Policy Study on

Financing Growth and Poverty Reduction: Policy Challenges and options in Bangladesh

Support to Monitoring PRS and MDGs in Bangladesh

General Economics Division, Planning Commission,
Government of the People's Republic of Bangladesh &
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The analysis, findings & recommendations of this study do not necessarily reflect the views of General Economics Division, Planning Commission and United Nations Development Programme, rather with which the duly research institution is concerned.

Foreword

The General Economics Division (GED) of the Planning Commission initiated Policy Studies relating to MDGs under its UNDP assisted project 'Support to Monitoring PRS and MDGs in Bangladesh'. Policy studies were felt necessary to support informed and evidence based policy and strategy making for development planning. In the first phase, three topics were selected for the policy studies. One of these three studies is 'Financing Growth and Poverty Reduction: Policy Challenges and Options in Bangladesh'. This study was outsourced to 'Human Resources Development Centre (HDRC)'.

The study examines various ways of financing economic growth and poverty reduction and identifies policy options and challenges for better budgetary management for financing economic growth and poverty reduction. It reviews different national policies and recommends a number of policies for higher economic growth and accelerated poverty reduction in the country.

The study presents a framework on prioritizing the policies for further interventions for attaining the MDGs. It suggests increasing the coverage of the Social Safety Net Programs (SSNPs) in lagging regions to minimize regional disparities, non-salary budget in education and emphasizes for initiating effective and decentralized management of primary and secondary education. It further recommends measures for productive investment of remittances and revamping the tourism industry, establishing an Agriculture Credit Foundation, attracting foreign investment, and strengthening collaboration between the public and private sectors in secondary education.

We hope that the study would be useful in policy making for improving budgetary management towards faster poverty reduction through accelerated economic growth. We express our appreciation to HDRC for carrying out the study on behalf of GED. We would also like to thank UNDP for supporting GED in undertaking this policy study.



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ABBREVIATION

ADB	Asian Development Bank
ADP	Annual Development Programme
AFD	Administrative and Fiscal Decentralization
AIDS	Acquired Immune Deficiency Syndrome
BADC	Bangladesh Agricultural Development Corporation
BANBEIS	Bangladesh Bureau of Educational Information and Statistics
BB	Bangladesh Bank
BBS	Bangladesh Bureau of Statistics
BDG	Bangladesh Development Goal
BDHS	Bangladesh Demographic and Health Survey
BIA	Benefit Incidence Analysis
BKB	Bangladesh Krishi Bank
BMI	Body Mass Index
BRAC	Bangladesh Rural Advancement Committee
BRDB	Bangladesh Rural Development Board
BSB	Bangladesh Shilpa Bank
BSCIC	Bangladesh Small and Cottage Industries Corporation
CAMPE	Campaign for Popular Education
CBN	Cost of Basic Need
CDF	Credit and Development Forum
CIU	Central Intelligence Unit
CPD	Centre for Policy Dialogue
CTC	Close to Client
DCI	Direct Calorie Intake
EPZ	Export Processing Zone
ESP	Essential Service Package
FBCCI	Federation of Bangladesh Chambers of Commerce and Industries
FCB	Foreign Commercial Bank
FEI	Food Energy Intake

ABBREVIATION

FSS	Female Secondary Stipends
GB	Grameen Bank
GDP	Gross Domestic Product
GED	General Economics Division
GO	Government Organization
GOB	Government of Bangladesh
GPS	Government Primary School
HES	Household Expenditure Survey
HEU	Health Economics Unit
HFWC	Health and Family Welfare Center
HIES	Household Income Expenditure Survey
HPSP	Health and Population Sector Programme
HDRC	Human Development Research Centre
HSC	Higher Secondary Certificate
ICHA	International Classification for Health Accounts
IDA	International Development Association
IGA	Income Generating Activity
IMF	International Monetary Fund
IMPACT	Innovative Management of Resources for Poverty Alleviation
TCT	Through Comprehensive Technology
IPO	Import Policy Order
JOAAG	Journal of Administration and Governance
LC	Letter of Credit
LTU	Large Taxpayers Unit
MDG	Millennium Development Goal
MOE	Ministry of Education
MFI	Micro-finance Institution
MOF	Ministry of Finance
MOHFW	Ministry of Health and Family Welfare

ABBREVIATION

MOPME	Ministry of Primary and Mass Education
MOU	Memorandum of Understanding
MOWCA	Ministry of Women and Children Affairs
MSR	Medical and Surgical Requisites
MSS	Medical and Surgical Supplies
MTBF	Mid-Term Budgetary Framework
MTMF	Medium-Term Macroeconomic Framework
NAB	National Advisory Board
NBR	National Board of Revenue
NCB	National Commercial Bank
NCTB	National Curriculum and Textbook Board
NGO	Non-government Organization
NGOAB	NGO Affairs Bureau
NHE	National Health Expenditure
NIP	New Industrial Policy
NIPORT	National Institute of Population Research and Training
NPFP	National Poverty Focal Point
NPI	Non-Profit Institution
NSAPR	National Strategy for Accelerated Poverty Reduction
NU	National University
O&M	Operations and Maintenance
ODA	Official Development Assistance
OECD	Organisation of Economic Co-operation and Development
OOP	Out of Pocket
OPEC	Organization of Petroleum Exporting Countries
PCB	Private Commercial Bank
PDP	Primary Distribution Point
PHC	Primary Health Care
PKSF	Palli Karma-Sahayak Foundation

ABBREVIATION

PRSP	Poverty Reduction Strategy Paper
QR	Quantitative Restriction
RAKUB	Rajshahi Krishi Unnyan Bank
REER	Real Effective Exchange Rate
RHC	Rural Health Complex
RNGPS	Registered Non-Government Primary School
ESP	Essential Services Package
SAR	Structural Adjustment Reform
SAARC	South Asian Association for Regional Co-operation
SDG	SAARC Development Goal
SHATHE	System of Health Accounts Total Health Expenditures
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
SSC	Secondary School Certificate
SSN	Social Safety Net
SSNP	Social Safety Net Programme
STD	Sexually Transmitted Disease
THE	Total Health Expenditure
TTC	Technical Training Center
TVE	Technical and Vocational Education
TVES	Technical and Vocational Education System
TVET	Technical-Vocational Education and Training
UNESCO	United Nations Educational, Scientific and Cultural Organization
UPL	University Press Limited
URAA	Uruguay Round Agreement in Agriculture
VAT	Value Added Tax
VGD	Vulnerable Group Development
WHO	World Health Organization
WTO	World Trade Organization

Executive Summary

Background and Objectives

The accompanying study "Financing Growth and Poverty Reduction: Policy Challenges and Options in Bangladesh" is part of the UNDP's policy research agenda on areas related to MDGs attainment in Bangladesh. In spite of some remarkable positive performance against some of the MDG indicators, aggregate poverty rates still remain high. The study is aimed at identifying the relevant policy options and challenges for accelerating economic growth and poverty reduction in the country.

The relationship between economic growth and poverty reduction is not always automatic. To achieve MDGs, robust economic growth is necessary but not sufficient. The financial allocation and source of finance play a crucial role in implementing the development endeavour and achieving macroeconomic objectives like growth, employment, and price stability. Investing in some sectors of the economy may contribute to rapid economic growth while others may contribute to poverty reduction. Again there are some sectors which may contribute to achieving both growth and poverty reduction.

The overall objective of the study is to identify the various ways to finance economic growth and poverty reduction strategies in Bangladesh for attaining better economic performance and realizing the objectives of the Millennium Development Goals. The study analyzes past and ongoing policy reforms and their implications to growth and poverty reduction and identifies relevant policy options and challenges for better budgetary management, and management of rural financing and agricultural credit, small and medium enterprises, microfinance, health and education sector financing, and financing of youth development and social safety net programmes.

Bangladesh's Successes and Challenges in MDGs-Attainment

Bangladesh's relative success in attaining the MDG-targets by 2015 are in the areas of reducing the incidence of absolute poverty, increasing primary school enrolment, attaining gender parity in primary and secondary schooling, reducing under-five and infant mortality rates, increasing life expectancy at birth, and reducing the number of underweight children. However, still there are challenges in the areas of increasing the share of the poorest quintiles in national income/consumption and reducing the prevalence of extreme poverty, reducing the dropout rate in primary and secondary education and increasing adult literacy rate, ensuring gender parity in tertiary education, reducing maternal mortality and increasing the proportion of births attended by skilled health personnel, addressing potential threats of the HIV/AIDS and developing strong mechanisms to monitor outbreaks of malaria in high-risk districts, and increasing the access to sanitary latrines in rural areas and urban slums.

Challenges and Options for Better Fiscal Management

Over the last two decades, the revenue-GDP ratio has increased but it is still very low even by the standard of the developing countries. The share of the revenue expenditure as a percentage of GDP increased as compared to increase of the development expenditure. External sources were the main source of financing earlier, but the dependence on external sources has gradually declined in the face of declining foreign assistance and government's reliance on domestic borrowing has increased. Increased reliance on domestic borrowing has the risk of increasing the rate of inflation or crowding out the private sector from the credit market. It may create pressure on the liquidity and ultimately on interests on loan and have worsening impact on investment, employment, and poverty reduction.

The recent budgetary policies reflect government's attention to achieve short term objectives rather than medium and long term gain. By lowering the size of the ADP, there has been less imperative for the infrastructure

development and it may have the result that investment will not boost up and it will not bring about positive gains in the long run in attaining growth and poverty reduction objectives. Interest payment has come out to be the biggest sector which may get the economy into a "long-term-loan-trap" and create an imbalance of the overall fiscal management.

