BANGLADESH

ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT
COUNTRY POVERTY ASSESSMENT

Poverty Profile for IDB Intervention

July 2011

Islamic Solidarity Fund for Development
Country Department
Islamic Development Bank Group
Jeddah, Saudi Arabia
Executive Summary

Bangladesh's large population, on one hand, may be considered its strength but poses higher challenges in terms of income distribution, coupled with land scarcity (with an average of 2,000 people per sq km) and inherent natural disasters facing the nation year round. Nonetheless, it is still able to strike a balance with abundance of cheap labor to fuel its traditional economic generating activities, namely agriculture and small to medium scale ready-made garment sectors and related services. In a nutshell, its sustainable economic growth brought forward since early 1990s has allowed the country to make good progress in poverty reduction despite a series of external setbacks.

The specific set of endowments, constraints and opportunities suggest an export-led growth strategy, exploiting coastal links and abundance in labor for manufacturing, direct services, and related remittances. The government employed such a strategy in past years, with prudent macroeconomic management, steady improvement in the enabling environment for private sector investment, allowing sound fundamentals and a conducive policy environment to stimulate growth.

Bangladesh has enjoyed a steady annual economic growth of 4-5% since the 1990s, when national poverty fell from 59-50%, one of the fastest rates of decline recorded worldwide. Since the 1990s, Bangladesh has made commendable progress in poverty reduction. Between 2000 and 2005, extreme poverty rate declined for all occupational groups. The national poverty head count declined from 56.6% in 1991 to 48.9% in 2000 and further to 40% in 2005. Poverty has been estimated at 38% in 2008. With this trend, poverty should have declined to 35% in 2008. However, due to two serious floods and cyclone Sidr in 2007, and international commodity price increases, some reduction in poverty has been annulled. Agriculture, industry and services have posted 49.7%, 29.7% and 20.6% of GDP, also a remarkable achievement.

The reduction achieved in extreme poverty during 2000 - 2005 was due to higher than national-average growth in expenditures among the extremely poor households, matched by an overall increase in the standard of living like asset ownership, access to electricity and sanitation, literacy and occupational characteristics—the poor have been able to gain-to an extent-from economic growth. The trend is also attributed to the pro-poor strategy of the Government- focusing on growth, human development and social safety nets; NGO activities and broad-based micro credit operations; remittances; and growth process led by an expanding private sector.

Nevertheless, public and private investment has remained stagnant since the mid-1990s, with the former making up 6-7% of GDP, and the latter 15-17%. Although greater public investment in infrastructure and services is required, this is limited by low government revenue base. In addition, it is anticipated that 60m people out of population of 150m (40%) still live below the 2 poverty lines (chronic & extreme poor) whose non-food expenditures are almost nil, and the pace of poverty reduction, while impressive, remains lower than in faster-growing East Asian countries like China, Thailand, and Vietnam.
New sources of growth needed to sustain progress, and allow a growth path of 7-8% needed to achieve poverty reduction and MDGs. This can be achieved by promoting nonfarm rural economy, SMEs, export diversification, ICT, and investment opportunities by boosting productivity.

Regarding the Millennium Development Goals, the current trend indicates Bangladesh is well on track in achieving the MDG targets in the areas of hunger (Goal 1), net enrolment in primary education (Goal 2), gender parity in primary and secondary education (Goal 3), reducing child mortality and improving immunization coverage (Goal 4), rolling back malaria and controlling tuberculosis (Goal 6), and improved drinking water supply (Goal 7). The areas that remain in need of attention are poverty reduction and employment generation (Goal 1), increases in the primary school completion rate and adult literacy rate (Goal 2), creation of more wage employment for women (Goal 3), reduction of the maternal mortality ratio and increase in the presence of skilled health professionals at delivery (Goal 5), increase in correct and comprehensive knowledge of HIV/AIDS (Goal 6), increase in forest coverage (Goal 7), and coverage of Information and Communication Technology (Goal 8).

The largest development partners, the World Bank, ADB, DFID and JICA, have coordinated intervention strategies effectively based on GOB’s fifth 5-year plan and outlined their strategies covering 2008-2010. The ADB has a country allocation of $521 million a year, and as concentrated largely on education (primary, secondary, non-formal/ post-literacy), energy and infrastructure, but is also active in social safety net reform and expansion among other areas. The World Bank retains its comparative advantage in infrastructure development (including the $2.8 billion Padma Bridge project), along with health, nutrition, population and micro-credit.

The Islamic Development Bank’s current portfolio in Bangladesh contained 21 active projects for a total of nearly $430 million. IDB’s portfolio to date includes 69 interventions totalling over $777 million, with almost $366 million disbursed. Sector distribution of interventions by total pecuniary amounts reflects a trend predominantly dedicated to transportation (30%), industry and mining (18%) and agriculture (16%), with education (9%) trailing fourth.

**Proposed Intervention Areas**

Current gaps in donor concentration/ potential areas of exploration for IDB intervention focus have been identified by an IDB/ISFD team in the field, in consultation with GOB Planning Commission, UNDP, DFID, World Bank, ADB, JICA, WFP, USAID, AUSAID, European Commission, Swiss and Danish Agencies. These are generally: Nutrition programs to counter malnutrition problems and lost labor productivity; Access to basic needs and Food Security; Rural electrification; Sanitation; Social Safety Net reform; Vocational skills/ training to enhance productivity and income; Poverty assessment in slums (where Census seldom reaches); Local government capacity building for efficient assistance.

Consensus among key government ministries and units highlight the need for assistance from IDB in: Developing skills through technical and vocational training for local and expatriate employment generation and expansion; Improve agricultural productivity; Generate income via labor intensive non-farm manufacturing; Contain the population.
When communities were asked to prioritize the following common areas of need through pair-wise ranking; Access to low-cost financing; Medical clinics or increase of doctor to patient ratio; Rural road construction; Cold storage for agricultural output; Sanitation; Marketing of commodities and Extension services (training and equipment), two clear trends emerged in all communities. Firstly, training and skill development, mechanization to increase efficiency, cold storage facilities to protect output and marketing to remove distortions and collect greater profits were all highly ranked, and all optimize their current and most immediate economic activities. The second, less prioritized grouping, comprising financing, agro-business generation and health clinics, all envision secondary or subsequent value-chain activities or future growth.

**Recommendations**

**Capabilities and Skill Development**

With tertiary education ideal for the private sector, and with JICA and the ADB comprehensively integrated in primary and secondary education, vocational training and skill development for employment remains fertile for Bank focus.

**Agriculture**

IDB has considerable advantage and positive record in agricultural and rural extension services, financing seven local and regional facilities. Such successful capacity development interventions may be expanded in scope and reach and subsequently scaled up to meet greater needs across larger rural communities.

**Micro-Finance**

Finally, while micro-credit has been acknowledged as more of a temporary solution rather than a long-term answer to poverty, it is nonetheless open for additional intervention. Microfinance may build assets and reduce vulnerability to financial shock, creates demand for goods and services and stimulates local economies. Excessive micro-finance interest rates are commonly cited issues among the rural poor and current outreach of Islamic Microfinance in Bangladesh to be around 0.52 million people (2.2% of the overall clientele by membership numbers).
## Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>ACC</td>
<td>Anti-Corruption Commission</td>
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<td>ADP</td>
<td>Annual Development Program</td>
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<td>BBS</td>
<td>Bangladesh Bureau of Statistics</td>
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<td>BDF</td>
<td>Bangladesh Development Forum</td>
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<td>DFI</td>
<td>Decentralized Financial Institutions</td>
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<td>DFID</td>
<td>Department for International Development (UK)</td>
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<td>DP</td>
<td>Development Partners</td>
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<td>EC</td>
<td>European Commission</td>
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<td>EFA</td>
<td>Education For All</td>
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<td>GoB</td>
<td>Government of Bangladesh</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HNPSP</td>
<td>Health, Nutrition and Population Sector Program</td>
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<td>HIES</td>
<td>Household Income and Expenditure Survey</td>
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<td>HNP</td>
<td>Health, Nutrition and Population</td>
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<td>HPI</td>
<td>Human Poverty Index</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IDB</td>
<td>Islamic Development Bank</td>
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<td>ID</td>
<td>Islamic Dinar</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>JCS</td>
<td>Joint Cooperation Strategy Group</td>
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<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<td>LDMC</td>
<td>Least Developed Member Countries</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<td>MDRI</td>
<td>Multilateral Debt Relief Initiative</td>
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<td>MTBF</td>
<td>Medium-Term Budget Framework</td>
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<td>NSAPR</td>
<td>National Strategy for Accelerated Poverty Reduction</td>
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<td>NAP</td>
<td>National Agriculture Policy</td>
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<td>PPP</td>
<td>Purchasing Power Parity</td>
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<td>SMEs</td>
<td>Small- and Medium-Sized Enterprises</td>
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<td>TVET</td>
<td>Technical and Vocational Education and Training</td>
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<td>UNCAC</td>
<td>United Nations Convention Against Corruption</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<td>WB</td>
<td>The World Bank</td>
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Acknowledgement

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CHAPTER 1: INTRODUCTION & CONTEXT

1.1 The Islamic Solidarity Fund for Development undertakes Country Poverty Assessments (CPAs) for the benefit of Least Developed Member Countries (LDMCs), in order to develop an effective approach to diagnostic work. This exercise adds value by taking into account existing work done by other stakeholders, collecting baseline information, exploring depth of poverty within geographic regions and economic sectors and identifying priority sectors and innovative programs that would contribute to and enhance effective programming towards poverty reduction. Reporting is collected from a range of official and secondary sources, as well as verified and complemented by primary field research and data collection in the field. These CPAs also leverage IDB’s core competencies and cumulative synergies among regional governments, civil society and non-governmental actors within selected countries toward value addition and augmentation of larger poverty reduction efforts.

