust and sustained growth.

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

In the past, rural non-farm activities played an important role in generating new sources of employment in the rural area, but the productivity growth in the sector has been modest. The way-out from the situation requires some degree of upscaling with improved technology and marketing support. The process can be further stimulated by forging urban-rural links in design, production, and marketing stages. For this, a decentralized industrial process around secondary towns and periurban areas will be pursued.

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

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

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

The Government has formulated the National Rural Development Policy 2001 to guide the comprehensive development of the rural areas. The Policy attaches importance on creating efficient and effective local government institutions as the decentralized decision-making

framework within a participatory mode. The Government would operationalize the integrated approach of the Policy to expand employment and decent income earning opportunities in rural areas along with measures to enhance the capacity and power of the rural poor to develop, protect and sustain their livelihoods.

Manufacturing Sector

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

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

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

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

The Government's efforts to accelerate manufacturing growth and increase its poverty reduction role would emphasize several elements. For the privatization programme, a firm timetable would be set to assert the Government's political will and send clear signals to those who oppose the programme. Necessary measures would be taken to reduce social costs of labour adjustment through appropriate safety-nets and help retrenched workers to reintegrate into the labour market.

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

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

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

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

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

The ongoing process of reforming customs and improvements in VAT and income tax administration would be accelerated and sustained through appropriate reorganization of the National Board of Revenue (NBR). The customs reform would be extended to cover all agencies at sea, air and inland cargo terminals to ensure speedy import and export clearance. The problems relating to pre-shipment inspection (PSI) would be resolved to ensure effective implementation of the system.

Skill and Technology Upgradation: Skill and technology upgradation will be geared to achieve several objectives e.g., diversifying the industrial base and the export sector, meeting

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

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

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

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

With high potential of agro-based industries for both exports and import substitution, the Government's policy support would cover several areas e.g. infrastructure development for transportation and preservation of perishables; acquisition and adaptation of improved technologies and upgradation of local skills; preferential import of related input and equipment; development of intermediate industries such as packaging, bottling and printing; extension of air cargo facilities, rationalization of air freight charges, and expansion of cooling and storage facilities at export points.

Developing Small and Medium Enterprises: The development of small and medium enterprises (SMEs) would be the key element in pro-poor manufacturing growth. Creating a vibrant SME sector would require pro-active policies beyond removal of policy biases due to

their persisting structural weaknesses. These include: increased public investment in SMEs in areas of training, extension, research and market promotion; provision of finance and preferential fiscal measures; legal reforms to expand and simplify the use of non-real estate security for facilitating access to institutional finance; and implementation of an effective credit guarantee scheme.

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

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

Infrastructure Development

Despite recognizing the significant role of infrastructure in economic growth and poverty reduction, infrastructural deficiencies continue to act as a major drag on Bangladesh's development efforts. In addition to inadequate infrastructure coverage, poor management and inefficiency of publicly managed infrastructure utilities have created a huge fiscal burden and constrained the much-needed expansion of infrastructure services to meet the growing needs of the economy. The Government will adopt a new approach to infrastructure development involving reorientation of sectoral priorities and increased private participation to alleviate infrastructure bottlenecks.

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

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

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

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

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

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

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

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

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

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

The Government would implement several measures to improve the performance of the gas sector. A Gas Act would be enacted providing the regulatory framework for fixing tariffs,

enabling effective private sector participation, and defining the sector restructuring programmes. An action plan would be implemented to improve the financial performance of Petrobangla and reduce the arrears. The Hydrocarbon Unit would be strengthened with sufficient staff and expertise to assist in policy formulation in the gas sector and a Petroleum Directorate would be set up to manage the petroleum database, adopt gas production policies, and monitor activities of foreign companies. Decision on export prospects of gas would be taken keeping the national interests in view.

