

BANGLADESH

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

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

		<i>Page No.</i>
Chapter 1:	Introduction	1
A.	Process of Policy Ownership	1
B.	Silent Ascent	2
C.	Progress in Cross-Country Perspectives	4
D.	Structure of the Paper	6
E.	Summary Points	6
Chapter 2:	Poverty State of the Nation	7
A.	Broad Trends over Last Decades	7
B.	Trends in Rural Poverty	10
C.	Trends in Urban Poverty	11
D.	Dimensions of Human Poverty	12
E.	Summary Points	15
Chapter 3:	Participatory Consultations on Poverty Reduction Strategy: Emerging Lessons	16
A.	Positive Achievements	16
B.	Areas of Key Concerns	17
C.	Summary Points	22
Chapter 4:	Major Milestones: Poverty Targets and Key Social Development Goals	23
A.	The Vision	23
B.	Feasibility of Target Attainment	23
C.	Summary Points	26
Chapter 5:	The Poverty Reduction Strategy	27
A.	The Strategy: All Routes Matter	27
B.	Accelerating Pro-poor Economic Growth	29
	B1: Ensuring Macroeconomic Balances	30
	B2. Promoting Good Governance	34
	B3. Agriculture	36
	B4. Rural Development	39
	B5. Manufacturing Growth	40
	B6. Infrastructure Development	41
	B7. Technology Policy	42
	B8. Microcredit Policy	43
C.	Fostering Human Development of the Poor	45
D.	Women's Advancement and Removing Gender Gaps	47
E.	Strengthening Social Protection	48
F.	Supporting Local Government and Broadening Participation	49
G.	Policies and Institutions for Reducing Inequality	50
H.	Caring for Environment	51
I.	Summary Points	52
Chapter 6:	Medium Term Macroeconomic Framework	54
A.	Policy Matrix for National Poverty Reduction Strategy	57
Chapter 7:	Monitoring and Evaluation	71
A.	Institutional Mechanisms	71
B.	Monitoring Indicators	72
C.	Road Map to Full Strategy	73

List of Tables

		<i>Page</i>
Table 1:	Social Development in Bangladesh: Predicted vs. Actual Values	5
Table 2:	Trends in Poverty and Inequality in the Nineties	9
Table 3:	Rates of Child Malnutrition among Under-five Children	14
Table 4:	Major Goal-Posts in Poverty and Social Indicators Under an Accelerated Social Development Strategy with 2000 as the Benchmark Year for Target Setting	25
Table 5:	Medium-term Macroeconomic Framework: Key Indicators	56
Table 6:	Policy Matrix for Poverty Reduction Strategy	58
Table 7:	Time Line for Full Strategy	73

Annex Tables

Annex Table 1:	Inter-Country Statistics on Growth, Human Development, and Income-Poverty	75
Annex Table 2:	Child Malnutrition Rates in South Asia, 1990-2000	75
Annex Table 3:	Trends in Poverty: Consumption Expenditure Data	76
Annex Table 4:	Summary Statistics on Growth and Inequality: Consumption Data	76
Annex Table 5:	Simulation of National Poverty Based on Alternative Growth Assumptions	77
Annex Table 6:	Simulating Trends in Poverty under Alternative Growth Scenario, Bangladesh: 2000-2020	77
Annex Table 7:	Major Goal Posts in Poverty and Social Targets Set Against the 1990 Benchmark	78

Annexes

Annex 1:	Methodology of Poverty Analysis	80
Annex 2:	Employment and Labor Market Issues	82
Annex 3:	Macroeconomic Setting and Balances of the Bangladesh Economy	84
Annex 4:	Agriculture and Rural Development	85
Annex 5:	Manufacturing Sector	92
Annex 6:	Infrastructure Development	96
Annex 7:	Strategic Issues in Health Sector Development	100
Annex 8:	Women's Advancement and Removing Gender Gaps	107
Annex 9:	Disaster Vulnerability and Risk Management	114
Annex 10:	Sectoral Reforms: Selected Examples	120
Annex 11:	Proposed Poverty Reduction Indicators Tracking and Monitoring Matrix	129
Annex 12:	Indicators for Macroeconomic Management	133

ABBREVIATIONS

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

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

Executive Summary

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

I. Need for Strategic Rethinking

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

Consolidating the Success

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

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

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

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

Avoiding the Pitfalls

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

Facing the New Challenges

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

II. Outlining a Development Vision

Long-Term Social Targets

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

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

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

Feasibility of Target Attainment

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

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

III. Elements of New Thinking

All Routes Matter

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

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

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

Major Thrust Areas

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

Medium Term Macroeconomic Framework

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

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

Monitoring and Evaluation

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

Building New Development Coalitions

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

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

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