1.2 An IDB/Islamic Solidarity Fund for Development Mission visited Bangladesh during the period 18th – 26th April 2010 for verification of desk research, data collection and further exploration of noted issues of relevance to poverty and the mission of the ISFD associated with the undertaking of a Country Poverty Assessment exercise. The Mission team was comprised by Dr. Azhari Gasim Ahmed, Senior Economist, ISFD; Ahmad Maaty, Economist, ISFD; Nassis Sulaiman, Bangladesh Country Manager, Country Department; and Farooq uz Zaman, former Field Representative Office in Bangladesh.

1.3 The Mission was hosted and assisted greatly by the Joint Secretary of the Economic Relations Division of the Ministry of Finance, Mr. ATM Mustafa Kamal, the Planning Commission of the Ministry of Planning, as well as the IDB Field Office in Bangladesh.

1.4 At the national level, the mission conducted several meetings and discussions with a range of partners and stakeholders in the field. These included the Economic Relations Division, Ministry of Finance; General Economics Division, Planning Commission, Ministry of Planning; Socio-Economic Infrastructure Division, Planning Commission, Ministry of Planning; Bangladesh Bureau of Statistics, Ministry of Planning.

1.5 In addition, development partners were also included in the local interactions to varying degrees. These included UNDP, DFID, World Bank, ADB, JICA, WFP, USAID, AUSAID, European Commission and Swiss and Danish Agencies.

1.6 During field visits to Netrokona, Madhabpur Singair, Gaibanda, Rangpur, and Kurigram, where the IDB mission met with BRAC in Netrokona; Grameen Bank Madhabpur Singair Branch Office; the Rangpur District Commission and Deputy Commissioner (and other District Officials); and the WFP in Kurigram.

1.7 Most prominent among data related issues and current gaps remains the fact that latest data provided by the government are several years old. Much of the data used for this report were released in 2005. This is mitigated to some extent by both the quality and comprehensiveness of existing data, as well as anecdotal and official updates.
derived through interviews with government staff, aid workers and development institution staff in the field and other stakeholders.

1.8 The Bangladesh Bureau of Statistics conducted a household survey in 2010, covering 176,000 households, and should be releasing the updated figures realistically over 2011 to 2012 according to some estimates.

1.9 While the NSAPR II also contains little analysis on the growth and distributional impacts of policies and programs implemented during the first PRSP period and could have discussed the mechanisms in place to ensure the Government’s annual budget are broadly consistent with the strategy’s poverty alleviation objectives.¹
CHAPTER 2: COUNTRY SOCIO-ECONOMIC BACKGROUND & CONTEXT

A. History, Political-Economy & Demographics

2.1 Bangladesh lies in the North eastern part of South Asia. Its rich soil and humid climate is some of the most fertile agricultural land in the world. Recent estimate of Bangladesh’s population is around 145 million. With a land area of 147,570 square kilometres (km). Bangladesh has the highest population density in the world. Bangladesh has shown significant improvements after getting independence in 1971, and over the past 20 years the economy has made the transition from aid to trade dependency, but has yet to achieve the investment-led growth that is seen by many as necessary if Bangladesh is to become a middle-income country. Bangladesh’s population growth was among the highest in the world between 1960s and 1970s, when the population of the country grew from 50 to 90 million, but with the promotion of birth control measures in the 1980s, population growth rate slowed down to 1.41% in 2006. The population is relatively young, with 1-25 years age group comprising nearly 60% of the whole population.

B. Macroeconomic Aggregates

2.2 Macroeconomic stability in recent years has rested on sound macroeconomic policies. The country has achieved steady annual economic growth of 4–5% since the 1990s, with fiscal and current account imbalances contained at manageable levels, low inflation rates, moderate public debt, and stable interest and exchange rates. The Bangladesh economy has demonstrated considerable reliance with attainment of GDP growth averaging at 6% for the past 5 years (2004-2008). Its GDP dipped slightly to 5.4% during FY2009 but the performance was better than in other Asian countries during the same period under review. Growth is expected to continue to accelerate, ultimately averaging 7–8% per annum by 2015.2

2.3 Favorable revenues and tight controls on current expenditure kept fiscal deficits (excluding grants) only slightly above 3% of GDP in FY2006 and FY2007, with fiscal deficits targeted to widen to 5% of GDP.3 The FY2010 budget strikes a prudent balance between the need to stimulate the economy against the backdrop of the global recession. The budget increases spending on social safety net programs to protect the poor, while preserving macroeconomic stability. In view of the widening infrastructure gap, the new government budget is expected to unveil bold initiatives to create a framework for PPP to enhance private investment and streamline project approval processes (among other measures) to accelerate annual development program (ADP) utilization.

2.4 Three critical broad-based sectors namely agriculture, industry and services have posted remarkable achievement at 49.7%, 29.7% and 20.6% to GDP respectively.4 However, the late unfolding of the impact from global financial crisis and inherent adverse climate change (flood & cyclone) seems to have been more pronounced in FY2010 before bottoming out in FY2011. Nonetheless, the GDP is projected to continually registering at only 5.4% growth rate due to lower export of garments and remittance inflow, hence, affecting the consumption level to generate economic activities. Noting the above, the Government is embarking to work proactively with the
development partners (DPs) and private sectors to harness the investment climate by anchoring the infrastructure roadmap and human capital development though the necessary fiscal and monetary stimulus to trigger spin-off effect to create equal job opportunity on pro-poor basis. The Government continues its policy aimed at sustaining macroeconomic stability and investment climate, improving welfare and poverty reduction initiatives to the people of Bangladesh.

Table 1: Comparative scenario of economic growth in selected Asian countries

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Source: IMF World Economic Outlook, April, 2010

C. Socio-Economic Development

2.5 Bangladesh’s large population, on one hand, may be considered its strength (human capital) but poses higher challenges in terms of income distribution, coupled with land scarcity (with an average of 2,000 people per sq km) and inherent natural disasters facing the nation year round. Nonetheless, it is still able to strike a balance with abundance of cheap labor to fuel its traditional economic generating activities, namely agriculture and small to medium scale ready-made garment sectors and related services. In a nutshell, its sustainable economic growth brought forward since early 1990s has allowed the country to make good progress in poverty reduction despite a series of external setbacks.

D. General Development Agenda

2.6 A country with Bangladesh’s specific set of endowments, constraints, economic factors and opportunities could find an export-led growth strategy, exploiting its coastal links and abundance in labor for both manufacturing and direct services (and related remittances), the surest path to growth. It appears the government employed such a strategy in recent years, with prudent macroeconomic management and steady improvement in the enabling environment for private sector investment. This allowed sound fundamentals and a conducive policy environment to stimulate growth.

2.7 As a result of macroeconomic policies and other factors discussed below, during the 1990s, national poverty fell from 59% to 50%, one of the fastest rates of decline recorded worldwide. In the past decade, progress in reducing the poverty head-count was faster in urban than in rural areas, due to expansion of labor-intensive
manufacturing and services. There is also rising labor productivity and wages recorded, as the shift from low return agricultural labor to nonfarm employment and growth in export industries progresses. Dhaka alone accounts for 80% of the country’s Ready Made Garments output and half of manufacturing sector employment. A large increase in formal sector employment between 2003 and 2006 in the greater Dhaka region, relative to the rest of the country, suggests that agglomeration has increased in recent years.

2.8 This relative success notwithstanding, public and private investment has remained stagnant since the mid-1990s, with the former making up 6–7% of GDP, and the latter 15–17%. Although much more public investment in infrastructure and services is badly required, prospects for a significant increase in public investment are limited by the very low government revenue base.

2.9 New sources of growth will also need to be nurtured to sustain the country’s current achievements, and to move to a higher annual growth path of 7–8% needed to achieve poverty reduction objectives and related MDGs. New sources of growth can be achieved by expanding the nonfarm rural economy, promoting small- and medium-sized enterprises (SMEs), fostering export diversification, tapping information and communication technology (ICT), and enhancing investment opportunities by boosting factor productivity. To accelerate pro-poor growth, private investment will need to increase and become more productive. This is a daunting challenge, given changes in global and domestic markets.

2.10 The key approach towards overall poverty reduction initiatives remained with the Government’s effort to continuously forge its 6th 5-Year Plan (2010-2015) under “National Strategy for Accelerated Poverty Reduction II (NSAPR II) – Steps for Change.” While the objectives may be clearly defined, however, the government cannot do it alone. It requires all the help it can attract with the supports of all development partners (DPs) and NGOs to kick-start necessary national strategies and aid effectiveness programs. To harness the key performance indicators towards achieving significant reduction in poverty statistics of the poor’s poor of the nation, proper monitoring and reviewing platform has been established to be discussed on annual basis via high level Bangladesh Development Forum.
CHAPTER 3: POVERTY IN BANGLADESH – A PROFILE

A. Poverty Incidence, Trends and Causes

3.1 The poorest of the people as discussed is defined into two groups of people, (a) the chronically poor (long duration poverty; often spanning generations), and (b) the extreme poor (those who persist in deep poverty-at the bottom of the poverty level). It is anticipated that 60 million people out of the population of 150 million (40%) still live below these 2 poverty lines. Even though the data obtained is based on a 2005 study, Bangladesh Bureau of Statistics (BBS) has estimated that categorically these people have continuously failed to meet the very basic food requirement, with non-food expenditures is almost nil. The ultra poor of the people may have earned a minimum daily wage which is less than US$1 dollar. Accordingly, the poverty rate has been estimated by the government at 38% in 2008.

3.2 HIES 2005 estimates that about 27 million people live in extreme poverty in Bangladesh, which accounts for about 19.5% of the total population. It also shows that the reduction achieved in extreme poverty during 2000 - 2005 was due to higher than national-average growth in expenditures among the extremely poor households. During this period, the average real per capita expenditures of the extremely poor households grew at an annual average rate of 2.5%, compared with 2.4% for the whole population. The expenditure growth is also matched by an overall increase in the standard of living of extremely poor households along dimensions like asset ownership, access to electricity and sanitation, literacy and occupational characteristics. Most of the extremely poor households are still too poor to meet their daily caloric intake requirement. Clearly, the malnutrition risks are high in light of inadequate diets. However, the tangible improvements in the quality of their lives, relative to the past, including improved ownership of assets and human development, indicate that the poor have been able to gain, to some extent, from the benefits of economic growth.