The public expenditure of Bangladesh is characterized by low effectiveness of capital spending, inadequate attention to operations and maintenance, inappropriate employment and pay policies, and the existence of fairly large subsidies. The budgets are prepared mechanically by making incremental changes in the previous years' allocation and lack medium and longer term strategic objectives. The links between policies, planning and budgeting need to be improved. To ensure the efficiency of public spending, it is highly needed to improve the co-ordination and adjustment of expenditures between revenue and development budgets. Institutional framework in the budgetary management needs to be improved; returns to public investment in the SOEs have to be increased; the quality of implementation of the ADP has to be improved; and the efficiency and equity in the social expenditures has to be ensured.

Challenges and Options for a Better Monetary Management

The country has opted for following a selective credit control measures with expansionary credit policy to essential sectors and contractionary policies to luxury items. It has been following 'free-float currency' policy which appears to be a mere luxury with both export and import sectors of the country suffering from structural rigidities. Free float of Bangladesh currency along with erosion of dollar vis-a-vis other currencies of the baskets has placed the value of Taka more vulnerable in international market. While the credit control policies are in conformity to the economic realities of the country, this can not be said in respect of the exchange rate policy as well. A permanent Banking commission may be formed to supervise the issues of the banking sector in totality and BB may be a member of this Commission. An appropriate exchange rate policy needs to be formulated keeping in view the national and international situation. With this end in view, an expert committee consisting of foreign exchange experts drawn from trade and commerce, government officials, academicians, bankers and other relevant personnel can be considered on an urgent basis.

Challenges for the External Sector

The trade liberalization measures significantly opened the economy to the world market. The expanding global economy and the WTO agreements have created new opportunities and challenges for Bangladesh severely constrained by underdeveloped technology and low capital base. The domestic import-substitute industries have been increasingly facing tough competition following gradual reduction of duty rates. Export industries on the other hand have to survive and expand by competing with other countries.

Reform in the Governance is Critical for Growth and Poverty Reduction

The fundamental development constraints in Bangladesh are poor governance, corruption, law and order, public service delivery, and effectiveness of public expenditures to improve human development. The civil service remains relatively ineffective and unaccountable, and lacks proper motivation due to weak incentive system.
Institutional reforms are crucial in the management of the budget; anti-corruption policies and institutions; independent regulatory bodies to protect public interest; decentralization and devolution of decision making; and civil service reforms. It is important to improve the investment climate through supporting sectoral governance reforms and investments in the power sector, water and sewerage, roads, railways and urban development. The governance reforms and investments in health, education, sanitation, local government strengthening, and safety net approaches are crucial for attainment of the objectives of the Millennium Development Goals (MDGs) and improving the quality and efficiency of social service provision to the poor. Modernization of land administration procedures and greater clarity on land titles are also vital for ensuring good governance. One of most sensitive areas of governance reforms in Bangladesh is reforming the tax administration of the country. The stylized facts of Bangladesh revenue system are inadequate and stagnant revenue yield relative to GDP; high ratio of indirect to direct tax revenue; a high and constant level of dependence on imports

to achieve resource mobilization; narrowly- based domestic indirect taxes; virtual exemption of agricultural sector from taxation; potential regressivity; and low revenue productivity and high administrative cost.

Greater Caution is Needed to Reforming the SOEs

Immediately after independence, all the major industries of the country were nationalized under a philosophy of socialism and distributive justice and due to absence of a sound private entrepreneur class. However, the irony was that the bureaucracy and the administration had neither firm conviction on socialist oriented policy nor had expertise to run the state owned enterprise. As a result, most of the nationalized industries failed to attain the desired goal and saw corruption and mismanagement. Many of these industries turned into sick industries causing heavy burden on national exchequer. With the adoption of the New Industrial Policy 1982 Bangladesh effectively went into the process of privatization under Structural Adjustment Reform prescribed by the donor agencies. However, it has been revealed from a number of studies that privatization is not a "panacea". A successful economic programme requires extreme care in sequencing-the order in which reforms occur. Each country must carry out reform under their own term, at their own pace and any liberalization policy must take this into consideration that in this poverty-stricken country, closure of any industry would only increase poverty as there has been no safety-net. Actually there is an urgent need of a major review of the fate of all privatized units and see what kinds of problems of pre-privatization period exist, and what measure can be taken to improve the performance. The government should also decide whether certain SOEs need to be closed down rather than privatized. Besides, if any SOE can be made profitable by improving performance it would be better to run under state sector rather than to be privatized.

Challenges and Options in the Agriculture Sector

It is claimed that the reforms in the agriculture have played a crucial role in increased food grain production, increased access and use of agricultural inputs, improved food security and increased budgetary savings due to the withdrawal of subsidy. However, after almost one decade of the reform in Bangladesh, quality and pricing aspect of agriculture inputs have been major concerns. It is a matter of great challenge to achieve higher growth in agriculture and ensure food security, employment and income generating activities (IGAs) to all people irrespective of sex and age. To improve water use efficiency in rice production and shift to water efficient food crops is an important challenge. Another significant challenge is to strike a balance between ensuring adequate incentives for the numerous small producers and keeping food prices low for the poor consumers on the other. To raise income generating programmes and accelerate poverty reduction in rural areas, intra- household food entitlement between men and women and between adults and children has to be ensured.

Challenges and Options for Rural and Agricultural Financing

Two specialized banks viz., Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnyan Bank (RAKUB) and four Nationalized Commercial Banks (NCBs) played key roles in disbursement of agricultural and rural finance. The snags and loopholes in their operations in rural sector should be systematized and the process for disbursement may be simplified for benefits of the rural population. The FCBs and PCBs are mostly concentrated in the urban areas and their net-work has yet to reach the rural areas. A percentage of deposits of PCBs and FCBs, decided by Bangladesh Bank (BB) may be set aside for disbursement in the rural sector. Such funds may be routed through BKB or RAKUB under close supervision by BB for disbursement as rural credit. Alternatively, PCBs and FCBs may be encouraged to go under an arrangement with Non-government Organizations (NGOs) for disbursement of such credit in the rural areas. A percentage of deposits of PCBs and FCBs may be apportioned by BB for on-ward lending to specialized credit institutions for disbursement in the rural sector on usual terms and conditions of re-financing facilities.

Challenges and Options for SME Development

During the last two decades, the agriculture sector has undergone significant changes. Crop production rose significantly. Large percentage of population generated savings. But there has been no proper means of investing these savings in productive enterprises and money is normally being utilized in non-productive

purpose. The existing banking system is unable to collect this money and enable it to utilize in large-scale industries. Since small-scale industries do not require large capital, this surplus money of the rural areas could be utilized for the generation of small-scale industries. Besides, as the small-scale industries have little or no access to banking and financial institution, the small savings of rural population can be used for this productive purpose.

The rapidly opening up of the market has led the penetration of low cost products from the developed countries. As a consequence, the local SMEs dispersed throughout the country faced stiff competition and many of them failed to survive. Under the export-oriented strategy, the garment industry, received all possible incentives, but the SME industries acquired neither any incentive nor protection from competition. The growth of garments has affected the traditional local raw materials and market based industries as the later faced stiff competition from foreign goods. These SME industry - which faced closure were mostly agro-based and agro-supporting industries. The SMEs generate the lion's share of employment opportunities but contribute only 5.3 % of the GDP.

The SMEs do not have knowledge of commercial credit. Their asset position also does not enable them to raise capital from the financial market or from the share market. It is important to note that almost 50 % of bank deposits belong to small and medium depositors but, small and medium enterprises get only 30 % of the loans. Even the existing micro-credit institutions are also reluctant to lend money to the small industries. In this situation, the small industries mostly depend on non-institutional sources which are often inadequate and costly. The inadequate supply of electricity and gas particularly for industries located in the areas outside Dhaka and Chittagong is critical. This is particularly important for the district of the Southwest and Northwest regions. These districts do not enjoy gas supply and the entrepreneurs have to depend on diesel and furnace oil, which is costlier than gas. The diesel driven engines have to be converted into gas-driven engine which is quite expensive. The setting up of new gas-based industries needs clearance from the Ministry of Environment which is again an additional harassment and there have been hardly any instances of receiving clearance without bribe.

The government has taken up programme to provide financial assistance through commercial banks. In addition to the disbursement of loans, Bangladesh Bank has taken up a programme of Tk. 100 crore to provide loan to SMEs. At present, the scheme has been increased to Tk. 200 crore. International organizations have also come up with special funds for developing SMEs.

Challenges and Options for MFIs in Poverty Reduction

The micro credit providers are usually categorized into four major groups, viz. MF-NGOs, specialized institutions, banks, and administrative ministries or divisions. MF-NGO has the largest share of the market, while Grameen bank holds about 29 % (till December 2004) of total disbursement. There are now more than 1200 microfinance NGOs in Bangladesh among which approximately 200 NGOs have large micro credit programmes being dominated by four large MFIs namely Grameen Bank, BRAC, ASA, and Proshika. The large majority of borrowers (86%) are clients of these four MFIs.

Internal savings of members, micro savings, sponsor's equity, interest and service charge, loans from national agencies (mainly PKSF) and external donor grants are the major sources of funds for MFIs in Bangladesh. Among different sources of loan the trend in the external sources of fund for MFI-NGO is declining. MFIs are now less dependent on donor funds and of the total Revolving Loan Funds, member savings and service charge constitute more than half, and PKSF accounts for about 17%. The PKSF is known as 'apex organization' involved in loaning out donor and other funds to its partner organizations (POs) for on-lending as micro credit. Along with the financial assistance provision, PKSF also provides advisory services and training to NGOs for enhancing their institutional capacity.