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

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

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

Several problems impose a tremendous burden on road maintenance and reduce the quality of services. The neglect of proper engineering design and implementation quality during

construction, inadequate drainage structures and large number of gaps due to absence of bridges and culvert generate poor quality service, high burden of maintenance, and less impact of infrastructure development. Rather than expanding the network, the Government would improve the quality of rural roads e.g. emphasize quality construction (e.g. approach adopted by the LGED) using labour-based technologies, maintain and upgrade the existing network, and undertake selective expansion to fill critical gaps to ensure rural-urban linkages. For the purpose, emphasis would be given on (i) developing growth centres (including market structures, storage, communication, and information services) and growth centre connecting roads with upazila headquarters and nearest all weather roads; (ii) developing rural roads which connect villages with growth centres and feeder roads; and (iii) providing drainage structures (e.g. bridges and culvert) on rural roads.

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

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

Telecommunications: The thrust on information and communications technologies (ICTs) for economic growth and poverty reduction would require a dramatic improvement in the performance of the telecommunications sector. For this, the Government would bring

fundamental restructuring in several areas e.g. commercial organization, technical and service delivery capacity and service quality.

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

Women's Advancement and Removing Gender Gaps

Gender equality is a core development issue--a development objective in its own right and provides an equally desirable perspective as the goal of poverty reduction and human development. The strategy delineated here is premised on the "rights, resources and agencies" framework both for understanding the nature of gender inequality and for arriving at desired policy measures and institutional actions.¹⁹ While the country has achieved considerable progress in bringing about greater women's empowerment and removing gender gaps, there is hardly any place for self-complacency in this regard. Consultations with the citizens reveal several areas of concern as well as potential measures for making further progress towards gender equality.

Combating Continuing Negative Sex Ratios

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

Eliminating Violence against Women

Lack of public safety and continuing violence against women is the most crucial barrier to women's advancement in the country. Violence against women has escalated in recent years. Available evidence for the second half of the nineties suggests a four-fold increase in the number of acid burns, five-fold increase in the number of rapes, two-fold increase in the number of dowry-related oppressions, and about two-fold increase in the level of domestic violence.²⁰ Improvement of safety for women and elimination of violence against women must be taken up on a priority basis. Actions recommended to address this concern include the following:

¹⁹ Gender refers to socially constructed roles and socially learned behaviors and expectations associated with females and males. Like race, ethnicity and class, gender is a social category that largely establishes one's life chances, shaping one's participation in society and the economy. Gender equality focuses on equality under law, equality of economic and social opportunity, and equality of voice and agency. Actions recommended in this section draw upon the suggestions voiced during the consultations with women organizations, activists as well as PRSP Gender Group.

²⁰ This evidence relates to information compiled by the Documentation Unit of *Ain-O-Shalish Kendra*. The information compiled by the Directorate of Women Affairs supports similar trends of escalation of violence against women in the second half of the nineties.

- Ensure fast track trial procedures particularly for victims of violence against women (VAW);
- Allocate sufficient funds for the trial of VAW for carrying out forensic test, preserve evidence, identify and protect witness, gather information and record testimony;
- Abolish current practice of so-called ‘safe custody.’ Practices of “safe custody” in jails and vagrant homes have failed and should be abandoned. Amendment of the *Nari o Shishu Nirjaton Daman Ain 2000* is needed to accommodate women’s consent in their safe custody. Magistrates must not be able to send women to safe custody arbitrarily and without assessing woman’s assent on the question of her own safety.;
- Ensure regular jail visits by civil society members, particularly women visitors and lawyers, to monitor the condition of female inmates;
- Allocate funds for providing half way homes, shelter or temporary protection to victims of VAW in case of such demand;
- Allocate sufficient funds, human and other resources for restoration of security particularly for women;
- Allocate sufficient funds for hiring women crime-prevention officers and women doctors (particularly for examining rape victims);
- Introduce effective one-stop help centers for victims of violence with sufficient human resources and funds. These one-stop centers should be introduced at the Thana level;
- Provide security for witnesses. Often witnesses of VAW cases are threatened by the perpetrators of this crime not to submit their testimony. Introduce effective long-term witness protection program; and
- Provide special transportation system for women workers in garments factories who work at night shifts.