3.3 Since the 1990s, Bangladesh has started making commendable progress in poverty reduction. According to the Household Income and Expenditure Survey (HIES), between 2000 and 2005, extreme poverty rate declined for all occupational groups. The national head count ratio of poverty declined from 56.6% in 1991 to 48.9% in 2000 and further to 40% in 2005. This translates into an annual average rate of decline of 1.9% during the period 1991 - 2000, and 3.6% during the 2000 - 2005 period. With this trend of decline, poverty should have declined to 35% in 2008. However, due to two serious floods and cyclone Sidr in 2007 and the subsequent international commodity price increases, mainly for food and fuel, some of the reduction in poverty occurring since 2005 have been annulled.

3.4 Poverty reduction trend is attributed to the pro-poor strategy of the Government over the years - focusing on growth, human development and social safety nets; NGO activities and broad-based micro credit operations; strong expatriates remittances; and growth process led by an expanding private sector.

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1 Extreme poverty is a situation where people persist in deep poverty, i.e. at the bottom of the poverty ladder.
3.5 According to the 2005 HIES, much of the reduction in extreme poverty, particularly in rural areas, is also attributable to income growth within the agricultural sector. This is evident from the lower rates of extreme poverty associated with agricultural occupations in 2005 compared to 2000.

3.6 A shift from agriculture to non-agriculture also contributed to gains among the extreme poor as it has among the general population. For the extremely poor households, the proportion of household heads whose main occupation was agricultural day labor fell from 36 to 33% and that of farmers from 19 to 16%, while that of non-agricultural day labor, salaried workers, or non-agricultural self-employed increased. This inter-sectoral shift would have increased welfare since in 2005 average wage rates for non-agricultural day laborers was generally about 40% higher than those for agricultural day laborers.

3.7 For urban households, labor productivity growth, rising labor incomes and increased earnings from nonfarm self-employment in urban areas contributed to reducing poverty. Among urban households, remittances (domestic and foreign) increased sharply from 2000 to 2005, contributing significantly to urban consumption growth. Some reports indicate that almost a quarter of the poverty decline is attributable to the combined effects of growth of foreign remittances and RMG exports, both of which exhibited strong growth (around 20 and 9% annually, respectively) during this period.

3.8 Between 2000 and 2005, housing conditions were found to have improved for the poor as well as the extremely poor households. At the same time, the percentage of households with access to a safe toilet has increased from 52% to 69%.

3.9 Also significant is the increase in the share of households with electricity connections, from 31 to 44% between 2000-2005. However, most households suffer from regular power outages as there was virtually no additional generation capacity during this period. There has also been a sharp rise in the percentage of households with access to a phone (landline and or mobile) - from 2% of the population in 2000 to 13% in 2005 - mainly due to expansion of the mobile phone network.

**B. Inequality**

3.10 Although the 2005 HIES suggests a broad-based poverty reduction process, with economic growth yielding benefits for even the extremely poor households, the wide disparity in income distribution in the country is clearly reflected in the Gini coefficient, which increased from 0.39 in 1991 to 0.47 in 2005 (an average annual increase of 1.47%), implying that the poor did not get an adequate share of the benefits of growth. It is evident from table 2-1 that inequality has increased both in the rural and urban areas, with the latter being more pronounced. At the same time, the gains among the extreme poor were found to be unevenly distributed across regions, consistent with the

---

2 Gini index measures the degree of inequality in the distribution of family income in a country. The index is calculated from the Lorenz curve, in which cumulative family income is plotted against the number of families arranged from the poorest to the richest. If income were distributed with perfect equality, the index would be zero; if income were distributed with perfect inequality, the index would be 1.
emerging East-West gap (see Table 2-1). This also confirms that the proportions of the poor with consumer spending far from the poverty line (depth of poverty) is still high.

**Table 3-1: Bangladesh, Inequality in Income Distribution 1981-82 to 2005**

<table>
<thead>
<tr>
<th>Survey year</th>
<th>National</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>0.39</td>
<td>0.36</td>
<td>0.41</td>
</tr>
<tr>
<td>1983-84</td>
<td>0.36</td>
<td>0.35</td>
<td>0.37</td>
</tr>
<tr>
<td>1985-86</td>
<td>0.37</td>
<td>0.36</td>
<td>0.37</td>
</tr>
<tr>
<td>1988-89</td>
<td>0.38</td>
<td>0.37</td>
<td>0.38</td>
</tr>
<tr>
<td>1991-92</td>
<td>0.39</td>
<td>0.36</td>
<td>0.40</td>
</tr>
<tr>
<td>1995-96</td>
<td>0.43</td>
<td>0.38</td>
<td>0.44</td>
</tr>
<tr>
<td>2000</td>
<td>0.47</td>
<td>0.43</td>
<td>0.50</td>
</tr>
<tr>
<td>2004</td>
<td>0.45</td>
<td>0.43</td>
<td>0.49</td>
</tr>
<tr>
<td>2005</td>
<td>0.47</td>
<td>0.43</td>
<td>0.50</td>
</tr>
</tbody>
</table>

Source: BBS, HIES and PMS

**C. Topology of Poverty**

3.11 Considering the vulnerable groups within the Bangladeshi society, certain characteristics seem to influence poverty far greater than others. Generally, according to the 2005 HIES, the extreme poverty rate is nearly 40% for landless households and declines progressively by land ownership, to 6% for those owning more than 2.5 acres. The extreme poverty rate is 36% when the household head lacks any education, compared to just 4% for education of high school level and above; 78% of the extreme poor live in households where the head has no education. Nearly 60% of extreme poor households rely on daily wage labor for sustenance; extreme poverty rate is nearly double that of the national average when the household head is employed as daily wage labor. This implies that landlessness, low education, and employment as daily wage labor are the most significant factors influencing the likelihood of a household to be extremely poor.

3.12 While the extreme poor in urban areas share many of the characteristics of the rural extreme poor, there are some specific features about their conditions. These are most commonly related to: (i) inadequate housing with high risk of eviction; (ii) poor living conditions; (iii) limited access to basic services in poor settlements, (iv) difficult employment conditions, particularly for women; and (v) social problems in poor urban communities. Although the rural extreme poor are likely to face many of these problems in some form, crowding in urban areas and high living costs (including land prices) create conditions that are especially detrimental to the quality of life of the poor.

3.13 **Rural-Urban differences:** Despite the trend toward an increasing share of the poor in urban areas, the incidence of poverty is higher in the rural areas. In 2005, marginal poverty rates are 33% in rural areas and 32% in urban areas while the rates for moderate poverty are 44% in rural areas and 46% in urban areas. In the case of extreme poor, the rate is slightly higher in urban areas at 23% while the rural rate is 22%. Overall, there is a tendency towards greater rural-urban differences as poverty deepens.
3.14 Regarding chronic poverty\(^3\), 31% of the rural population have been suffering from chronic poverty for more than a decade. This includes low consumption, hunger and under-nutrition, lack of access to basic health services, illiteracy and other deprivations. As reported in a BIDS study, about 19% of rural households cannot have 'full three meals' a day and about 10% subsist on two meals or less for a number of months every year.

3.15 **Regional differences:** Regional differences in the incidence of poverty were quite sharp in 2005 - the poverty headcount ranged from a low of 32% in Dhaka and 34% in Chittagong and Sylhet to over 50% in Barisal and Rajshahi. Poverty measured by the lower poverty line\(^4\) gives a similar picture - lower incidence of poverty in the eastern part compared with the western region of the country. This regional pattern suggests that geographic location of a household plays a key role in determining its economic status. Location of a household in most of the outlying (old) districts (with the sole exceptions of Sylhet-rural and Kushtia-urban) is associated with lower consumption relative to Dhaka district in 2005. The districts whose location disadvantages relative to Dhaka district increased or remained unchanged are mostly in the west-south-western part of the country.

3.16 The sharp contrast in the incidence of poverty and rate of poverty reduction between the eastern and western regions of the country can be explained in terms of some economic factors. Real per capita consumption expenditure depends on real per capita income. It has been observed that households in the eastern region have more assets comprising house, land, business and durable goods compared with those in the western region. Agricultural employment and self-employment are more common in the western region. Also, foreign remittances are received by a larger proportion of households in the eastern region. It has also been observed that returns to education increases with the level of education and difference between the two regions is quite sharp at all levels of education, especially at levels above the secondary level.

3.17 The persistence of these differences is attributable, among others, to the emergence of two growth poles, namely, Dhaka and Chittagong, in the eastern region and easier access of people living in this part of the country to these cities. Growth of these cities is spreading in the nearby rural areas. People in the western part of the country have less access to the growth poles because of lesser connectivity. Also, persistence of extreme poverty in some identified areas of the country has been a stark reality in Bangladesh. People living in remote areas with few assets and lack of employment opportunities in a particular period of the year are the usual victims of extreme poverty. Besides, people living in remote areas of the hill tracts region and indigenous people are also victims of extreme poverty.

3.18 **Land Ownership:** Lack of land ownership is a major characteristic of the poor households in rural areas. Typically poor households own less land than the non-poor and are highly represented among the functionally landless (e.g. owning less than 0.05

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\(^3\) Chronic poverty is defined as a situation where people live in poverty for a prolonged period of time - often spanning generations.

\(^4\) The Lower poverty line corresponds to the extreme poor households whose total expenditures are equal to the food poverty line using the cost of basic needs (CBN) method.
3.19 The incidence of poverty for the landless in rural areas was 57% in 2005 compared with 24% for small landowners and 13% for medium/large landowners. It is seen that, for rural households, ownership of land raises per capita consumption consistently with land size. The results for HIES of 2000 and 2005 show that there has not taken place any significant change in land distribution in the rural areas and there is a positive relationship between land ownership and poverty reduction. Around 61% of rural households have less than 0.5 acre of land.

3.20 Household Size: A sharp fall in household size from 2000 to 2005 has played an important role in increasing per capita expenditures and reducing poverty, because of higher average dependency ratio than that in non-poor households. The national average household size declined from 5.18 to 4.85 and the dependency ratio declined from 0.77 to 0.69. The declines in household size and the dependency ratio for poor households were similar to those of the entire population.