Microfinance programmes benefit the moderately poor more than the destitute, and the impact can vary by income group. Most microfinance programmes target women, which may result in men requiring wife to get loans for them. The micro financial institutions use harsh and coercive methods to push for repayment and excessive interest rates. The interest rate charged by MFIs in Bangladesh is very high that poor people cannot afford

these rates and will perpetually remain in a poverty trap if interest rates are not lowered. The effectiveness of microfinance institutions in alleviating poverty is still in question and not free from debate. Government will need to assist NGOs in moving towards financial sustainability by enabling them to set interest rates that willcover costs and not establishing interest rate caps that will only ultimately lead to poor people having less access to credit.

Challenges and Options for Infrastructure Development

Infrastructure services are critical to poverty reduction and the achievement of the Millennium Development Goals (MDGs) in Bangladesh. Access to modern and improved infrastructure services also can directly improve health and education outcomes. However, the current state of infrastructure services will likely hinder the achievement of these goals.

Private-sector interventions have helped to extend services to some populations who were not receiving coverage from the public sector. But overall, compared to several of its neighbours in South Asia, Bangladesh has been less able to attract investment in private infrastructure projects. A range of public-private partnerships can be considered, including arrangements that involve some government funding, such as subsidies to private companies to accomplish identified social goals.

Most of the public sector enterprises providing infrastructure services in Bangladesh show weak financial performance, primarily for two reasons. First, prices do not cover costs. Second, operations are inefficient, particularly in relation to payment collection.The existing subsidies to infrastructure services in Bangladesh do not go to serve the country's poor people.One perceived constraint to private-sector participation in infrastructure and utility services in Bangladesh has been lack of access to medium term and long-term debt financing.

Private management and capital can substantially expand the coverage and quality of infrastructure services in Bangladesh. Increasing access to infrastructure services and improving their quality will be important factors in reducing poverty levels.

Bangladesh faces a challenging reform agenda. The country should begin by focusing on steps that can be taken in the next 1 to 3 years. Broadly, these steps are: carrying out basic reforms in the governance and corporate structures of existing public service providers; introducing and facilitating competition, including competition to provide service to new consumers and, where possible, existing customers; pricing key services, such as water and electricity, in a way that more closely reflects the costs of service provision; and developing a consensus that favours reforms and addressing the concerns of those groups who will be negatively affected by these necessary changes. These steps are interlinked. Indeed, reforms in all areas will be necessary to facilitate sustainable service delivery through the private sector and substantially improve the country's situation.

Challenges and Options for Financing in Health Sector

The proportion of public sector spending and the spending of MOHFW as a proportion of the Total Health Expenditure have been declining. This decline together with the continued absence of social insurance initiative and a minuscule private insurance market is compelling the households, particularly the rural poor, to bear a very large proportion of national health expenditure through direct or out-of-pocket payments. Therefore, budgetary allocations in the health sector need to be increased.

The existing health facilities operate with shortages of Medical and Surgical Requisites (MSR) and the patients have to obtain medicines from outside. Because most of the increased capital spending on health in recent years has been devoted to upgrading or constructing hospitals, more MSR and staffing will be required in the near future, and it will require concomitant allocation to MSR. The increased capital spending on health sector has to be matched by increased spending on MSR in the future.

The existing mode of MOHFW spending has to be altered in favour of future capacity creation of upazila and below level close-to-client facilities. Besides, the utilization of the allocation of expenditures in the lower tier health system needs to be examined. Access to facility based curative-services is not pro-poor, and there is considerable scope of improving the pro-poor bias of the public spending on health care services. Allocation needs to be increased in the prevention and control of non-communicable diseases considered to be a major public health threat in the future.

In spite of having significant achievement in the area of U5 and IMR and immunization coverage, there is still considerable regional variation of these successes. The government should ensure that its effort reaches all regions and that these progresses are sustained. Notable progress has been achieved in reducing the maternal mortality ratio, but the age structure of the population makes the challenge of maintaining the maternal mortality reduction rate harder, particularly given the widespread practice of the early marriage. Therefore, the country needs to improve effective service delivery and the health sector governance especially in the primary and maternal health services, and needs extensive training programme to increase the number of skilled birth attendants, which of course involves funding challenges. To have any effect on the high child and maternal mortality rates, carefully designed programmes must be prepared, staffs trained, logistics developed, and services delivered. It is necessary to consider training health and family planning workers at the ward level, allowing them to deliver services at the household level. If NGOs and the government work together, their combined efforts would yield greater results. The government has the infrastructure, the manpower, and the commitment to provide primary health care to Bangladesh. The NGOs can offer their field experiences, assist in training, and provide logistical support.

Challenges and Options for Financing in Education

Bangladesh's education system depends mainly on public financing both for revenue and development expenditures. Secondary education is a major exception where there is significant private financing. Though education is by far the largest recipient of budgetary funds in combined Annual Development Programme (ADP) and recurrent budgets, the total government expenditure on education is currently about only 2.5 % of GDP and 14.2 % of total government spending.

The expansion of primary education took place both within and outside the public sector, while the rapid expansion of secondary education occurred mainly through partnerships with private providers. The large expansion in primary enrolment eventually resulted in increased demand for continuing into the secondary level. To achieve rapid expansion of secondary enrolment, the Government should opt more seriously for even wider partnership with the private sector, which will allow lower per-pupil costs.

A high share of government education expenditure at all levels is directed to teachers' salaries and salary-related subsidies to non-government institutions and little funding is available for other inputs such as teaching materials supplies, in-service training, and maintenance. Construction is another large item in education budgets. In tertiary level, the allocation for research is really disappointing. Government should increase substantially the non-salary budget for education sector.

Accountability and incentive mechanisms and checks and balances for teachers and administrators are extremely weak. The Government's centralized administration and the lack of involvement of communities also handicap the efficiency and effectiveness of resources devoted to education. The Technical and Vocational Education System lacks links to the job market, has no impact on poverty reduction, and is almost entirely dependent on state subsidies. For the effective use of budget for education government has to take care of these issues seriously.

The quality of education is the main concern of civil society, parents, the public at large, and development partners. Improving the quality and expanding the coverage of post-primary education would call for significant additional resources. Besides, creating an effective, decentralized management of primary and secondary education is essential and the process might be started on a phased basis.

Challenges and Options for Youth Development

The population in the age group of 18-35 years is considered to be youth. They constitute one-third of the total population and estimated to be around 45 million. The Department of Youth Development under the Ministry of Youth and Sports has been given the responsibility for transforming the disorganized and unproductive youth into an organized, disciplined and productive workforce by providing vocational/skill development training and micro-credit support. The specific programmes include skill development training for the youth, self-employment and credit for the unemployed youth, poverty alleviation, and youth leadership training.

Establishment of youth enterprise through entrepreneurship development can fight against unemployment and

poverty and introduce self-employment, income generation and employment. The government in the eighties introduced youth development programme through small scale skill development training. Although the department has built infrastructure throughout the country, allocation in the budget for sustenance of the employment programme for the hard-core poor-youth is not sufficient.

According to the Department of Youth Development, the number of trained youths up to December 2004 was 2.7 million whereas only 1.4 million have been self-employed (55%), the remainder (45%) of the trained youth remain unemployed due to lack of capital and other logistic support. The number of unemployed female youth is four times than that of male youths. Lack of training, raw materials and requisite capital resource are responsible for this female youth unemployment that should be brought under the mainstream of development.

The Department of Youth Development leased out up to the size of 20 acres of khas ponds and tanks to the registered youth co-operative societies enlisted with the Department of Youth Development. Up to June 2007, a total of 12,083 ponds and tanks have been leased out amongst the registered youth co-operative societies all over Bangladesh and an amount of Tk. 338 million has been collected as lease money and deposited in the government treasury.

The total amount of Khas water-body in the country is estimated to be 1.2 million acre of which only 5% were given lease to the poor and the rest 95% are occupied by the grabbers. Lacs of youth who are trained on pisciculture from the training centres of Department of Youth Development are deprived of fish-farming because of lack of water bodies. More water bodies should be leased to the trained youths with micro-credit to initiate enterprises. There are large numbers of khas water bodies which may be allotted to the unemployed youths on a group basis. Cultivation of fish culture may be taken up for gainful employment of such youths.

While trained unemployed youths are producing the goods such as embroidery materials, dress, block, boutique, mushroom, chicks, milk, fishes etc., they are not getting the due price of the products, and middlemen often exploit them and take the advantages of whole production process. In most cases, it has been found that small entrepreneur even do not get the normal profit of their merchandise. Central/regional sales centre may be set-up for appropriate display and sale of products of the trained youths.

Challenges and Options for Social Safety Net Programmes

During the last two decades the government has been pursuing a number of social safety net programmes (SSNP) that include cash transfers programmes, food transfer programmes, micro-credit programmes, special poverty alleviation programmes, and other special poverty alleviation programmes. Available information show that there are 47 well recognized SSNPs that are adopted to address both income poverty and human poverty.

Although the extent of SSNP has been increasing over time, investment on safety nets as a share of public expenditure has been declining. The regional targeting has been one of the main approaches of the social safety net programmes of Bangladesh, but little evidence on effective addressing of regional issues is found in the overall SSNP design. According to HIES 2005, percentage of recipient household is lesser in the regions with high poverty incidence as compared to that in the regions with low poverty incidence.

The coverage of government safety net programmes has been inadequate to cover the needs of the poor and the benefits of the programmes are also shrinking due to high price of essentials. It is considered that the present SSNP coverage is not sufficient in the context of high prevalence of poverty. Reforms of various policy frameworks can expand SSNPs to cover more of poor in the country particularly through agricultural diversification. Proper distribution of "khas land" to the ultra and landless poor is necessary. It is necessary to recover khas land from land-grabbers and give permanent settlement of those to the marginal people.