Reducing High Maternal Mortality

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

Removing Restrictions on Women’s Employment and Economic Opportunities

One of the remarkable phenomena of the nineties is the increased visibility of the female work force in diverse range of activities, ranging from ready-made garments industry, construction, services, to micro-credit financed non-farm activities such as petty trading and traditional farm activities.²¹ Nevertheless, discrimination against women is persisting in labor force participation, wage rate, and working condition. Actions needed for removing restrictions on women's employment and economic opportunities embrace a multisectoral intervention package:

- Introduce equal opportunity employment laws and ensure equal wage for similar work;
- Distribute *Khas* lands in the name of female heads of households. Provide protection of women sharecroppers, and ensure proper use of *Khas* land allocated to women;
- Undertake affirmative measures through sufficient budgetary allocation to ensure women's access to and safety in the public space;
- Improve women's participation in all activities in the agricultural sector. Ensure agriculture extension services for women and women's participation in market places (installation of stalls) and women's access to local water resources for fishery production;
- Increase women's income earning ability by providing training in undertaking small and medium-scale business;
- Increase availability of funds for giving medium size credits to women and encourage women entrepreneurs both in small and medium-scale production and business activities;
- Increase scope for soft loans (easy terms) for abandoned women;
- Facilitate collateral provisions for women who do not own land;
- Introduce vocational skill-training facilities for women particularly in high-tech industry and in information technology through effective budgetary allocation;
- Make provision for garment workers to participate in equity ownership in the garment industry and provide financial support for this purpose;
- Provide banking facilities for garment workers at their work place;
- Provide home banking facilities to support women's savings habits;
- Formulate economic policies to reduce discrimination against women and allocate funds in the national budget. The formulation of the national budget should reflect how women and men are going to benefit from budget allocations;
- Support household activities through the national budget e.g. by ensuring supply of inexpensive energy source such as gas to the households. This will reduce cooking time and will assist women to undertake income-generating activities;
- Introduce home delivery system of information through mobile library and other mechanisms. Introduce E-business facilities in the rural areas for marketing of local products; and
- Recognize, include and highlight women's contribution in carrying both household and income generating activities in National Income Accounting.

²¹ According to the extended definition, labor force, as a proportion of population in the age group of 10+ years was 56 per cent for male and 36 per cent for female and 46 per cent for the entire population in 1995/96. The participation rate, representing the ratio of labor force to population in the relevant age group, was 78 per cent for male, 51 per cent female and 65 per cent for entire population.

Ensuring Formal Equality

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

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

- The Government of Bangladesh became a signatory to the Beijing Declaration and endorsed its Platform for Action (PFA) in 1995;
- A national policy for the advancement of women was formulated and declared on 8 March 1997;
- The Ministry of Women and Children Affairs has been established to act as a facilitator and catalyst in implementing, coordinating, and monitoring of WID (Women in Development) programs by all government line ministries through a network of 42 WID focal points;
- Institutional review of WID capability was finalized which suggested changes in policies and programs;
- A 44 member National Council for Women's Development (NCWD) chaired by the Prime Minister has been established in 1997;
- A National Action Plan (NAP), based on the Beijing PFA in 1997, has been adopted;
- Some reservations to the CEDAW (Convention on the Elimination of All Forms of Discrimination Against Women), which relate to family benefits, guardianship trusteeship and adoption of children were withdrawn in 1997.

Notwithstanding these developments, there are several areas deserving priority attention from the viewpoint of formal (legal) rights. These encompass the following arena:

- Immediate withdrawal of remaining reservations from CEDAW;
- Amendment of Section 5 of the Bangladesh Citizenship Act of 1951, and the Bangladesh Citizenship (Temporary Provisions) Order, 1972 to allow women equal rights as men to transmit their citizenship to their children and spouses;
- Strong implementation of existing laws on sexual harassment and assault;
- Inclusion of domestic violence against women as a punishable offence within the *Nari o Shishu Nirjaton Daman Ain 2000*;
- Amendment of Section 31 of the *Nari o Shishu Nirjaton Daman Ain 2000*, to allow women the right to express their consent in matters of safe custody;
- Amendment of the *Nari o Shishu Nirjaton Daman Ain 2000* to provide *in camera* trials in cases of rape as of right;