3.21 The decline is also consistent with Bangladesh lowering its population growth rate from 2.9% per year in the 1970s to 1.5% currently. A decline in total fertility rate from 7 in 1975 to 2.7 in 2007 is also roughly consistent with the fall in the number of children in survey households from 2000 to 2005. Poverty incidence is slightly lower among households headed by women - female-headed households account for 8% of poor households but 12% of non-poor households. This has been highlighted as a result of households with male expatriates working abroad being categorized statistically as female-headed households, which are generally less poor on account of the inflow of remittances.

3.22 Education & Literacy: In terms of poverty, a sharp decline can be observed (from 55.1% to 27% in rural areas and from 52.3% to 15.7% in urban areas) in headcount index between 31 households in which the head is illiterate and households whose head is literate (HIES, 2005). The index falls in both rural and urban areas with completion of higher grades of education. The headcount index is only 12.2% in rural areas and 6.5% in urban areas for households with heads who completed grade 10 and above. These results show a very strong association between the level of education and poverty and point to the importance of investing in education as a means of fighting poverty in Bangladesh.

D. Human Development & Poverty

3.23 For the poor, poverty is not simply having low income and inadequate food; but also a situation of living in multidimensional deprivations in all aspects of human well-being including under-nutrition, lack of access to education and basic health services, social discrimination, physical insecurity and vulnerability.

3.24 According to the country's National Strategy for Accelerated Poverty Reduction II (FY 2009-11), Bangladesh has recorded significant advances in basic human development indicators and by 2004 it graduated to the league of medium human development countries.
development countries\textsuperscript{5}. Bangladesh has already achieved several targets of MDGs, including gender parity in primary and secondary schooling. It is also on track in achieving most other targets including halving the proportion of population below national poverty line, achieving universal primary school enrolment, and reducing the under-five child mortality and the infant mortality rate.

3.25 According to the Government reports\textsuperscript{7}, Bangladesh has made impressive progress towards attainment of MDGs by 2015. In case of majority of the indicators, Bangladesh is on track with prospect for earlier attainment of targets of some of the indicators. It has been successful in achieving gender parity in primary and secondary education. It is on track to achieve the targets of ‘halving the proportion of people living below poverty line and suffer from hunger,’ ‘net enrolment ratio in primary education’, and ‘reduce child mortality’. However, the country lags behind in case of some indicators like primary school completion rate (67\%) and adult literacy rate (54\%), access to safe drinking water by rural people (79\%), and maternal mortality ratio (290 per 100,000 live births). Similarly, participation of women in wage employment is far from the desired level and access to essential drugs, and PCs and Internet services has been quite limited. Bangladesh will need sustained government efforts to attain the MDGs by 2015 and hold on the achievement beyond 2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>National</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>89</td>
<td>88</td>
<td>96</td>
</tr>
<tr>
<td>2003</td>
<td>97.4</td>
<td>97</td>
<td>99</td>
</tr>
<tr>
<td>2006</td>
<td>97.6</td>
<td>97.1</td>
<td>99.2</td>
</tr>
</tbody>
</table>

Source: BBS, SVRS

3.26 This shows that the key development challenge that Bangladesh faces now is to identify ways of ensuring the flow of increasingly larger share of the benefits of economic growth to the poor groups and increase their social welfare program.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sex</th>
<th>National</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Both Sexes</td>
<td>52</td>
<td>55</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>57</td>
<td>58</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>47</td>
<td>51</td>
<td>30</td>
</tr>
<tr>
<td>2003</td>
<td>Both Sexes</td>
<td>53</td>
<td>57</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>55</td>
<td>58</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>51</td>
<td>55</td>
<td>37</td>
</tr>
<tr>
<td>1991</td>
<td>Both Sexes</td>
<td>92</td>
<td>94</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>95</td>
<td>98</td>
<td>72</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>90</td>
<td>95</td>
<td>65</td>
</tr>
</tbody>
</table>

Source: BBS, Report on SVRS, June 2003

\textsuperscript{5} According to the UN Human Development Report (2009), Bangladesh HDI stood at 0.543 in 2007, ranking it 146 out of 177 countries covered by the Report.
Table 3-4: Bangladesh Maternal Mortality Rate per 1000 Live Births, 2000-2005

<table>
<thead>
<tr>
<th>Year</th>
<th>National</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3.18</td>
<td>3.29</td>
<td>2.61</td>
</tr>
<tr>
<td>2001</td>
<td>3.15</td>
<td>3.26</td>
<td>2.58</td>
</tr>
<tr>
<td>2002</td>
<td>3.91</td>
<td>4.17</td>
<td>2.73</td>
</tr>
<tr>
<td>2003</td>
<td>3.76</td>
<td>4.02</td>
<td>2.70</td>
</tr>
<tr>
<td>2004</td>
<td>3.65</td>
<td>3.87</td>
<td>2.53</td>
</tr>
<tr>
<td>2005</td>
<td>3.59</td>
<td>3.80</td>
<td>2.48</td>
</tr>
</tbody>
</table>

Source: BBS, SVRS

Overall, education statistics suggest two important trends from 2000 to 2005: (i) improving education levels, which would be expected to reduce poverty; and (ii) lower poverty incidence in 2005 than in 2000 for the same education levels. The proportion of household heads with education of secondary level or above has risen from 27% in 2000 to 31% in 2005, while that of those with no education has declined from 57 to 54%. At the same time, significant poverty reduction has occurred among all education levels – which implies that poverty reduction has been broad-based. This is also consistent with the progress made by Bangladeshi women over the last 15 years, in terms of increased participation in economic activities that has led to higher returns to their education.

Table 3-5: Bangladesh Literacy Rate of Population 7 Years Old & Above; 1981-2005

<table>
<thead>
<tr>
<th>Census year</th>
<th>Literacy rate of 7 Years Old + Both Sexes</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>51.9</td>
<td>55.8</td>
<td>48.1</td>
</tr>
<tr>
<td>2004</td>
<td>47.00</td>
<td>51.10</td>
<td>42.90</td>
</tr>
<tr>
<td>2001</td>
<td>45.32</td>
<td>49.56</td>
<td>40.83</td>
</tr>
<tr>
<td>1991</td>
<td>32.40</td>
<td>38.90</td>
<td>25.15</td>
</tr>
<tr>
<td>1981</td>
<td>25.99</td>
<td>33.84</td>
<td>17.51</td>
</tr>
</tbody>
</table>

Source: Population Census 2001, Analytical Report

The differences in educational attainment between the extreme poor and the marginal poor are large showing that the poorest are the least educated. Moreover, children from poorer households are less likely to go to school. There also exist considerable variations in net enrolment rates for children from poor households. Many children from the poorest households do not attend school because they have to work to support the earnings of the households. Although education for girls has high economic and social benefits for both households and society, despite higher enrolment rates for the poor girls than for boys, the completion and dropout rates are higher for girls.

Water and sanitation is a major issue, especially quality drinking water. In many parts of the country there is arsenic contamination, which is harmful to health, and consumption of river water, which is often polluted. Household sanitation affects health via the spread of water-borne diseases.
A. Government Action Plan for Key Sectors

1. Human Development:

The GOB emphasized in its program for human capital development providing quality of education and ensuring equal access to affordable basic health and education services. The GOB intends to utilize internal resources as well as the help of IDB and other development partners to develop a comprehensive health and education facilities. Through its Health, Nutrition and Population Sector Program (HNPSP) (2003-2011), the Government will ensure access to quality health services for all, mother and child health care, and implementation of family planning. The GoB is committed to achieve Education for All (EFA) by 2015 and attaches highest priority to education sector. Hence, it intends to utilize internal resources as well as the possible assistance from IDB and other DPs to develop a more comprehensive health and education facilities. The GoB has also revitalized the micro-credit programs to further expand the social safety net programs for poverty reduction.

2. Energy & Power:

Energy and Power are prerequisites for higher economic growth, poverty reduction and social development. It has since declared its vision for power to make the country free from load shedding beyond 2010 and to make electricity available for all by year 2020. It has also given emphasis to energy sector (oil, gas and natural resources) by substituting imported energy by indigenous fuel, mainly natural gas, to encourage private sector/PPP to initiative in exploration, production, and distribution of oil and gas, thus attaining energy security by 2021.

3. Agriculture, Food Security and Water Resources:

Agricultural production is inextricably linked to nation’s water resources management that has been playing a major role in food production by way of irrigation during the crucial crop production system. The GoB has since adopted the National Agriculture Policy (NAP) with the aim to make the nation self-sufficient in food through increasing production of all crops especially by using appropriate technology. Hence, reaffirm its commitment to make the country self-sufficient in food by 2013.

4. Environment & Climate Change:

Disasters such as flood and cyclone have been a major hindrance for secured and safety life of people of Bangladesh. Global climate changes have since exacerbated the livelihood of the farmers and population living on the coastal areas. Land degradation, biodiversity loss, contamination, air and water pollution have created unprecedented pressure to the Government to adopt necessary but intelligent measures such as clean and renewable energy, effective farming/cropping tolerance technology to help alleviate the pervading effects treating to lives, food security and economic growth. The government has vigorously taken part in the international negotiations such as Copenhagen Accord for Climate Change and help to realize the goals under the Bali Action Plan.
5. **Transport & Communication:**

4.5 Bangladesh is a densely populated country with a population of 1,000 persons/sq km. Geographically, its location is very significant in terms of Asian continental surface connectivity, facilitating land transport across the continent. The Bangladesh Road Master Plan Study 2007 estimated the freight and passenger transport to grow at 6.4% per year for 2010-2015. The government via NSAPR II has since identified about 127 projects to implement within the next 5 years with a total cost of US$6.2 billion, to be further assisted with the coordination and participation of DPs.