National Policies that Need Vigorous Implementation

Based on review of a total of 16 national policies, the following policies are suggested to be given higher priority to ensure higher growth and accelerated poverty reduction outcomes:

Export Policy (2006-09):

- Encourage labour intensive export-oriented production
- Develop a skilled labour force to manage international trade
- Specific facilities to RMGs.

Monetary Policy (July-Dec. 2008):

- Private sector credit to agriculture, SME, and rural economy
- Direct increasing amount of remittances towards investment in productive sectors
- Develop an active secondary market for government securities
- Bringing appropriate changes in government debt management strategy to improve balance between short and long term borrowing.

National Youth Policy 2004:

- Lease out "khas" land and water body among the youth
- Set up youth training centre throughout the country with modern training equipment and facilities for training on entrepreneurship
- Provide facilities for marketing of the products of youth co-operative society, voluntary youth organization and self employed youth
- Opportunity for the youth for self employment in country and abroad.

Food Policy 2008:

- Proper allocation of available cultivable land and improved agricultural technologies; appropriate research and agricultural loan; investment in roads, canals, irrigation, rural electrification and market infrastructure.

National Jute Policy 2002:

- Emphasizing on activities related to jute product diversification and usages of jute products.

Housing Policy 1993 (Amendment 1999):

- Infrastructure: Increased investment for increasing service facilities, investment for safe-clean-arsenic free drinking water in rural and urban areas, investment for public transportation, encourage building technologies which are profitable and environment friendly, ensure community-people's participation in service design and construction.
- Housing, building materials and technology: Increase production of cement, brick, rod; encourage domestic production of building materials; encourage research institute to develop new materials.
- Finance: Take up national house loan plan and generate housing fund; spend resources from insurance, unit trust, commercial banks, and special financial institutions on loan; flexible tax package for land development organizations; introduce housing loans on soft terms; arrange housing finance for the poor; ensure finance to cooperative societies for house building of poor and middle class people; establish "Greehayan" banks.

ICT policy:

- ICT industry: Develop local software industry, develop ICT incubator; involve non-resident Bangladeshi and experts; organize dissemination of ideas, knowledge and establish business contract.
- Hardware industry: Incentives to multinational companies for employing local labour force; IT/ICT laboratories for producing skilled manpower; R&D by local initiatives.
- Poverty Alleviation: Utilize and use ICT in agro-based industries, research, dissemination, agri-business and agri-database.
- Implementation: Allocate 2% of ADP for ICT; new budget provisions for ICT in all ministries.

The final outcome of the disaggregation of sixteen policies by priority scales is shown in the following matrix table. Methodologically, it is worth noting that each relevant policy statement has been identified from the policy documents and given score in terms of their potential implications to growth and poverty-reduction. The rule that has been followed in scoring is that a statement with the "lowest level of implication" in achieving economic growth or reducing poverty has been given a score of 1, and that with the "highest level of implication" has been given 5. Each statement has a "growth score" and a "poverty reduction score". Ultimately, each of the 16 POLICIES has an "average growth score" and "average poverty reduction score" (details can be seen in Section 5.2).

Policies that need to be emphasized to attain higher growth and accelerated poverty-reduction:

		Economic Growth	
		5 (highest score)	**4 (second highest score)**
Poverty reduction	**5 (highest score)**	**Export Policy (2006-09)** • Encourage labour intensive export-oriented production • Develop a skilled labour force to manage international trade • Specific facilities to RMGs **Monetary Policy (July-Dec. 2008)** • Private sector credit to agriculture, SME, and rural economy • Direct increasing amount of remittances towards investment in productive sectors. **National Youth Policy 2004** • Lease out "khas" land and water body among the youth	**Monetary Policy (July-Dec. 2008)** • Develop an active secondary market for government securities • Bringing appropriate changes in govt. debt management strategy to improve balance between short and long term borrowing. **Food Policy2008** • Proper allocation of available cultivable land and improved agricultural technologies; appropriate research and agricultural loan; investment in roads, canals, irrigation, rural electrification, and market infrastructure.
	4 (second highest score)	**National Agricultural Policy (2007 Final Draft)** • Take steps to diversify products and explore potential markets abroad **National Youth Policy 2004** • Set up youth training centre throughout the country with modern training equipment and facilities for training on entrepreneurship.	**National Youth Policy 2004** • Opportunity for the youth for self employment in country and abroad **Housing Policy** • Infrastructure: Increased investment for increasing service facilities, investment for pure drinking water in rural and urban areas, investment for public transportations, encourage building technologies which are profitable and environment-friendly, ensure community people's participation in service design and construction.

Economic Growth			
		5 (highest score)	**4 (second highest score)**
	4 (second highest score)	• Provide facilities for marketing of the products of youth co-operative society, voluntary youth organization and self employed youth. **National Jute Policy 2002** • Emphasizing on activities related to jute product diversification and usages of jute products.	**Housing Policy** • Housing building materials and technology: Increase production of cement, brick, rod; encourage domestic production of building materials; encourage research institute to develop new materials • Finance: Take up national house loan plan and generate housing fund; spend resources from insurance, unit trust, commercial banks, and special financial institutions on loan; flexible tax package for land development organizations; introduce housing loans on soft terms; arrange housing finance for the poor; ensure finance to cooperative societies for house building of low and middle class people; establish "Greehayan" banks. **ICT policy** *ICT industry:* Develop local software Industry, develop ICT Incubator; involve non-resident Bangladeshi and experts; organize disseminations of ideas, knowledge and establish business contract. *Hardware industry:* Incentives to multinational companies for employing local labour force; IT/ICT laboratories for producing skilled manpower; R&D by local initiatives. *Poverty alleviation:* Utilize and use ICT in agro-based industries, research, dissemination, agri-business and agri-database. *Implementation:* Allocate 2% of ADP for ICT; new budget provisions for ICT in all ministries.

1

Chapter

Introduction

1.1. Background and Objectives

Government of Bangladesh has a project called "Support to Monitoring Poverty Reduction Strategies and MDGs in Bangladesh" with financial assistance by United Nations Development Programme (UNDP). The project has a dual approach for gearing-up the MDGs attainment. The approaches are: (i) MDGs-aligned national strategies, policy research, analysis and advocacy; (ii) Localization of MDGs at the sub-national levels. The project aims to undertake extensive policy research on areas closely related to MDGs attainment in Bangladesh. The project expects to provide government with better options and enable it to formulate more track-able national development plans geared towards the 2015 targets. In 2007, the MDGs reached the midpoint of its 2015 targets. In case of Bangladesh, in-spite of some remarkable positive performance against some indicators, aggregate poverty rates still remain high. Thus, it is high time to look forward for other options and means to accelerate economic growth and poverty reduction.

The positive relationship between economic growth and poverty reduction is not automatic. To achieve MDGs, robust economic growth is necessary but not sufficient. The sufficient condition would imply that growth is inclusive. In order that the distribution of GDP can be ensured to all, it is necessary to ensure participation of all members of the labour force to enlarge the GDP. The financial allocation and source of finance play a crucial role in implementing the development endeavour and achieve macroeconomic objectives like growth, employment, and price stability. Insulating the macro-economy from undesirable unemployment, price instability and some vulnerability remains a formidable task.

In Bangladesh, development expenditures have been growing in various proportions in agriculture, rural development, water resources, infrastructure, education and health sector. Each of these sectors impacts growth and poverty reduction differently. Allocation on agriculture, rural development, health, education and social safety net impacts poverty reduction at a higher rate and impacts economic growth too. Investment in infrastructure development, capital intensive industrialization, and some service sectors may boost up economic growth at a higher rate but may not impact poverty reduction at the desired rate.

Sources of financing development activities have been domestic as also foreign. Since domestic/national resources fall short of the requirement, development partners play an important role in Bangladesh's development endeavour. Again different domestic resource mobilization efforts have different impacts on the living condition. Under a proper framework the government, development partners, the NGOs and the private sector can be knitted for the common objective of achieving Millennium Development Goals.

The broad objective of the study is to identify the various ways to finance economic growth and poverty reduction strategies in Bangladesh for attaining better economic performance and realizing the objectives of the Millennium Development Goals. The **specific objectives** are to:

i. Review the source of finance of public expenditure and private sector investment.

ii. Analyse government expenditure and private investment at sectoral level.

iii. Review the fiscal and monetary policy in quest of developing a conducive framework for financing economic growth and poverty reduction.

iv. Review the financing policies of the government related to social development and poverty (including policies related to health, education, women, children, indigenous people, etc.).

v. Explore the challenges and options for resource mobilization to finance public expenditure and private investment.

1.2. Methodology

Analyses presented in the accompanying study basically involved review of relevant literatures and national policies. At the start of the study, a launching meeting was arranged with presence of the relevant members of the General Economics Division (GED) of the Planning Commission and the UNDP. The methodology and work

plan were presented in the launching meeting. Following the meeting, the objectives of the study were finalized after long hour repeat brainstorming sessions of the core research team members. In congruence with the objectives of the study, a draft outline for the study and a framework for reviewing the national policies were prepared. While preparing the outline, the following issues were considered: analyzing past and ongoing policy reforms and their implications to growth and poverty reduction; reviewing revenue and development expenditure patterns in the national budgets, their sources and trends, identifying challenges and options; analyzing source of rural financing and agricultural credit, related policy environment and implications, identifying future challenges and options; analyzing sources of financing of small and medium enterprises, related policy environment and implications, identifying required policy changes; analyzing implication of microfinance to poverty reduction and options and challenges; identifying options and challenges for financial infrastructure development; reviewing sources of health and education sector financing and identifying challenges and options; and financing of youth development and social safety net programmes, and identifying options and challenges.