- Widening the scope and extent of the Family Courts Ordinance 1985 to allow the jurisdiction of family courts to extend to all of Bangladesh, and to specify its application to members of all religious groups in Bangladesh;
- Amendment of areas of gender discrimination in major laws such as the Criminal Procedure Code, the Civil Procedure Code and the Evidence Act, particularly the requirement of corroboration of women's testimony regarding rape;
- Introduction and enforcement of sexual harassment laws or codes of conduct, to protect women from harassment at work place, and introduce workplace safety standard to protect women from hazardous work;
- Reform of the family and inheritance laws to ensure women's equal access to property, particularly in relation to property rights of Hindu and Buddhist women;
- Amendments to the Guardians and Wards Act 1890 to facilitate adoption of children;
- Introduction equal housing opportunity laws. Women are often discriminated and are unable to rent housing on their own that makes women's mobility for job or education difficult;
- Provision of institutional recognition to alternative dispute resolution (ADR) or *shalish* that takes place in villages;
- Provision of social and legal awareness to men as agents against VAW;
- Ensuring regular submission of women's status report to CEDAW committee by the government.

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

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

- Introduce quota provision on reserved seats for women representatives in the national parliament through direct election. Recommendations for the quota are 64, 100 and 150 seats in the parliament. Upon consultation, a quick decision is needed on this issue and for election;
- Provide comprehensive sensitization program for all members of parliament and elected members of local government on issues regarding discrimination against women and elected members' roles in removing these discriminations;
- Take actions to make women's participation in local government and parliament meaningful;
- Ensure that all parliamentary standing committees hold public hearings on women's issues;
- Appoint women members of the parliament as chairpersons of various parliamentary standing committees;

- Include women members of parliament in all standing committees;
- Allow local women leaders to undertake responsible positions in decision-making; and
- Ensure that the local government consults with local women's organizations and women leaders in making decisions on important issues.

Creating Women-Friendly Institutional Environment

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

- Recruit women in high positions in the government administration through lateral entry;
- Recruit women in the government at all levels with the objective of attaining 50 per cent participation of women;
- Provide VAW training to police personnel and medical corps; establish links between women's groups and police; appoint more women judges; set up more legal aid mechanisms for women; use family health visitors to identify domestic violence cases, and link up with legal aid;
- Make 'Women in Development (WID)' focal points more effective by defining their roles and responsibilities;
- Build formal contacts with women's organizations and consult women's organizations in taking major policy decisions and project designs;
- Prohibit giving public money to any institution that promotes or tolerates discrimination against women;
- Include in official forms and documents provision for mother's name in addition to father's name;
- Take initiative to conscientize the visual media about negative images of women and introduce gender focal points in Bangladesh Television and Film Development Corporations;
- Recruit more women in the military force;
- Introduce more women police, and special cells for women's complaints;
- Undertake effective sensitization and education programs on discrimination against women for the police and judges, and the civil services and other cadres' training program;
- Incorporate women's representation on land distribution committees; and
- Create a safe and supportive work environment for women and introduce daycare facilities in government offices and in large private organizations.

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

- Undertake initiative to start a social movement towards removing discrimination against women, (to address issues like early marriage, dowry, domestic violence etc.);
- Take actions to eliminate practice of 'Fatwa' in resolving conflicts of any kinds;

- Take actions towards changing current education curriculum to eliminate biases against women, and include legal, human and women right issues at all levels of education starting from the very early stage;
- Increase women’s access to education at secondary and higher levels. This would require school bus for girls, toilet and hostel facilities in addition to monetary facilities such as free education and scholarships for girls;
- Increase access to health care facilities, primary health care and nutrition training;
- Design transport facilities by incorporating special needs of women and ensuring safety of women while using transport facilities;
- Set up more effective parent-teacher associations, and pinpoint links with community as deterrents to violence; and
- Increase sports facilities for women particularly in schools in rural areas.

Generating Sex-Disaggregated Statistics

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

Annex 8

Proposed Poverty Reduction Indicators Tracking and Monitoring Matrix

Input Indicators	Output/Intermediate Indicators	Outcome Indicators
BUDGETARY POVERTY RELATED EXPENDITURES AND OUTCOMES		
I. Rural Development and Infrastructure-Related Expenditure		