6. **Digital Bangladesh & ICT Development:**

4.6 The Digital Bangladesh vision 2021 requires immediate and constant partnering with DPs to help shape a proper landscape of IT and multimedia super-corridor to help boost income generating activities and connecting Bangladesh to the world. The government realized the importance of "Humanware" knowledge development using ICT platform to further equip its institutional capacity. Under its ICT Policy 2009, it has committed to provide enabling environment for citizen information access and e-commerce, a network of pro-active and ready changed agents in the ministries, districts and Upazilas, hence, guidance and assistance from DPs can accelerate this journey.

**B. Governments Poverty Reduction Agenda**

4.7 The favorable impact of Bangladesh's limited economic intervention aside, the pace of poverty reduction in Bangladesh remains much lower than in faster-growing East Asian countries like China, Thailand, and Vietnam, which underscores the importance of higher growth for achieving even faster reduction in poverty.

4.8 Since 2002, GOB initiated the PRSP to pursue development objectives. The first full blown PRSP, titled 'Unlocking the Potential' was implemented during 2005-08, while the second PRSP 'Moving Ahead: National Strategies for Accelerated Poverty Reduction (NSAPR II) FY 2009-11' was approved by the Government in October 2008.

4.9 The previous Government's national poverty reduction strategy (NPRS) reaffirms that reducing poverty and accelerating the pace of social development are the most important long-term strategic goals. Built on the policy triangle of growth, human development, and governance, the NPRS aimed to make progress in (i) employment generation, (ii) nutrition, (iii) maternal health, (iv) quality of education, (v) sanitation and safe water, (vi) criminal justice system, (vii) local governance, and (viii) monitoring of results.

4.10 Good governance was to be fostered by reforming the criminal justice system, strengthening public administration, combating corruption, promoting local governance, and improving public expenditure management. This was envisioned by fostering partnerships between government, private sector, and civil society organizations to improve service delivery. Environmental management was an integral component of the NPRS. The NPRS includes specific measures to address the problems of air and water pollution in Dhaka and secondary cities and towns, reverse land degradation and salinity, preserve biodiversity, promote afforestation, and mitigate arsenic contamination of the groundwater supply.
4.11 As a result of vastly improved transport and communication networks, rural labor has become more mobile; farming has become more market-oriented; and the poor are now able to draw their livelihoods from a continuum of farm, off-farm, rural, and urban activities.

4.12 The current government, which came in office in January 2009, according to its election manifesto, seeks to speed up economic growth and poverty reduction while adapting to the impacts of climate change to transform Bangladesh into a middle-income country by 2021, the 50th year of the country’s independence. Aligning the strategy with its election mandate, the government’s policy framework under NSAPR II puts poverty reduction as the central issue of its development agenda as it prepares a long term Perspective Plan for 2010-2021 to reduce poverty to a "tolerable level" propelled by high growth and social justice. This vision is to be implemented initially through the NSAPR II, followed by two successive five year plans.

4.13 The five priority areas of the revised NSAPR II are maintaining macroeconomic stability and stabilising commodity prices, continuing effective actions against corruption; ensuring adequacy of power and energy; achieving significant reduction of poverty and inequality; and establishing good governance.

4.14 Sector highlights in the NSAPR II regarding Reducing Poverty and Inequality include:
   a. Pursuing labor intensive economic growth for accelerated poverty reduction;
   b. promoting decentralized growth with broad public participation, growth of rural towns and semi-urban areas;
   c. reducing population growth and reaping the benefit of demographic dividend;
   d. focusing on women's advancement and rights;
   e. Investment in infrastructure, creation of employment opportunities in the lean (i.e. post-harvest) periods, bringing vibrancy in agriculture and rural life;
   f. Expanding and strengthening safety nets programmes for the poor.

4.15 Resource requirement for the totality of expanded activities and programs in the NSAPR II are estimated at US$4.16 billion/year, which exceeds the usual level of foreign assistance ($2-2.5 billion a year) that the GOB receives from development partners;

4.16 The Government plans to continue its efforts to increase tax-GDP ratio by expanding the tax net and the revenue administration system would be overhauled, restructured and broadened to raise revenue flow.

4.17 Financial Sector Reform will continue and an enabling environment will be created to encourage PPP and FDI.

4.18 The government unveiled on August 30, 2009 the first stage of their strategy to alleviate the power crisis. The government will reportedly invite bids by September 10 for the installation of 17 diesel and furnace oil-run plants to generate 1,330 megawatts of electricity on a fast-track basis. The initiative to fast track solutions to the crisis is welcome, but an over-reliance on rental power solutions will ultimately prove to be costly. There are significant opportunities in replacing the old government owned power plants in Bangladesh. Also, the National Coal Policy needs to be finalized as soon
as possible. Bangladesh’s long-term energy policy must rely on rapid and efficient extraction of domestic coal reserves.8

C. Progress in Achieving MDGs

4.19 The government is currently preparing a long-term Perspective Plan (2010-2020) to lay out its development vision. To realize this vision, the government has begun implementing the Sixth Five Year Plan (2010-2015). Bangladesh’s second Poverty Reduction Strategy Paper – “Steps Towards Change: National Strategy for Accelerated Poverty Reduction II (NSAPR II)” – provides a framework for implementing the government’s agenda during FY09-FY11. While the timeframe is too narrow for comprehensive evaluation of progress toward the NSAPR II, using the 2005 Household Income and Expenditure Survey (HIES), the strategy provides evidence that Bangladesh made progress in reducing poverty and identifies three main challenges: poverty of women, regional inequality, and extreme and chronic poverty.

4.20 Regarding the Millennium Development Goals, the current trend indicates Bangladesh is well on track in achieving the MDG targets in the areas of hunger (Goal 1), net enrolment in primary education (Goal 2), gender parity in primary and secondary education (Goal 3), reducing child mortality and improving immunization coverage (Goal 4), rolling back malaria and controlling tuberculosis (Goal 6), and improved drinking water supply (Goal 7). The areas that remain in need of attention are poverty reduction and employment generation (Goal 1), increases in the primary school completion rate and adult literacy rate (Goal 2), creation of more wage employment for women (Goal 3), reduction of the maternal mortality ratio and increase in the presence of skilled health professionals at delivery (Goal 5), increase in correct and comprehensive knowledge of HIV/AIDS (Goal 6), increase in forest coverage (Goal 7), and coverage of Information and Communication Technology (Goal 8).9

4.21 Progress was reported since the implementation of the first NSAPR in 2005. All available projections point to a decline in poverty during this period. In the area of human development, having attained gender parity in primary and secondary education, Bangladesh is on track to achieving the targets of halving the number of people living below the poverty line. This progress was accompanied by substantial narrowing of the gender gap in neonatal, infant and child mortality (since 2003, infant and child mortality declined by 20 and 25% respectively, outstripping progress in other South Asian countries).10 Reversing past trends, women now live longer than men. The total fertility rate has been more than halved.

4.22 Maternal mortality and under-nutrition rates, though still high, are registering decline. The development of countrywide network of healthcare infrastructure in public sector is remarkable.11 Health, nutrition and population are intimately related and complementary to other sectors of the economy. Improvements in health and nutrition would translate into higher incomes, higher economic growth and decline in poverty. Moreover, increase or decrease of population size and change in the age composition has direct bearing on socio-economic development. It is noteworthy that Bangladesh has made significant progress in the health outcomes and some of the major gains have been achieved through low-cost solutions.
4.23 Hence, it is crucial for the Government to tackle the poverty as one spectrum of engagement which has direct spill-off effects towards better education and healthcare services by employing a proper but relevant mechanism while effective on current scenarios facing the poor both in rural and urban areas as concerned. In other words, active community participation is key for all implementable projects to kick-offs smoothly and it is the government to ensure the assistance received from DPs and NGOs are fully triggered down to the needy by cutting unnecessary bureaucratic procedures along the delivery cycles.

4.24 Doing Business indicators have also shown improvements since 2005, and progress was recognized in global governance rankings and a recent National Public Perceptions survey. Political turbulence gave way to elections in December 2008 leading to a peaceful transfer of power. Key reforms during 2005-09 include: improved public financial management through adoption of a medium-term budget framework (MTBF) and generally sound public procurement regime; passage of a Right to Information Act; corporatization of state-owned banks; gains in regulatory reform; and increased local accountability through strengthened local government capacity and the revival of elected local councils.12

D. Enhancing Human Capital & Capacities

1. Human Capital

4.25 For Bangladesh, progressive social and human developments are the subset of good standard of living and instrumental to economic development. Access to affordable, high quality health care and education are not only essential to increase stock of human capital, but form an integral part of key performance indicators of the government policies towards country’s poverty dynamics.

4.26 There is general agreement that the number of institutions and enrolments have grown at all levels, but the quality of education has deteriorated, especially in institutions attended by the children of poor families. The declining quality of education reduces the employability of the learners creating a disincentive for the poor people to send their children to school. The commitment of the government is to achieve 100% literacy by 2014.13

4.27 The government has taken multi-faceted actions in accelerating the pace of providing primary and mass education. The compulsory primary education programme now covers the whole country. The government has moved to improve the quality of education through the introduction of primary school quality level standards, increased access, participation and completion of the primary education cycle. One of the important election pledges of the government is to enrol all children of 6-10 years age by 2011. The government also started a school feeding program under which a child is provided with 75 grams of fortified biscuits in eight poverty-stricken upazilas of three selected districts.14

4.28 Secondary education is provided through collaboration between the government and non-government providers within a regulatory framework. Poverty is a deterrent to secondary school access because, in addition to the tuition fees, there are high additional costs for transportation, uniforms, books and materials and private tutoring.
Retention of the students in secondary education is one of the major challenges. A positive development, as noted above, has been the closing of the gender gap in secondary school enrolment with 52.3% share of girl students. Stipends and exemption of tuition fees for girls in rural areas have made a difference.