A **Working Group** was formed comprising the core research team members, officials from the General Economics Division of the Planning Commission, Ministry of Finance, Bangladesh Bank, National Board of Revenue (NBR), Board of Investment (BOI), Ministry of Industries, Ministry of Agriculture, Ministry of Education, Ministry of Health and Family Welfare, Ministry of Women and Children Affairs, PKSF, FBCCI, BRAC, and Grameen Bank. A meeting of the working group was arranged and the outline of the study was finalized after review by the working group members.

2

Chapter

Overview of Growth and Poverty Reduction

2.1. Overview of Growth Scenario

2.1.1. Historical Overview

According to IMF and World Bank estimates Bangladesh ranks as the 58th largest economy in the world in terms of GDP. Despite its relatively modest GDP standing, Bangladesh is considered to be a developing country and ranks amongst the poorest in the world. The first decade of Bangladesh as an independent country was a tumultuous one and faired rather poorly on the key macroeconomic variables. For instance real GDP growth in 1974 was minus 4.1%, which can partly be attributed to the devastating famine of 1974.

The periods from 1981-85 and 1986-90, both experienced GDP growth rates of 3.7% annually. However, per capita GDP growth rates were only 1.6% and 1.5% respectively for the same periods. This is due to the fact that the population of Bangladesh during that period was very high (90-110 million) and the annual growth rate of population was 2.2%.

The decade from 1991-00 faired considerably better compared to the previous one. The growth rate of GDP averaged 4.8% for the entire period with a growth rate of 5.2% for 1996-00. But the most important feature to note about this period is the fact that the per capita GDP growth almost doubled to 3% compared to only 1.6% a decade earlier. This has indeed been a remarkable achievement and can partly be attributed to the declining population growth rate over that period which is quite extraordinary in itself. The growth rate was 1.8%, coming down from 2.2% in the 1980s and reaching as low as 1.6% during 1996-00.

Table 1: Annual average growth rate at constant 1995/96 prices*

Indicators	Five-yearly Average				Ten-yearly Average		Recent Years
	1981-85	1986-90	1991-95	1996-00	1981-90	1991-00	2001-05
GDP	3.7	3.7	4.4	5.2	3.7	4.8	5.9
Population	2.1	2.2	2.0	1.6	2.2	1.8	1.35
Per capita GDP	1.6	1.5	2.4	3.6	1.6	3.0	3.7

Note: *Growth rate shows compound growth rate.

Source: Data up to 2000 are taken from Mahmud W in Ahmed S and W Mahmud (eds.), 2006. Data for 2001-05 are estimates based on data of Economic Review 2007 and 2008.

It is evident from Table 1 that GDP growth has experienced an upward trend in the long run, closely followed by the growth in GDP per capita. The population growth rate, after an initial increase to 2.2% in 1986-90 from 2.1% in 1981-85, has been declining steadily ever since. The recent data are even more promising. During 2001-05, GDP growth rate has averaged 5.9% annually and the population growth rate has come down to 1.4%. This has resulted in per capita GDP growth at 3.7% per year.

2.1.2. Contribution of Different Sectors to Growth

The economy of Bangladesh can be subdivided into three broad sectors which directly contribute to its GDP: agriculture, industry, and services. Although Bangladesh still remains predominantly agrarian, the share of the agriculture sector has been declining steadily over the years. The agriculture sector accounted for only 21% of GDP in 2005-06 compared to 25% a decade earlier. This is in sharp contrast to 1975-76 when the agriculture sector contributed to almost half of the total GDP.

Table 2: Structure of output, % of GDP at current prices

Sectors	1975 - 76	1980 - 81	1985 - 86	1990 - 91	1995 - 96	2000 - 01	2005 - 06
Agriculture	49.3	44.2	41.3	37.6	24.6	24.1	21.0
Mining and Quarrying	0.0	0.0	0.0	0.0	1.0	1.0	1.1
Industry (Manufacturing)	10.2	10.5	9.7	9.8	14.8	15.0	16.4
Large and medium scale	4.4	5.4	5.2	6.3	10.6	10.7	11.7
Small scale	5.8	5.1	4.5	4.1	4.2	4.3	4.8
Construction	2.5	4.7	5.4	6.0	6.6	7.8	8.8
Services	38.0	40.5	43.6	46.5	48.9	48.4	48.9
	100.0	100.0	100.0	100.0	96.0	96.3	96.3

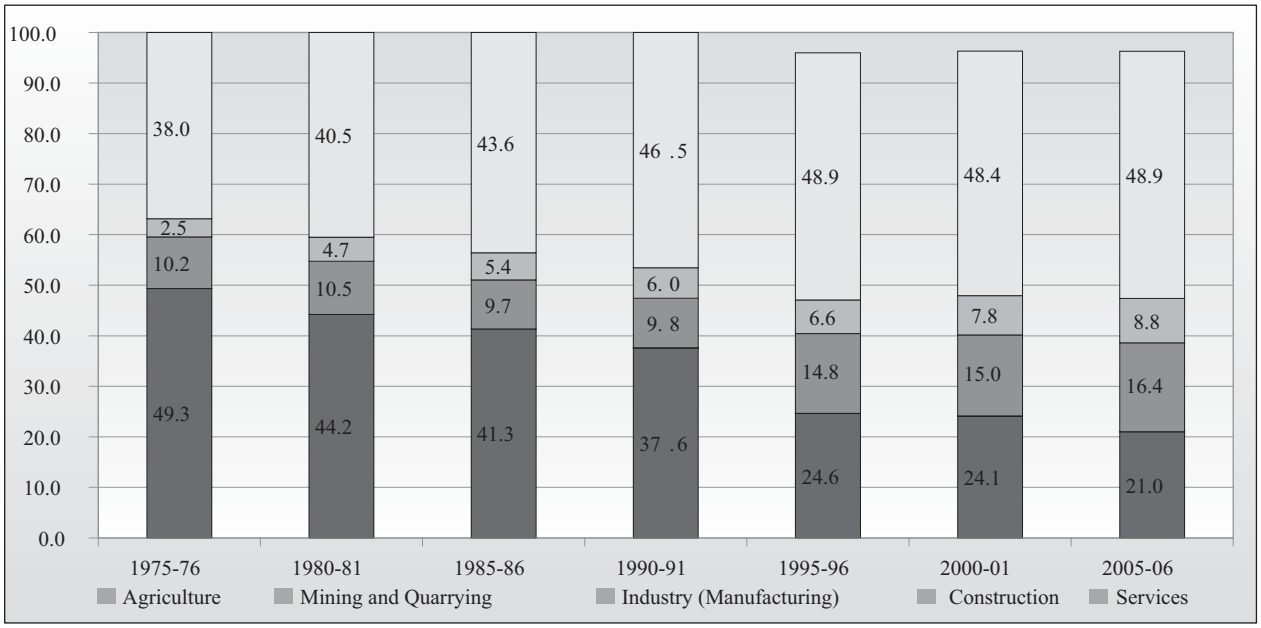
Note: (i) Up to 1990-91, the data are inclusive of import duty; in subsequent years import duty was put under a different section (hence the data not adding up to 100%). This implies that the data following from 1995-96 are slightly underestimated but the impact of this on the overall trend is negligible.

(ii) The Agriculture sector includes Agriculture, Forestry and Fishery. Services include: Electricity, Gas and Water; Wholesale and Retail Trade; Hotel and Restaurant; Transport, Storage and Communication; Financial Intermediations; Real Estate, Renting and other Business Activities; Public Administration and Defence; Education; Health and Social Work and Community, Social and Personal Services.

Source: Bangladesh Economic Review 1999, 2006 and 2007.

Mining and Quarrying, Manufacturing and Construction are all subsectors of the broad Industrial sector. The contribution of Mining and Quarrying to total GDP was of no account till 1990-91, and the increase in subsequent years was only marginal and almost negligible when compared to total GDP. Manufacturing and Construction, on the other hand, have both exhibited marked increases over the same period. Large and medium scale industries have grown quite steadily during this period while the contribution of small scale industries has been rather volatile. Though the share of small scale industries increased from 4.3% in 2000-01 to 4.8% in 2005-06, it has actually gone down when compared to 1975-76. This can give an indication of the rise in income inequality that has taken place over this period.

Figure 1: Structure of output, % of GDP at current prices



It is the services sector which has now outstripped the agriculture sector to become the single most important contributor to GDP (in a broad sense). The subsectors which played the most important role in 2005-06 are the following: (i) Wholesale and Retail Trade -14.1%; (ii) Transport, Storage and Communication - 10.1%; (iii) Real Estate, Renting and other Business Activities - 7.9%; and (iv) Community, Social and Personal Services -7.3%.

This bears testimony to the fact that the economy of Bangladesh has gradually undergone a structural transformation, shifting its resources from agricultural to non-agricultural sectors.

2.2. Overview of Poverty Reduction Scenario

2.2.1. Measurement of the Incidence of Poverty in Bangladesh

The first Household Expenditure Survey (HES) in Bangladesh was carried out in FY1973-74. In subsequent years, a number of HESs was undertaken; the latest one was conducted by Bangladesh Bureau of Statistics (BBS) in 2005. For HESs carried out up to FY1991-92, the measurement of the incidence of income poverty was based on Food Energy Intake (FEI) and Direct Calorie Intake (DCI) methods. FEI method computes poverty lines by finding the value of per capita consumption at which a household can be expected to fulfil its calorie requirement. DCI method is used to calculate the incidence of absolute poverty where population or households fall below a threshold calorie intake (2122 kilocalories per person on a daily basis). Similarly, a person having daily calorie intake of less than 1805 kilocalories is considered to be in hard-core poverty. HES conducted in FY1995-96, the BBS, for the first time adopted the Cost of Basic Needs (CBN) method for constructing poverty lines. Similarly, in the HIESs of 2000 and 2005, CBN method was used. With this method, poverty line is defined as the value of consumption needed to satisfy minimum subsistence needs (food as well as non-food consumption). These three methods are summarized in Table 3.