<p>1A. Rural Development</p> <p>Expenditure on rural development (from normal departmental budgets) as a percent of total expenditure</p> <p>Expenditure on agriculture by sub-sectors</p> <p>Disbursement of agricultural credit by farm-size and purpose</p> <p>1B. Rural Infrastructure</p> <p>Expenditure on rural roads and culverts as a percent of total expenditure</p> <p>Expenditure on rural electricity</p> <p>Source: Ministry of Finance</p> <p>Frequency: Quarterly</p> <p>Disaggregation: national (rural/urban), division and district</p> <p>Note: Capability for developing district-level data will be developed at MoF and MoP.</p>	<p>Kilometers of rural roads by quality category</p> <p>Additional (temporary) employment generation through rural works programs such as FFW</p> <p>No. of electricity consumers in rural areas</p> <p>Source: Ministry of Rural Development and Works</p> <p>Frequency: Annual/bi-annual</p> <p>Disaggregation: national (rural/urban), division, and district</p>	<p>Poverty Head Count Ratio</p> <p>Per capita foodgrain availability</p> <p>Agricultural wage rate for unskilled workers (male/female)</p> <p>Wage rate in manufacturing sector (private formal/informal; male/female)</p> <p>Rural and urban retail prices of selected commodities</p> <p>Source: HIES Survey, BBS</p> <p>Frequency: Three-Year Interval (for poverty) Agricultural Wage and others (annual)</p> <p>Disaggregation: national (rural/urban) and district.</p> <p>Note: Capability for developing district level indicators will be developed at BBS</p>
II. Expenditure on Social Services		
<p>2A. Education</p> <p>Education exp. (as a % of total exp. and GDP)</p> <p>Primary education exp. (as a % of total edu. exp.)</p> <p>Secondary education exp. (as a % of total edu. exp.)</p> <p>Exp. on general universities/ colleges/ institutes (as a % of total edu. exp.)</p> <p>Exp. on professional/ technical universities/ colleges/ institutes (as a % of total edu. exp.)</p> <p>Exp. on teacher & vocational training</p> <p>Source: Ministry of Finance</p> <p>Frequency: Quarterly</p> <p>Disaggregation: national (rural/urban), division and district</p>	<p>Number of functional schools</p> <p>% of trained teachers (primary levels)</p> <p>Absenteeism of teachers (indicators to be developed)</p> <p>Source: Ministry of Education</p> <p>Frequency: Annual</p> <p>Disaggregation: national (rural/urban), division and district</p> <p>Note: Qualitative community surveys will be conducted.</p>	<p>Gross enrollment rates (primary and secondary level)</p> <p>Dropout rates (primary and secondary level)</p> <p>Completion (primary) and pass rates in public exams (SSC/HSC)</p> <p>Relevant quality monitoring indicators (to be developed)</p> <p>(All these by exp./income deciles rural/urban, male/female and divisional/district disaggregation)</p> <p>Source: HIES, BBS; periodic special surveys</p> <p>Frequency: Annual</p> <p>Disaggregation: national (rural/urban), division and district</p> <p>Note: Capability for developing district level indicators will be developed at BBS.</p>

Input Indicators	Output/Intermediate Indicators	Outcome Indicators
<p>2B. Health</p> <p>Health exp. (as a % of total and GDP)</p> <p>General hospitals & clinics exp. (as a % of total health exp.)</p> <p>Mother & child exp. (as a % of total health exp.)</p> <p>Expenditure on ESP (as a % of total health exp.)</p> <p>Source: Ministry of Finance Frequency: Quarterly Disaggregation: national (rural/urban), division and district</p>	<p>Utilization rate of First Level Care Facilities (UHC/THCs)</p> <p>Proportion of population covered by ESP</p> <p>Immunization coverage of children (% between ages 12-23 months who are fully immunized)</p> <p>Coverage of pre-natal care</p> <p>% of births attended by trained personnel (doctors, nurses, TBI) (rural/urban)</p> <p>Source: Ministry of Health and Family Welfare; and HIES, BBS Frequency: Annual Disaggregation: national (rural/urban), division and district; male/female Note: Qualitative community surveys will be conducted</p>	<p>Infant mortality rates, Child mortality rates</p> <p>(All these by exp./income deciles, rural/urban, male/female and divisional/district disaggregated)</p> <p>Source: HIES , BBS; Vital Registration Statistics (VRS) Frequency: Annual Disaggregation: national (rural/urban) and district. Note: Capability for developing district level indicators will be developed at BBS</p>
<p>2C. Family Planning</p> <p>Family Planning (as a % of total exp. and GDP)</p> <p>Source: Ministry of Finance Frequency: Quarterly Disaggregation: national (rural/urban), division and district</p>	<p>Contraceptive prevalence rate (among women of age 15-49)</p> <p>Source: Ministry of Health Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Qualitative community surveys will be conducted.</p>	<p>Total fertility rate (among women of age 15-49)</p> <p>Population growth rate</p> <p>Source: DHS/HDS, VRS Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Capability for developing district level indicators will be developed</p>
<p>2D. Water Supply</p> <p>Exp. on water supply and sanitation (as a % of total exp.)</p> <p>Expenditure on arsenic mitigation</p> <p>Source: Ministry of Finance Frequency: Quarterly Disaggregation: national (rural/urban), division and district</p>	<p>No. of installations for tubewell water purification (indicators to be developed)</p> <p>Source: Planning Commission Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Qualitative community surveys will also be conducted</p>	<p>% of population with access to safe water and sanitation</p> <p>Number of persons with access to arsenic-free water in arsenic contaminated areas</p> <p>(Disaggregated by rural/urban, divisional/district income/exp. deciles)</p> <p>Source: HIES, BBS Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Capability for developing district level indicators will be developed at BBS.</p>