4.29 The technical and vocational education and training (TVET) programmes offer courses of one to four years duration after the junior secondary level (class VIII). Vocational training institutes, polytechnics, commercial institutes, technical training centres and specialised institutes offer such courses. Stated government policies and goals are to increase the proportion of participants in TVET to 20% of the students enrolled in the secondary stage by 2020 from the present proportion of around 3%. The objectives of TVET are to expand it for the poor, particularly for adolescents, young adults, adults, males and females and make provision for TVET after class VI, VII and equivalent grades.\textsuperscript{15}

2. Human Capacity

4.30 Health, nutrition and population (HNP) are intimately related and complementary to other sectors of the economy. Improvements in health and nutrition would translate into higher incomes, higher economic growth and decline in poverty. Moreover, increase or decrease of population size and change in the age composition has direct bearing on socio-economic development. It is noteworthy that Bangladesh has made significant progress in the health outcomes and some of the major gains have been achieved through low-cost solutions.

4.31 Three criteria are prerequisites to determine the accessibility to proper and adequate health services namely the physical access (remote areas facing delays when admitting patients to hospitals located in urban areas), ability to pay (for care and transport) and most importantly, the level of knowledge and information that could have reach the poor on the availability of healthcare services.\textsuperscript{16}

4.32 It is fully noted that public health service (primary level) is still under-funded in Bangladesh at this juncture. As the cost of medical bills and ancillary costs are deterrent to the poors’ good heath care needs, it may have reflected lower attainment based on some of the NSAPR II key objectives to eliminate all kind of contagious diseases, increase life expectancy of citizens and reduce maternal mortality.\textsuperscript{17}

E. Governance & Poverty

4.33 Better governance in central and local public administration is critical for higher growth and faster poverty reduction. More-accountable, more-transparent, and more-predictable local government offers a better vehicle for economic and social progress. The governance reforms begun under the caretaker government must be sustained.

4.34 Although the overall governance setting is marked by poor law and order, systemic corruption, and a decline in civil service quality, several positive aspects of governance explain Bangladesh’s success in accelerating growth and reducing poverty over the past decade. Since the 1990s, the Government has increasingly supported private sector development through sound macroeconomic management and measures to open up the economy. The sustained use of public resources to support technological
progress in agriculture, rural infrastructure, health, and education, combined with progressive policies to ensure community participation have helped Bangladesh make a strong start in meeting the Millennium Development Goals (MDGs).

4.35 A dynamic private sector, a growing skilled labor force, a capable network of NGOs, and dedicated elements of the public service are drawing on their respective resources, talents, and capacities to address the tremendous array of constraints that are keeping the country from realizing its full economic and social potential. But Bangladesh faces even formidable challenges: the urgent need for improved law and order, better infrastructure, sound financial markets, quality social services that are accessible and affordable, clean urban habitats, and an enabling environment for private sector development.

4.36 Economic growth and poverty reduction continue to be frustrated by a lack of accountability, transparency, and predictability in the way government operates. In addition to corruption and poor law and order, key governance issues include excessive centralization of decision-making authority, lack of judicial autonomy, weak enforcement of contracts and inadequate access to commercial justice, rigid administrative orientation of the public service, scant use of modern governance technology (e.g., e-governance), and dearth of opportunities for ordinary citizens to participate in public decision making.

4.37 Albeit slow, the Government is making steady progress in addressing some broad governance issues, including improving fiscal management, financial management, project documentation and processing, public sector management efficiency, and corporate governance in key sectors. Recent measures by the Government to address core governance issues include the creation (and recent reorganization) of the Anti-Corruption Commission (ACC), strengthening of law enforcement agencies, establishment of regular courts in the hill districts where the majority of the country’s indigenous peoples reside, initial steps to separate the judiciary from the executive, and various civil and criminal justice reforms. The United Nations Convention Against Corruption (UNCAC) has been ratified, ACC legislation amended in line with the UNCAC, asset declaration made a requisite for public servants and lower-court judges, and grievance handling made part of line-agency procedures. The new Right to Information Act should result in a more transparent and accountable government.

4.38 The Government has initiated a national integrity strategy aimed at combating corruption in the Government. A broad consultation process has commenced for this purpose with the support of Bangladesh’s development partners.

4.39 The needs of the poor are well met in areas that have a diversity of service providers, more local decision-making, and active efforts to empower the weak and excluded segments of society. Creating space for private sector and NGO service provision, commercializing public sector activities, fostering public-private partnerships, and gradually decentralizing responsibilities to local governments have helped transform many poorly performing and unresponsive central government services into competitive, accountable, and demand-driven services that reach the poor and provide good value for money.
4.40 The civil service comprises over 1 million staff in 37 ministries, 11 divisions, 254 departments and 173 statutory bodies. While the size of the civil service has doubled over the past three decades, the quality of public administration has declined, as has the real purchasing power of salaries paid to civil servants. Weaknesses in public sector capacity stem from politicization of the civil service, poor quality of intakes, a generalist approach to administration, bureaucratic centralization, a culture of secrecy resulting in low accountability, lack of results orientation with an emphasis on process over efficiency, inadequate training and capacity building efforts, limited performance incentives, and weak performance monitoring. Technical and administrative constraints, combined with inadequate resources and limited authority, hamper efforts to build local capacity.

F. Civil Society and their Contribution towards Poverty Reduction

4.41 Forging robust public-private-NGO partnerships is essential to ensure that capacities to serve the poor are in place. Bangladesh has a flourishing civil society, including some of the world's most innovative NGOs and community-based organizations, and a diverse free press.

4.42 Strong partnerships with nongovernment organizations (NGOs) to deliver grassroots public services are clearly critical in filling the gaps in the existing poverty reduction agenda.

4.43 While labor-intensive manufacturing and services have boosted poverty reduction in urban areas, more progress was made in addressing absolute deprivation in rural areas, as measured by the improving trend in the rural poverty gap, due in large part to microfinance and other NGO supported initiatives targeted to poor rural women.

4.44 The microfinance sector in Bangladesh is one of the world's largest. Bangladeshi MFIs are best known for their pioneering, large-scale provision of microfinance services, principally tiny collateral-free loans to poor women (using social collection). In the macro context, micro-credit loans constitute around 5.5% of total private sector credit in the economy in 2005.20

4.45 The government also supports the microfinance industry through its own microfinance programmes as well as through strengthening of the regulatory framework relating to microfinance institutions. The Microcredit Regulatory Authority Act 2006 was introduced in July 2006 which has come into effect from 27th August 2006. The rules and procedures for regulating Microfinance Institutions have also been drafted but are pending finalisation.

4.46 The four largest MFIs; Grameen Bank, BRAC, ASA, Proshika account for 86% of the currently 20 million active borrowers. The total current market size in terms of loan portfolio is Tk 138,625 (US$ 1,980) million that includes Tk 36,336 (US$ 519) million from Grameen Bank, Tk 36,116 (US$ 516) million from BRAC and Tk 24,704 (US$ 353) million from ASA. The market share of portfolio of Grameen Bank is the highest (26.21%) followed by BRAC (26.05%) and ASA (17.82%).
4.47 Grameen Bank, established in 1983, provides microfinance to the poor, particularly the women who form a group with 5 likeminded persons having almost same socio-economic conditions. Loans are given to individuals and 97% of its 7.97 million borrowers are women. Over Tk 498 billion (US$8.74 billion) have been disbursed as of January 2010, with 2,562 branches operating in 83,458 villages. The borrower can use the credit in any productive activity of her choice. However, field interviews with rural poor generates consistent misgivings related to high effective interest rates 20% officially, though reportedly reaching up to between 24% to 36% on average) and borrower testimony reveals very low amount of job creation (accelerating local economic growth) resulting from micro-credit activities.  

4.48 The private sector has also grown rapidly, and foreign investors, while a small force in the total landscape, are growing in number and influence, particularly in the labor-intensive manufacturing, energy, and telecommunications sectors.
CHAPTER 5: CHALLENGES, ISSUES & RISKS TO POVERTY REDUCTION

5.1 Infrastructure investment needs to be boosted for faster economic growth and poverty reduction. Underinvestment over the years has resulted in acute deficiencies, especially in power and gas, ports, and roads, which are restricting business opportunities and access to public services. Consequently, the government has to substantially raise project implementation capacity in public sector agencies, lift ADP utilization, and carry out PPPs in infrastructure. To launch the PPP scheme, the legal framework for setting the responsibilities of stakeholders, for cost recovery provisions, and for compensation and redress mechanisms needs to be put in place quickly.

5.2 A combination of cheap labor and a supportive policy environment helped Bangladesh emerge as a major exporter of garments over the past two decades. However, overwhelming dependence on one industry has made the country’s export earnings acutely vulnerable to a global slowdown. Recent experience underscores the urgency of diversifying into other promising industries such as ceramics, pharmaceuticals, food processing, leather products, and spare parts for machinery and shipbuilding. An important requirement for such an export transformation is the necessary utility services such as power, gas, and water. Streamlining the export duty drawback system and improving customs and bonded warehouse facilities are also required.

5.3 Climate-induced disasters are endemic in Bangladesh, ruining the lives and livelihoods of millions of people, damaging infrastructure, and harming the physical environment. Climate change multiplies these inherent risks, undermining development prospects and eroding the gains in poverty reduction. Major efforts need to be mounted for mobilizing funds for adaptation measures, putting in place the right policy frameworks, and building institutional capacity.

A. Education

5.4 The quality of secondary education remains a major challenge. The curriculum does not relate to prospects of employment, entrepreneurship and practical skills. Examinations mostly test ability to recall information and do not test the ability to reason, or apply, analyze and synthesize information. Expansion in enrolment has not been matched by increase in physical capacity and human resources. Students both per class and per teacher are around 60. Almost half of the teachers do not have any professional training. Academic supervision of secondary schools is weak and almost non-functional.

5.5 The main issues regarding access to tertiary education are two-fold: (a) equity of access to universities and prestigious institutions leading to potentially high private return from higher education, and (b) the balance of enrolment in different fields. Gender disparity in higher education persists, despite progress at the primary and the secondary levels. In tertiary education, increase of enrolment of male and female students in professional degree education may be improved in accordance with the
domestic needs and also according to the needs of the countries importing human resources.

**B. Health, nutrition and population**

5.6 There are major differences in health conditions and health care consumption between different groups. Improvements in some areas are relatively more difficult to sustain while there are indications of stagnation in others. Though maternal mortality is declining, it is still one of the highest in the world. So is neonatal mortality. Bangladesh’s current challenge is to improve effective service delivery, health sector governance (especially in primary and maternal health services), and increase the number of trained birth attendants.