Table 3: Alternative methods for measuring absolute income poverty in Bangladesh

	Direct calorie intake	Food energy intake	Cost of basic needs
Indicator	Calorie intake	Expenditure (or income)	Expenditure (or income)
Threshold	2,122 kilocalories/ person-day	Expenditure level at which household members are expected to reach calorie intake threshold	Expenditure level at which household members are expected to meet basic needs (food and non-food).
Measure	Head-count or other	Head-count or other	Head-count or other
Strengths and weaknesses	Indicator not representative; threshold consistent (for monitoring calorie intake)	Indicator representative; threshold not consistent (for real expenditures)	Indicator representative; threshold consistent (for real expenditures)

Source: World Bank 2002.

2.2.2. Changes in Incidence of Poverty

The incidence of poverty registered a declining trend in 2005 as compared to 1991-92 based on CBN method. In terms of upper poverty line, the rate of poverty at the national level declined from 56.6% in 1991/92 to 40.0% in 2005 (Table 4). During this period, the compound poverty reduction rate per year is recorded at 2.1%. The rate of reduction in urban area (2.4%) is faster than that of the rural area (1.8%). During the periods 1991/92-1995/96 and 2000-2005, poverty reduction rate is faster in the urban area than that of the rural area. However, it is interesting to note that during 1995/96 to 2000 poverty has increased from 27.8% in 1995/96 to 35.2% in the urban area.

The trend of the incidence of poverty based on CBN method considering lower poverty line is similar to that of the upper poverty line. The rate of change is higher in case of lower poverty line than that of the upper poverty line.

Table 4: Trends of poverty based on CBN method

Residence	Year				Annual Change (%)*			
	1991/92	1995/96	2000	2005	1991/92 - 1995/96	1995/96 - 2000	2000 - 2005	1991/92 - 2005
Upper poverty line								
National	56.6	50.1	48.9	40.0	-2.20	-0.40	-3.64	-2.07
Rural	58.7	54.5	52.3	43.8	-1.40	-0.80	-3.20	-1.79
Urban	42.7	27.8	35.2	28.4	-7.0	5.40	-3.80	-2.36
Lower poverty line								
National	41.0	35.1	34.3	25.1	-2.80	-0.46	-5.40	-2.79
Rural	43.7	39.4	37.9	28.6	-2.0	-0.80	-5.0	-2.50
Urban	23.6	13.7	20.0	14.6	-8.40	9.20	-5.40	-2.71

Note: *Annual change shows simple growth (reduction) rate.

Source: HIES 2005 and estimated

According to the DCI method, in 2005, the incidences of absolute poverty were 40.4%, 39.5% and 43.2% in national, rural and urban areas respectively. The corresponding rates of the incidences of hardcore poverty were 19.5%, 17.9% and 24.4% respectively (Table 5).

Table 5: Trends of poverty based on DCI method

Residence	Year				Annual Change (%)**			
	1991/92	1995/96	2000	2005	1991/92 - 1995/96	1995/96 - 2000	2000 - 2005	1991/92 - 2005
Poverty line 1: Absolute poverty (2122 k.cal/person/day)								
National	47.5	47.5	44.3	40.4	0	- 1.4	- 1.8	- 1.07
Rural	47.6	47.1	42.3	39.5	- 0.21	- 2.0	- 1.4	- 1.21
Urban	46.7	49.7	52.5	43.2	1.20	1.20	- 3.6	- 0.50
Poverty line 2: Hard core poverty(1805 k.cal/person/day)								
National	28.0	25.1	20.0	19.5	- 2.0	- 4.0	- 0.60	- 2.14
Rural	28.3	24.6	18.7	17.9	- 2.60	- 4.8	- 0.80	- 2.64
Urban	26.3	27.3	25.0	24.4	0.75	-1.68	-0.40	-0.50

Note **: Annual change shows simple growth (reduction) rate.

Source: HIES 2005 and estimated

The incidence of absolute poverty shows a declining trend in 2005 as compared to 1991/92. At the national level, the incidence of poverty decreased from 47.5% in 1991/92 to 40.4 % in 2005. During this period, the compound poverty reduction rate per year is recorded at 1.07%. The reduction rate in rural area is faster than that of the urban area and the pace of poverty reduction in the urban area is not at all satisfactory (only 0.5% per year). During the same period, the rate of reduction of the incidences of hardcore poverty is higher than that of the absolute poverty in both nationals, urban and rural areas.

2.3. Growth-Poverty Nexus in Bangladesh

The rising economic growth rate of the 1990s has had a positive impact on poverty reduction. This has already been well documented in the previous section. But the increased growth and declining poverty has not brought about a more equitable distribution of income. In fact, the distribution of income has become more unequal over time with the rich getting richer and the poor getting poorer.

2.3.1. Measuring Inequality

The Gini coefficient is the most widely accepted measure of income inequality and is also used here for denoting the level of inequality in Bangladesh. It is defined as a ratio with values between 0 and 1: the higher the value the greater the inequality, with 0 corresponding to perfect equality and 1 to perfect inequality. The trend of the Gini coefficient over the last two decades is shown in Table 6.

Table 6: Distribution of income and Gini Index during 1983/84-2005

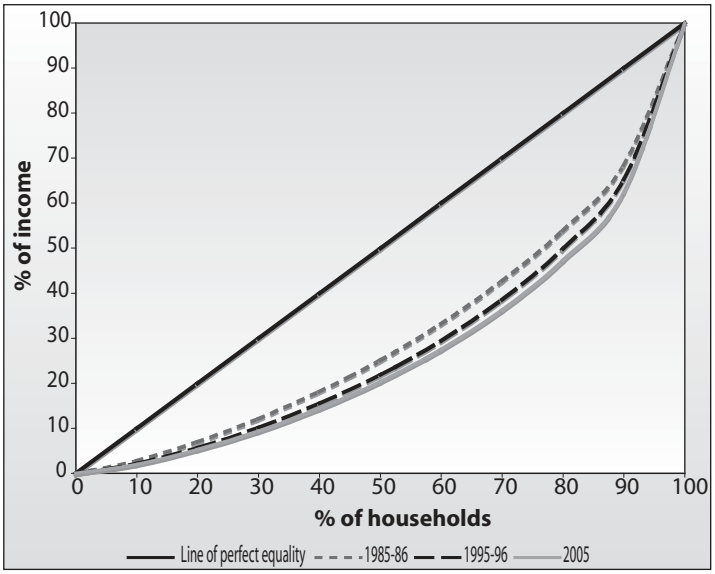
Income Distribution	1983-84	1985-86	1988-89	1991-92	1995-96	2000	2005
Bottom 5%	1.2	1.2	1.1	1.1	0.9	0.9	0.8
Bottom 10%	2.9	2.8	2.6	2.6	2.2	2.4	2.0
Bottom 20%	7.2	7.0	6.6	6.5	5.7	6.2	5.3
Bottom 50%	26.3	25.1	24.5	24.5	21.9	22.1	20.3
Top 5%	18.3	21.3	20.5	18.8	23.6	28.3	26.9
Top 10%	28.3	31.5	31.0	29.2	34.7	38.0	37.6
Top 20%	43.4	46.1	46.2	44.9	50.1	52.0	52.7
Top 50%	73.7	74.9	75.5	75.5	78.1	77.9	79.7
Gini Index	0.360	0.370	0.379	0.388	0.432	0.451	0.467

Source: HIES 1991/92, 2000, and 2005.

What is most discernible from the Table is the fact that inequality in the distribution of income has increased steadily over time as indicated by the rise in Gini coefficient; it has gone from 0.360 in 1983-84 to 0.467 in 2005. A closer look at the composition of income distribution makes this more apparent. The share of the bottom 5% of the population has decreased from 1.2% in 1983-84 to 0.8% in 2005 whereas the share of the top 5% has increased from 18.3% to 26.9% over the same period. It is interesting to note that during 2000, the share of both the top 5% and bottom 5% had increased compared to their values in 1995-96 and that they both decreased in the next period. In fact the same trend can also be seen for the top 10% and the bottom 10%. While the share of the hardcore poor and the ultra rich diminished, it is the middle income group which benefited the most during this period.

It is depressing to note that in 2005, the top 20% of the population had over 50% of total income whereas the bottom 20% had just over 5%. However, the disparities in income inequality become more evident when one considers the top 50% and the bottom 50%. While the bottom 50% had only 20.3% of the share, the top 50% bottom 20% had just over 5%. However, the disparities in income inequality become more evident when one considers the top 50% and the bottom 50%. While the bottom 50% had only 20.3% of the share, the top 50% had almost four times as much as 79.7%. This skewed distribution of income has been illustrated in Figure 2. Over the span of last two decades the Lorenz curve has deviated further and further from the line of perfect equality. This demonstrates that the level of inequality has gone up consistently over that period.

Figure 2: Lorenz curves for the period 1983-84 to 2005



Source: Estimated based on data of HES 1991/92, 1995/96 and HIES 2000, 2005

2.3.2. Inequality in Rural and Urban Areas

A decomposition of the Gini coefficient into rural and urban areas reveals the same upward trend. Thus, both rural and urban inequalities have risen over time with urban inequality being consistently higher than that of the rural. It is interesting to note that urban inequality, though rising considerably between 1991-92 and 2000, remained stagnant at 0.497 between 2000 and 2005.