Input Indicators	Output/Intermediate Indicators	Outcome Indicators
BUDGETARY POVERTY RELATED EXPENDITURES AND OUTCOMES		
III. Expenditure on Safety Nets		
<p>3A. Food-Assisted Program Food assisted program disbursement (as a % of total exp.)</p> <p>Source: Ministry of Food/MOP Frequency: Annual Disaggregation: national (rural/urban), division and district</p> <p>3B. Housing for Rural Shelterless and Urban Slum-Dwellers Expenditure on low cost housing (as a %) of total expenditure)</p> <p>3C. Disaster Management Expenditure on disaster management</p>	<p>Number of beneficiaries by program, such as VGD, VGF, FFW, FFE, TR. GR</p> <p>Number of beneficiaries covered by food-assisted programs in 'poor areas' (identified through poverty mapping)</p> <p>Source: Relevant Agencies MLGRD&C Frequency: Annual Disaggregation: national (rural/urban), division and district; male/female</p> <p>Number of additional low cost housing</p> <p>Indicators to be developed</p>	<p>Impact in reducing variability of consumption of the poorest households (indicators to be developed)</p> <p>Source: HIES, BBS; Special purpose surveys Frequency: Annual Disaggregation: national (rural/urban), division and district; male/female Note: Capability for developing district level indicators will be developed at BBS</p> <p>Indicators to be developed</p> <p>Indicators to be developed</p>
IV. Public Safety and well-being		
<p>Public spending in law-enforcing agencies (at % of total exp.)</p> <p>Rate of disposal of criminal cases</p> <p>Source: Ministry of Home Affairs and MOF</p>	<p>Number of crimes by major types</p> <p>Rate of conviction (acid-throwing, mugging, extortions, murder, violence against women)</p> <p>Source: Ministry of Home Affairs; Ministry of Law, Justice, and Parliamentary Affairs; News Paper Reports Disaggregation: national (rural/urban), division and district; male/female</p>	<p>Impact indicators in reducing insecurity of the vulnerable population (indicators to be developed)</p> <p>Source: HIES, BBS; periodic special surveys Frequency: Annual Disaggregation: national (rural/urban), division and district Note: Capability for developing district level indicators will be developed at BBS.</p>

Input Indicators	Output/Intermediate Indicators	Outcome Indicators
V. Credit for the Poor		
<p>Micro-credit disbursements (as a % total)</p> <p>NCBs</p> <p>PKSF</p> <p>Grameen Bank</p> <p>BRAC</p> <p>PROSHIKA</p> <p>ASA</p> <p>Other MFIs</p> <p>Source: Ministry of Finance, NGO Bureau, and CDF</p> <p>Frequency: Quarterly</p> <p>Disaggregation: national (rural/urban), division and district</p>	<p>Number of borrowers and size of credit</p> <p>Districts with micro-credit coverage</p> <p>Sectoral allocation of micro-credit</p> <p>Repayment rates, lending costs</p> <p>Source: Ministry of Finance, NGO Bureau, and CDF</p> <p>Frequency: Annual</p> <p>Disaggregation: national (rural/urban), division and district; male/female</p>	<p>Indicators related to skill formation, employment generation and income impact</p> <p>Graduation rates (indicators to be developed further)</p> <p>Source: Ministry of Finance, NGO Bureau, and CDF</p> <p>Frequency: Annual</p> <p>Disaggregation: national (rural/urban), division and district</p>