5.7 Though diarrhea has been managed quite successfully, still it is a great killer. Threats of HIV/AIDS, particularly from injectable drug users, pockets of malaria, kala-azar and filaria and multi-drug resistant TB are also emerging as challenges. Meeting the health needs of the fast growing urban poor including the slum dwellers will continue to pose major challenge. The development of appropriate strategies to handle the large number of informal semi or un-qualified health care providers (village doctors, drug sellers, kobiraj, totka, herbalist, faith healers, untrained traditional birth attendants etc.) catering to the needs of majority of the population particularly of poor and women poses some challenge. Centralized management system of the government health services and prevalent practices at the facility levels result in absenteeism of service providers. These are emerging as major obstacles to effective and efficient utilization of the countrywide health care infrastructure network.

5.8 Population pressure is a related concern. It is straining ecosystem services, such as safe water supply and habitat as well as other natural resources, and pressuring the government in terms of providing infrastructure, utilities, and other services. Although Bangladesh has made progress over the past two decades in nearly halving the total fertility rate to slightly above the population replacement rate, further progress is needed—by raising investment in family planning and reproductive health—to push the fertility rate to below the replacement rate. Job opportunities will also need to be created for the large number of youths entering the job market each year.

**C. Agriculture**

5.9 The gain in poverty reduction may have eroded to some extent because of the sharp increase in the prices of rice and other essential commodities especially during the early months of 2008. Given the relatively high weight of food in the consumption basket (nearly 61% in rural areas and 45% in urban areas), high food prices during 2008 may have made the poor poorer and pushed some above the poverty line into poverty. Although the impact of the present global economic crisis in Bangladesh is relatively low, the growth of the real economy has been adversely affected including exports. The sensitivity has been heightened by the export led growth strategy that Bangladesh follows thereby affecting export related production and investment as well as softening of domestic demand. The GDP growth rate has fallen in 2009 leading to increased fiscal stress, unemployment, poverty, and deprivations especially for the vulnerable groups.
5.10 In addition, while approximately 90% of food stock is distributed by the private sector, once government stock is threatened, collusive behavior resulting in price increases and gouging takes place. Therefore it has been noted that keeping government/public food grain replenished remains important due to such serious effects.
CHAPTER 6: DONOR COORDINATION

6.1 Current contribution levels in Bangladesh by major donors ranges between $2 billion- 2.5 billion a year.

6.2 To further harness its commitment to the nation, the government and its development partners (DPs) via Joint Cooperation Strategy Group (JCS) (of which IDB is currently not a member) are blending efforts to coordinate and harmonise all actions and initiatives in support of the government to come up with proper poverty alleviation strategies that are critical for effective implementation throughout the nation.

6.3 It is also recognised that a lot more has to be done to improve the way the DPs can work together to increase the effectiveness of aid in Bangladesh. Despite some improvement perhaps on bilateral coordination/arrangement with the government, collectively, but among DPs, it posed significant challenge to deliver on the PARIS and ACCRA aid effectiveness commitments to date. In many sectors, most programme activities such as field missions are not well coordinated and there are varieties of funding mechanisms with many DPs operating separately. This fragmentation leads to overlap, duplication and high transaction costs for both Government and DPs.

6.4 Nonetheless, it is very important that the government to assume ownership and while the DPs are critically enhancing the capacity support to the Government, periodical assessment should be made available and, as such, the establishment of JCS is seen prerequisite to provide a platform to discuss strengths and weaknesses as far as the harmonisation of activities and reporting of results are concerned.

6.5 For the stakeholders among DPs, enhancing the use of country systems is a key commitment taken in PARIS. This would include among other things, strengthening country procurement and public financial management system more effectively to better address the probable delays in delivery channels to the poor. In return, this would reduce transactions costs resulting from uncoordinated development activities, a multitude of different programming and implementation mechanisms, as well as fragmented aid/programs budgets.

6.6 In that context, it is time for DPs and Government to choose the right ways (as in line with PARIS and ACCRA Declarations) to re-look at establishing mechanism to strengthen mutual accountability and inclusive partnership altogether.

6.7 Taking cognisance from the Bangladesh Development Forum (BDF) that was held in February 2010 in Dhaka, it has been agreed that the forum to provide necessary technical analysis and exchange of feedback to further harness the existing revised NSAPR II (2009-2011) into an effective implementation of NSAPR II (2011-2015). This in turn would be reflected into its Vision 2021 to turn Bangladesh into knowledge-based middle income country graduating from poor level undeveloped nation. Table 6.1 reflects some of the key targets based on Pro-poor Vision 2021 for Bangladesh.
Table 6.1- Key Targets (Vision 2021) People’s Republic of Bangladesh:

| • Secure and sustain annual level of GDP growth of 8% by 2013 and raise it to 10% from 2017; |
| • Bring down the percentage of disadvantaged people living below the poverty line to 15% by 2021; |
| • Ensure a minimum of 2,122 k. cal/ person/ day of food to all poor people and standard nutritional food to at least 85% of the population by 2021; |
| • Ensure 100% net enrolment at primary level by 2010, provide free tuition up to the degree level by 2013, attain full literacy by 2014, and ensure that Bangladesh is known as a country of educated people with skills in information technology; |
| • Achieve self sufficiency in food by 2012; |
| • Ensure living accommodation for the entire population by 2015, supply of pure drinking water for the entire population by 2011, and bring each house under hygienic sanitation by 2013; |
| • Eliminate all kind of contagious diseases and increase life expectancy of citizens to 70 years by 2021; |
| • Reduce maternal mortality to 1.5%, raise the use of birth control methods to 80%, and bring down infant mortality to 15 per 1000 live births by 2021; |
| • Change the sectoral composition of output with the share of agriculture, industry and services standing at 15%, 40% and 45% respectively in 2021; |
| • Reduce underemployment rate to 15% along with changing employment shares of agriculture, industry and services to 30%, 25% and 45% respectively in 2021; |
| • Generate 7,000 megawatt of electricity by 2013, raise it to 8,000 megawatt in 2015 and make provision to meet the expected demand for power of 20,000 megawatt in 2021. |

6.8 Regarding current development partners, the largest four, the World Bank, Asian Development Bank, DFID and JICA, have coordinated their intervention strategies quite effectively based on the government’s fifth 5-year plan and outlined in their respective strategies covering 2008-2010.

6.9 The ADB has a country allocation of $521 million a year, and as concentrated largely on education (primary, secondary, non-formal/ post-literacy), energy and infrastructure, but is also active in social safety net reform and expansion among other areas.

6.10 The World Bank retains its comparative advantage in infrastructure development (including the lion’s share of the mega $2.8 billion Padma Bridge project), along with health, nutrition population and micro-credit.
Table 6.2 - IDB Portfolio in Bangladesh (millions)

<table>
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<tr>
<th>SECTOR</th>
<th>ACTIVE</th>
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<th></th>
<th>TOTAL</th>
<th></th>
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<td>No</td>
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<td>US$</td>
<td>No</td>
<td>ID</td>
<td>US$</td>
<td>%</td>
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<tr>
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<td>7.04</td>
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<tr>
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<td>4</td>
<td>28.89</td>
<td>39.21</td>
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<tr>
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<td>0.00</td>
<td>9</td>
<td>10.98</td>
<td>14.40</td>
<td>9</td>
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<tr>
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<td>13.66</td>
<td>2</td>
<td>11.00</td>
<td>14.58</td>
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<td>3</td>
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<tr>
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Table 6.3 - Sector Distribution of IDB Portfolio in Bangladesh

6.11 As of October 2010, The Islamic Development Bank's current portfolio in Bangladesh (Table 7.2) contained 21 active projects for a total of nearly US$430 million. IDB's portfolio to date includes 69 interventions totaling over $777 million, with almost $366 million already disbursed. Sector distribution of interventions by total pecuniary amounts (Table 7.3) reflects a trend predominantly dedicated to transportation (30%), industry and mining (18%) and agriculture (16%), with education (9%) trailing fourth.
7.1 IDB is paving its way to make it significantly relevant in the arena of aid effectiveness and country programs based on one of its strategic thrusts to alleviate poverty of member countries. Its willingness to work in tandem with other DPs and the way it does business to better address the development challenges in Bangladesh can prove to be crucial moving forward.

7.2 It is anticipated that the role of NGOs and other development financial institutions, including IDB/ISFD, can be further harnessed via joint and synergetic poverty efforts with the local governments to provide necessary assistances at the district/upazilla level.

A. Consultation with Development Partners

7.3 Current gaps in donor concentration/potential areas of exploration for IDB intervention focus have been identified by an IDB/ISFD team in the field, in consultation with GOB Planning Commission, UNDP, DFID, World Bank, ADB, JICA, WFP, USAID, AUSAID, European Commission, Swiss and Danish Agencies. Various constraints in donor priorities, comparative advantages and financing modes exist among the numerous aid partners in Bangladesh. Among areas identified that receive relatively less concentration of donor funds and feature less thoroughly in existing assistance programs, despite local needs, are Nutrition programs to counter malnutrition problems and lost labor productivity; Access to basic needs and Food Security; Rural electrification; Sanitation; Social Safety Net reform through assistance for capacity building; Vocational skills and training to enhance labor productivity and income; Poverty assessment in slums (where Census seldom reaches); and Local government capacity building for efficient distribution of assistance.

B. Consultation with the Government

7.4 According to the Planning Commission, among the key sectors with lesser concentration of donor attention along with a greater need for assistance in general, and from IDB in particular, are training and skill development for employment, and family and welfare planning and population management. The first of the two, skilled manpower and technical education, is a highly linked entry point covering a dual need. The first would be vocational training for domestic workers, employment generation and assisted manpower, while the second would be skill training for expatriate workers, generating remittances.