Table 7: Gini Index during 1991/92-2005

Residence	1991-92	1995-96	2000	2005
National	0.388	0.432	0.451	0.467
Rural	0.364	0.384	0.393	0.428
Urban	0.398	0.444	0.497	0.497

Source: HES 1991-92, 1995-96 and HIES 2000, 2005

2.3.3. Rural Income Inequality

The breakdown of all the components of rural income and the corresponding Gini coefficients is shown in Table 8. A component of rural income having a concentration ratio that is greater than the Gini ratio has a "disequalising" effect, indicating that relatively higher proportions of it accrue to the higher income groups. The reverse is true when the concentration ratio is lower than the Gini ratio.

The increase in rural inequality was fostered by the growth of four components of income namely non-farm enterprise, non-agricultural salary, property income and remittances and transfer which were highly GDP elastic, accounting for almost 50% of total income in 2000. Their concentration ratios increased steadily throughout the 90s exacerbating the distribution of income.

The share of Farm Income dwindled considerably coming down to 20% in 2000 from 41% in 1991-92. Though it was initially a dis-equalizing source of income, by the end of the decade it had actually turned into an equalizing source. The opposite trend is to be found for Non-Farm Enterprise, which started off being an equalizing source but became highly dis-equalizing by 2000.

Table 8: Rural income shares and inequality indices[1]

Income source(s)	Share of Total Income (%)			Gini/Concentration Ratio (%)		
	1991-92	1995-96	2000	1991-92	1995-96	2000
Farm Income	41.4	35.1	20.9	0.332	0.338	0.347
Wage	20.3	24.7	31.2	0.090	0.141	0.208
Agricultural Wage	10.9	11.1	10.3	-0.113	-0.078	-0.147
Non Agricultural Wage	4.2	6.4	7.3	0.138	0.126	0.071
Non -Agricultural Salary	5.2	7.2	13.5	0.472	0.492	0.551
Non -Farm Enterprise	15.3	19.1	19 .4	0.224	0.329	0.477
Property Income	0.9	1.4	4.1	0.552	0.572	0.558
Remittances and Transfer	10.9	9.6	12.2	0.364	0.599	0.552
Rental Value of Housing	7.7	5.6	4.6	0.351	0.276	0.300
Other Income	3.4	4.7	7.6	0.393	0.281	0.286
TOTAL INCOME	100.00	100.00	100.00	0.276	0.310	0.356

Source: Khan AR, 2006.

[1] The figures here do not correspond to those estimated by BBS for the author deviates significantly from the definition of income as used by BBS. Nevertheless, this does not cause any deviation from the trend and serves as a useful tool for analyzing the various sources contributing to income inequality.

2.3.4. Urban Income Inequality

Non-agricultural salary, the single largest source of urban income, was a disequalising source of income. This is contrasted with non-agricultural wage which was a highly equalising source. The difference between the two is that wages are paid on a daily or weekly basis representing mainly blue-collar jobs, whereas salaries are paid on a monthly basis, indicating white-collar jobs.

Table 9: Urban income shares and inequality indices

Income source(s)	Share of Total Income (%)			Gini/Concentration Ratio (%)		
	1991-92	1995-96	2000	1991-92	1995-96	2000
Farm Income	6.1	5.8	2.4	0.115	0.226	0.220
Wage/Salary	36.5	35.8	38.0	0.276	0.266	0.304
Non - Agricultural Wage	10.0	8.1	8.0	0.087	0.030	-0.182
Non - Agricultural Salary	20.4	20.5	29.1	0.406	0.421	0.458
Other Wage	6.1	7.2	0.9	0.157	0.092	-0.345
Non -Farm Enterprise	28.4	37.7	28.8	0.306	0.464	0.503
Property Income	3.8	3.4	7.9	0.643	0.644	0.643
Remittances and Transfer	9.3	7.2	10.1	0.427	0.581	0.616
Rental Value of Housing	9.2	6.8	6.4	0.434	0.410	0.488
Other Income	6.7	3.3	6.3	0.424	0.442	0.417
TOTAL INCOME	100.00	100.00	100.00	0.327	0.389	0.437

Source: Khan AR, 2006.

Apart from farm income, which represents a very small share of urban income, and non-agricultural wage income, almost all the other components contributed to the rising urban inequality specifically income from non-farm enterprise, property income, remittances and transfer, and rental value of housing. Of these, income from non-farm enterprise and remittances and transfer were particularly important as their concentration ratios increased considerably over the decade. Though the concentration ratio of property income was quite high throughout the period, it remained fairly constant.

2.4. Future Challenges for Poverty Reduction

Bangladesh prepared its first Poverty Reduction Strategy Paper (PRSP) titled as 'Unlocking the Potential: National Strategy for Accelerated Poverty Reduction (NSAPR)' for the period July 2004 to June 2007, with the aim of attaining Millennium Development Goals (MDGs) by 2015 and other Bangladesh Development Goals (BDGs) through successive PRSPs. The NSAPR outlines a comprehensive medium term strategy for implementing pro-poor growth, effective social safety-net programmes, and human development. The implementation of the NSAPR strategy has been anchored on a Medium-Term Macroeconomic Framework (MTMF) for pro-poor sustained growth.

Although the implementation of the first PRSP was initially designed to commence since 2004, the actual implementation was postponed due to delay in the preparation of the PRSP document. The implementation of the NSAPR started from July 2005. Against this backdrop, the Government decided to extend the NSAPR by one year up to June 2008 after reviewing its implementation progress and entrusted the General Economics Division (GED) of the Planning Commission as National Poverty Focal Point (NPFP) to update the NSAPR.

Some indicators of the MDGs are on track, some are not and some are marginally on track till 2005 considering 2002 as benchmark. Though the duration of the first PRSP is 2005/06 to 2007/08, no reliable data is available for this period except 2005/06. Considering the current trends of achieving targets, it is unlikely for Bangladesh to attain many of the MDG targets by 2015. Even the recent trends may not be continued over the next two years (2007/08 and 2008/09) owing to global economic recession. Implementation of the first PRSP will be more challenging over that period. Table 10 shows the implementation progress of the first Poverty Reduction Strategy Paper (PRSP).

Table 10: Target setting on major goals against 2002 benchmark

Indicators	1990	2002 (Bench-mark)	Annual progress during 1990-02(%)**	Target 2015	Targeted annual progress during 2002-15 (%)	2005-06	Annual progress during 2002 - 2005/06**	Comments
Income Poverty(%)	59	50*	-1.5	25	-3.3	40.0	-6.7	Over fulfilment (on track)
Extreme Poverty (%)	28	19*	-3.2	9.5	-3.3	25.1	10.7	Under fulfilment (not on track)
Adult Literacy (%)	35	49.6	3.5	90	6.3	53.7	2.7	Under fulfilment (not on track)
Primary enrolment (%)	56	86.7	4.6	100	1.2	93.7	2.7	Over fulfilment (on track)
Secondary enrolment (%)	28	52.8	7.4	95	6.1	42.66	-6.4	Under fulfilment (not on track)
Infant Mortality Rate (per 000 Live births)	94	53	-3.6	18	-5.1	45.0	-5.0	On track (marginal)
Under - Five Mortality Rate (per 1000 live births)	108	76	-2.5	25	-5.2	62	-6.1	Over fulfilment (on track)
Maternal Mortality rate (per 100,000 live births)	554	390	-2.5	98	-5.8	290	-8.5	Over fulfilment (on track)
Life Expectancy (Years at Birth)	56	64.9	1.3	73	1	65.4	0.3	Under fulfilment (not on track)
Population Growth (%)	2.1	1.4	-2.78	1.3	-0.55	1.4	0	Under fulfilment (not on track)
Children underweight (%)	67	51	-2.4	26	-3.3	39.7	-7.4	Over fulfilment (on track)

Note: * Indicates benchmark data for 2000

Note: ** Annual progress shows simple growth (reduction) rate

Source: First PRSP; General Economics Division, Planning Commission, GOB Dec. 2007; Bangladesh Economic Review 2006; BANBEIS and estimated

The country is on track to achieve MDG1 (halving the proportion of population below national poverty line and minimum level of energy consumption), the incidence of poverty fell from 50 % in 2000 to 40 % in 2005. But the incidence of extreme poverty has increased by about 11 percentage points; from 19 % in 2000 to 25.1 % in 2005/06.

Bangladesh has recorded remarkable success in increasing primary school enrolment (MDG2), but problems remain in retaining pupils to complete primary education and the adult literacy rate is relatively low. In order to attain the MDG goal by 2015 it was supposed to increase the secondary enrolment rate by 6.1 percentage points over the period 2002-2015, but it actually declined by 6.4 percentage points over 2002-2005/06. It is indeed a disappointing outcome.

Although the gender parity in primary and secondary schooling has been achieved in 2005 (MDG3), the progress of gender parity in tertiary education and the share of women in political leadership will need farsighted and challenging policy interventions.

Bangladesh's progress in MDG4 (reducing the under-five child mortality and the infant mortality rate) is encouraging. It is likely to meet the target before 2015, if recent trend is maintained.

The country is likely to achieve MDG5 by 2015. Maternal mortality rate per 100,000 live births reduced from 390 in 2002 to 290 in 2005. However, the proportion of births attended by skilled health personnel is still less than 20 %.

Life expectancy at birth has dramatically increased from 56 years in 1990 to 64.9 years in 2002, but it has remained almost unchanged since 2002.

Although there has been a remarkable success in reducing population growth from 2.1% in 1990 to 1.4% in 2002, the growth rate seems to have been stagnant since 2002. However, it is possible to achieve targeted 1.3% population growth rate by 2015 if family planning programmes along with other relevant programmes can be pursued more vigorously in the near future.