Indicators for Macroeconomic Management

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

Data	Source	Suggested Frequency
1. Real Sector Statistics		
(a) Gross Domestic Product (GDP) and its sectoral components at current and constant prices.	BBS	GDP is compiled and published annually by Bangladesh Bureau of Statistics. Efforts should be made by BBS to estimate Quarterly GDP. Detailed methodology of estimates of annual GDP together with the basic information on various sectors of the economy required to estimate quarterly GDP could be made available to Bangladesh Bank and BIDS who could use the information to estimate quarterly GDP for their research and other purposes. The estimates made by these institutions should be made available to BBS and use by it. BBS, however, should not make the estimate itself.
(b) Consumption, Savings and Investment with breakup for private and public sectors.	BBS	
(c) Whole sale price index; consumer price index with breakup for food and non-food and with food further subdivided into cereals and non cereals; producers price index (rebasings already undertaken by BBS to be accelerated).	BBS	Monthly
(d) Production of rice, jute, wheat, fertilizer, shrimp, textiles, electricity and cement (relate to trends of production as well as export).	BBS and MOA	Seasonal for agricultural production/Monthly for industrial production
(e) Market price and procurement price rice, market price of fertilizer, price of irrigation equipment (indicates movement in prices and build-up of price pressure).	BBS	Monthly
(f) Wages of agricultural labour, construction worker, skilled and semi-skilled workers employed in garments and leather industries (trend of wage, build-up of inflationary pressure and export competitiveness).	BBS	Monthly
(g) Availability of food and fertilizer (critical indicators of wage good supply, and agricultural production possibility).	M/Food, MOA & BBS	Monthly

Data	Source	Suggested Frequency
2 Balance of Payments Statistics		
(a) Value and quantity of export by major commodities; shrimp, textiles, jute, leather and others (indicators of production of tradables).	NBR & BB	Monthly
(b) Value and quantity of imports with breakdown into consumer goods, (further subdivided into rice, wheat, others food items, and non-food) intermediate goods, industrial raw materials and capital goods.	NBR & BB	Monthly
(c) Unit price indices of Exports and Imports.	BB	Annual
(d) Letters of credit (L/C) opening and outstanding L/C	BB	Monthly
(e) Balance of payments statement.	BB	Quarterly
(f) Foreign exchange reserves: Level of reserves, sources of accumulation or dccumulation offoreign exchange reserves.	BB	Monthly
3. Money and Banking Statistics		
(a) Money supply and the causative factors of the change in money supply.	BB	Monthly
(b) Reserve money, its components and the causative factors of the change in reserve money.	BB	Monthly
(c) Detailed information of deposits and loans classified by major economic purpose (term lending for industry and agriculture and short-term loans).	BB	Monthly
(d) Credit by the banking system to private and public sectors with public sector credit subdivided into government and other public sectors.	BB	Monthly
(e) Credit provided by major MFIs such as PKSF, Grameen Bank, Proshika, ASHA, BRAC, etc.	BB, NGO Affairs Bureau and NGOs	Monthly
(f) Interest rate: Bank rate, short term non concessional lending rate, inter-bank rate; rescheduling of payment dues by BB to NCBs, SFIs, etc., and also rescheduling by commercial banks.	BB	Monthly
(g) Exchange rate adjustments (exchange rate as on 30 June proceeding year and subsequent changes).	BB	Monthly
(h) Capital Market: Data on Market capitalization, share price index and turnover (Dhaka and Chittagong).	BB	Monthly
(i) Foreign investment <ul style="list-style-type: none"> • Direct investment: Number sanctioned, Amount sanctioned, Amount of actual investment. • Amount of portfolio investment. 	BOI and BB	Annual

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