7.5 Regarding the latter, with the existence of such an important contribution to economic development and poverty alleviation arising from the inflow of remittances, as well as a dedicated Ministry of Expatriate Welfare and Overseas Employment, the strengthening of this key sector is needed. While there are many technical training centers that train would-be expatriate labor, the Islamic Development Bank may assist in capacity building, if not necessarily in the facilities themselves.
7.6 Additional suggestions from the statistics bureau remained largely consistent with such assessments, with emphasis on rural employment. As agriculture accounts for 70% of employment in Bangladesh, with a 20% contribution to GDP, rural areas are home to most of the population. **Non-farm activities in agriculture** is therefore another key priority for consideration of IDB strategic concentration, especially given the high number of landless farmers—constituting the majority—and employment opportunities needed to accommodate them.

7.7 Other key areas, despite their either active assistance underway by other development partners or upcoming featuring in government long-term prospective and 5-year plans in progress, include urban poverty and migration, illiteracy, educational enrolment, pro-poor growth strategies and private sector development for poverty reduction.

7.8 In summary, general consensus among key government ministries and relevant units highlight the need for additional assistance to **developing skills through technical and vocational training for local and expatriate employment generation and expansion, improve agricultural productivity, generate income via labor intensive non-farm manufacturing and contain the population.**

C. **Consultation with Local Communities**

7.9 There were also several field visits to Netrokona, Madhabpur Singair, Gaibanda, Rangpur, and Kurigram, where the IDB mission met with District Officials, local and national CSOs, NGOs and community and trade groups to further explore development and poverty issues facing their respective communities. In addition, a tentative scope of the potential IDB/ISFD interventions for poverty reduction in terms of geographical areas, sectors and themes was discussed and evaluated.

7.10 The following seven priority areas or greatest need and possible Bank intervention were identified almost unanimously by the local partners and stakeholders, especially through discussions with farmer groups that included the poor: Access to low-cost financing; Medical clinics or increase of doctor to patient ratio; Rural road construction; Cold storage for agricultural output; Sanitation; Marketing of commodities (mostly agricultural) as currently most profit is absorbed by middlemen; and Extension services (training and communal equipment).

7.11 When asked to prioritize through a pair-wise ranking exercise, the following sequencing of priorities for intervention to address group/ community needs has emerged from discussions with the local communities. Larger patterns and conclusions are compellingly drawn as a result.

1. **Gaibanda**

7.12 Among rural farmers groups interviewed in Udhyasaghar, Pallashbari, Gaibanda Upazilla, extension services (training and equipment) was chief priority among their needs, followed closely by both financing and cold storage facilities, sanitation, marketing, rural roads and clinics/doctors.

7.13 The foremost three priorities speak directly to the emerging trends in the general needs comprehension exercise; namely skill development for productivity and
higher incomes (extension services), preservation and protection of value of output (cold storage), and enhanced financing. Further, in a farmers group interviewed with several dozen members in attendance, only two had claimed patronage of local Grameen micro-credit services, with the majority expressing that the prevailing interest rates were too high, hindering expansion and thus higher incomes.

2. Rangpur

7.14 Here, in this North-Western Upazilla, also among rural farmers groups, Rangpur interviewees’ selections were largely consistent. Extension services (training) came out unanimously on top, as in Gaibandha, followed by mechanization/ equipment-based extension services, marketing, agro-industry and financing and medical clinics.

7.15 The identification of priorities in Rangpur can be generally grouped in two categories, with one far more emphasized over the other. The first, as seen above, comprising training and skill development, mechanization to increase efficiency, cold storage facilities to protect output and marketing to remove distortions and collect greater profits, all optimize their current and most immediate economic activities. The second, less prioritized grouping, comprising financing, agro-business generation and health clinics, all envision secondary or subsequent value-chain activities or future growth. While opting to develop their current productivity and income generated as a result over more medium term areas of expansion and diversification, their stated preferences for assistance speak to the immediate need perceived.

3. Kurigram

7.16 In this agricultural district, floods are regular occurrences, with irrigation embankment and river control a main need. Outside the main rice harvests, however, which span between September and December, then again between March and April, laborers are idle due to the lack of industry and depend on government for support and food (allocating 20 kg of rice per family per month), otherwise are reported to starve. Most are landless, asset-less and work for someone else (100 Taka per day). In addition, due to high cultivation costs for Jute, the main cash crop, it has greatly reduced in favor of rice and maze for subsistence. In Kurigram, as elsewhere, the need for processing plants was highlighted, most likely Jute mills, along with a general alternative skill-set or vocation to tide them over, in addition to social safety net strengthening and reform.

7.17 Based on field assessment and interviews, much correspondence can be identified between potential areas of IDB/ISFD intervention and direct needs identified by groups of the poor and ultra-poor in rural villages. These include expansion of extension services, equipment in agriculture and vocational training, cold storage facilities and marketing improvements where possible, and micro-finance expansion and alternatives.

D. Capabilities and Skill Development

7.18 Narrowing the economic gap between integrated and less integrated or lagging regions would require improving endowments and returns to the endowments in lagging regions. Investments to improve human capital of the poor in lagging regions would enable them to access better opportunities in growing regions and improving credit access to household enterprises would raise productive investment. Raising the returns to endowments involves improving the investment climate for nonfarm
enterprises in lagging regions, for which enhancing of the availability and quality of infrastructure, including roads and electricity, would be key.  

7.19 With tertiary education ideal for the private sector, and with JICA and the ADB comprehensively integrated in primary and secondary education, vocational training and skill development for employment remains fertile for Bank focus.

E. Agriculture

7.20 The NSAPR II identifies agriculture and rural development as a priority area for poverty reduction, food security, employment, and growth. The main policy thrust of the strategy is to use technology for productivity gains in agriculture, livestock and fisheries sectors. The NSAPR II highlights public-private partnerships, the potential for community-based methods in extension and fisheries management, and the recognition of the nutrition dimension of food security. In staffs’ view, the rural-non farm sector – necessary for sustaining growth and reducing reduction – receives insufficient attention.

7.21 IDB has considerable advantage and positive record in agricultural and rural extension services, financing seven local and regional facilities as part of the Greater Rangpur Rural Development Project in rural Bangladesh. Such successful capacity development interventions may be expanded in scope and reach and subsequently scaled up to meet greater needs across larger rural communities as needed.

7.22 It is further noted that accelerating growth with equity and social justice may be achieved by focusing on alternative and integrated activities, as such specific intervention at various levels (both upstream and downstream) along project value chain of agriculture (non-farm) activities may lessen the burden of chronic and extreme poverty. Cold storage, marketing and further processing is a dominant need highlighted by all stakeholders, including government and development partners.

F. Micro-Finance

7.23 Finally, while micro-credit has been acknowledged as more of a temporary solution rather than a long-term answer to poverty, with the need for banking and financial institutions and an increase in the avenues available for people to gain access to resources highlighted instead, it is nonetheless open for additional intervention. Bolstering such interim poverty reduction efforts, microfinance helps the poor increase their household income and economic security, builds assets and reduce vulnerability to financial shock, creates demand for goods and services and stimulates local economies. Excessive micro-finance interest rates are commonly cited issues among the rural poor.

7.24 A 2007 CGAP global survey on Islamic microfinance estimates the current outreach of Islamic Microfinance in Bangladesh to be around 0.52 million people (roughly 2.2% of the overall microfinance clientele in terms of membership numbers) who are served mainly by Rural Development Scheme (RDS) of Islami Bank Bangladesh Limited (IBBL) and a number of small NGOs. The interest and support indicated by local financial institutions as well as the response from the local population indicates that there is considerable scope for Islamic microfinance. The key to tapping the market
would be through offering a diverse range of competitive products and services on the one hand and provision of social oriented services on the other.

7.25 Depending on the most recent poverty mapping ISFD intervention will also be directed towards the most deprived areas, currently the North-West of the country, within what is known as the less-integrated region of Bangladesh (the poverty map will reportedly undergo considerable changes following its updating based on household surveys currently underway, and attention needs to be paid to it).
CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS

8.1 IDB has since played a supportive role based on country programming and aid assistance rendered to Bangladesh since becoming a member in 1975. Given the complexity of issues in alleviating poverty and the various segments of the population; what is required is a multi-pronged approach to development and reduction of poverty. The journey never stops but partnership is being strengthened to be able to find effective solutions to alleviate poverty at the level as targeted to be aligned with the government’s agenda to turn Bangladesh out of poverty ultimately in the near future. Part of the processes to further identify the key constraints for progressive and sustainable Bangladesh with a firmer grip on its poverty prevalence, the next step for IDB is to embark on a Member Country Partnership Strategy (MCPS) for the coming year ahead. Such initiative would be critical to align our strategy with the country development agenda/ poverty reduction efforts on a multi year basis.

8.2 “Progressive and Sustainable Bangladesh” is the ingredient towards poverty reduction and development aspects of the country and its people. The challenge is greater when the country continues to grow in population size and the pace for poverty efforts are unable to keep up with it. Hence, continuous effort from within the government agencies and development partners with specific target approaches may prove to be an effective tool to alleviate poverty incidence from deepening (i.e. progressive achievement based on pre-determined targets to reduce extreme and chronic poverty to a level acceptable by the government and its DPs). Nonetheless, the country is showing staggered improvement based on the findings as stated in the previous chapters. Despite lack of current information at this juncture, we would expect further improvement in poverty reduction and human development for the current year under review as compared to 2005 HIES information.

8.3 The Bangladesh CPA is an eye opener and helpful in narrowing our traditionally open-ended mode of assistance, in order to identify and hone IDB’s special value-adding core competencies in country intervention, while leveraging ongoing portfolios and lessons learned of our development partners, exploiting gaps and outstanding needs declared resoundingly from the field. IDB Portfolio analysis indicates that many of our interventions have been on transport, agriculture and water, sanitation and urban services. Our recommendation for intervention synergies along these lines, identified as optimal in the current needs associated with capability and skill development, agricultural development and Islamic Microfinance interventions. Such exploration of the poverty situation in Bangladesh, and IDBs due course of action, can be more comprehensively operationalized across the Islamic Development Bank Group through its next move: MCPS.
ANNEXES
ANNEX A: Population below national poverty line - Zila Level


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