The country is on track in reducing the prevalence of underweight children aged below five by half. The rate fell from 51% in 2002 to 39.7% in 2005. If this trend continues, it is likely to achieve its target by 2010.[2]

There is a dearth of data on HIV/AIDS in Bangladesh. Some sources suggest that the HIV/AIDS prevalence rate is insignificant. It does, however, pose a potential threat to the country, because of the increasing number of workers migrating abroad, and the increased number of people travelling to neighbouring countries where the HIV/AIDS prevalence rate is reportedly higher. Although the prevalence of HIV/AIDS in Bangladesh is very low, effective surveillance of the potential sources is essential. It is also necessary to develop strong mechanisms to monitor outbreaks of malaria in high-risk districts and to develop effective treatments for drug resistant malaria strains. Simultaneous increases in detection and cure rates, along with improvements in the quality of diagnostic services, will continue to pose a major challenge for Bangladesh. This demands stronger and improved governance of the health sector, particularly in communicable disease prevention and control mechanisms.

Bangladesh does face challenges in meeting all MDG 7 targets, for example, maintaining its bio-diversity (especially its wetland biodiversity), increasing access to sanitary latrines in rural areas particularly, and improving service delivery in rapidly growing urban slum areas. The very recent floods and cyclone SIDR in 2007 also draw attention to Bangladesh's need for sustainable environmental protection.

Developed countries have so far failed to perform their responsibility to achieve MDG 8 to address the problem of unfair trade and financial systems; providing 0.7% of their GNIs as Official Development Assistance (ODA); and transferring new technologies for productive youth employment in developing countries. Developed countries should fulfil this obligation to which they are signatories. It will be a big challenge to bring together developed and developing countries to form the effective partnership that is needed to meet MDG 8 by 2015.

Bangladesh's march towards meeting the MDGs has been possible largely due to its steady economic growth of nearly 5% annually on average in the 1990s, and nearly 6% annually on average in the new millennium. Although necessary, higher growth will not in itself ensure that the MDG targets are met. Growth processes must be sufficiently pro-poor. The share of the poorest quintile in both national income and consumption has been reduced over the years, which shows that the poor are not benefiting greatly from the growth process. One reason behind this is the weak governance in the delivery of basic health care services (including maternity, child care and family planning services), primary and secondary education services, and inadequate utility services including provision of safe (arsenic free) drinking water and electricity.

Bangladesh still faces serious challenges in achieving MDGs and other targets and goals. These include increasing the share of the poorest quintile in national consumption/income; diverting more investment to primary schooling by, for example, providing monetary and material incentives to retain students beyond enrolment; developing and keeping effective monitoring, prevention and control mechanisms for communicable diseases; reducing maternal mortality; maintaining biodiversity; increasing access to sanitary latrines; and improving service delivery in the rapidly growing urban slums. The country needs massive investment to fully

[2] General Economics Division, Planning Commission, GoB, Dec.2007

take up the challenges of MDGs, in particular those where current performance is behind schedule. It may not be possible to generate resources from domestic sources only, and will, therefore, require the support and assistance of its development partners.

The second PRSP has been prepared as a sequel to the first one and the single national document embodying the strategies and policies for achieving accelerated growth and poverty reduction in the FY2009-FY2011 period. It is based on the recent development experience manifested in the emerging strengths as well as vulnerabilities of the country and its resourceful people. It is committed to the Millennium Development Goals focusing on specific targets for reducing poverty, hunger, diseases, illiteracy, environmental degradation and discrimination against women by 2015 and also takes into consideration the SAARC Development Goals (SDGs) in building the strategies.

3

Chapter

Implications of Policy Reforms to Growth and Poverty

3.1. Reforms in Fiscal Policy

The programme of macroeconomic stabilization and structural adjustment started in Bangladesh during early to mid 1980s and were pursued more vigorously in the early 1990s. These policies were primarily aimed at reducing the fiscal and external deficits in the face of declining availability of foreign aid. The fiscal measures included reduction or elimination of agricultural and food subsidies during the early 1980s, introduction of VAT in the early 1990s, and curtailing the role of the government in direct investment in productive sectors. Government's role in the development activities were redefined in terms of providing public goods like education, healthcare, public utilities, and physical infrastructure. Recent fiscal policies of the government is aimed at strengthening the tax administration and include the creation of Large Taxpayers Unit (LTU) and Central Intelligence Unit (CIU) to monitor tax compliance of the large taxpayers, expansion of income tax and VAT net, strengthening of customs administration, rationalizing the non-tax revenue, and developing professional skills of NBR officials.

An analysis of the fiscal trends over the last two decades shows that there has been some progress in increasing the revenue-GDP ratio particularly since 1990s but the ratio is still very low even by the standard of the developing countries. The ratio increased significantly in the mid 1990s which was due to the introduction of the VAT, but the increase seems to have been once-and-for all phenomenon. While the share of the revenue expenditure as a percentage of GDP increased from 8% in 1985/86 to about 11% in 2007/08, the share of the development expenditure has decreased significantly from 7% to 4%. The increase in the revenue expenditure may be partially explained by the transformation of certain types of expenditures from development budget to expenditure budget in recent times. While external sources were the main source of financing earlier, the dependence on external sources has gradually declined from 6.4% of GDP in the mid 1980s to 3.6% of GDP in the mid 1990s to 2.7% of GDP in 2007/08. In the face of declining foreign assistance, government's reliance on domestic borrowing has increased in recent times. However, increased reliance on domestic borrowing has the risk of increasing the rate of inflation or crowding out the private sector from the credit market. Increased bank borrowing also creates pressure on the liquidity and the bank has to keep deposits at high interest rates to meet up the liquidity shortage and charge high interests on loan, which have worsening impact on investment, employment, and poverty reduction.

Table 11: Trends of fiscal management in Bangladesh

(As % of GDP at current market prices)

Indicator	1985/86	1990/91	1995/96	2000/01	2005/06	2007/08
Total revenue	8.2	9.4	11.9	9.6	10.6	11.2
Tax revenue	6.9	7.7	9.5	7.8	8.5	8.9
Non - tax revenue	1.3	1.7	2.2	1.8	2.1	2.3
Total expenditure	15.2	15.0	16.8	14.8	14.2	17.3
Revenue expenditure	8.0	8.7	9.1	8.1	8.8	10.6
Development expenditure	7.3	6.3	7.7	6.3	4.7	4.2
Budget Deficit (without foreign aid)	7.5	7.2	5.7	6.1	3.9	6.1
Net foreign financing	6.4	6.2	3.6	2.5	1.7	2.4
Net domestic financing	1.5	1.0	2.1	2.8	2.2	3.7

Source: Statistical Yearbook 1990, Bangladesh Economic Review 1999, and Bangladesh Arthanaitik Shamikkha 2008

The current policy of the government within the Mid Term Budgetary Framework (MTBF) is to achieve the revenue- GDP ratio 12% and the tax-GDP ratio 9.8% by revenue- GDP ratio 12% and the tax-GDP ratio 9.8% by

FY 09. The policy is to increase the total expenditure at 16.4% of GDP and the revenue expenditure at 9.2% of GDP by FY 09. The interest payment is projected to be stabilized at 1.7% of GDP while the domestic and foreign financing will be respectively at 1.8% and 4.4% of GDP by FY 09 (Table 12).

Table 12: Medium-term macroeconomic framework: key indicators

(As % of GDP)

Indicators	Projected				Actual *	
	FY 06	FY 07	FY 08	FY 09	FY 06	FY 07
Total Revenue	11.0	11.3	11.6	12.0	10.6	11.3
Tax	9.0	9.3	9.5	9.8	8.4	9.0
Non-tax	2.0	2.0	2.1	2.2	2.2	2.3
Total Expenditure	15.5	15.7	16.0	16.4	14.3	17.5**
Current expenditure	8.6	8.8	9.0	9.2	9.5	10.7
Of which interest payment	1.7	1.7	1.7	1.7	2.0	2.2
Annual Development Programme	5.9	6.2	6.4	6.6	5.0	4.6
Overall balance (without foreign grant)	-4.5	-4.4	-4.4	-4.4	-3.7	-6.2
Domestic Financing	2.0	1.9	1.8	1.8	2.2	3.7
Foreign Financing	2.5	2.5	2.6	2.6	1.1	1.6

*Revised budget

**With arrears of Bangladesh Petroleum Corporation.

Source: Unlocking the Potential: National Strategy for Accelerated Poverty Reduction, General Economics Division, Planning Commission, Government of Bangladesh, October 2005; other government sources, and Budget documents of respective years.

The recent budgetary policies of the government reflect its attention to achieve short term objectives rather than medium and long term gain. By lowering the size of ADP, there has been less imperative for the infrastructure development. As a result, investment will not boost up and it will not bring about positive gains in the long run in attaining growth and poverty reduction objectives. Interest payment has come out to be the biggest sector in the budget of FY 2008-09, which is a serious cause of concern. The government will have to borrow more in the days ahead for paying interest which may get the economy into a "long-term-loan-trap" and create an imbalance of the overall fiscal management and distort fiscal discipline. To finance the cost of interest payment for external borrowing for financing budget deficits may create pressure on the foreign exchange reserve which may cause devaluation of Taka and worsen the external sector.

3.2. Reforms in Monetary and Exchange Rate Policies

This section reviews and analyzes the existing monetary and exchange rate policy of Bangladesh and examines its impact on growth and poverty eradication. In 2000, MDG set a target to reduce poverty by 50% by 2015. It set a growth target of 7%. As a matter of fact, growth has been achieved at 6% but this did not filter down to reduce poverty among the vast masses of people of Bangladesh. During 2000-06, poverty declined from 49% to 40%. But the absolute number of the poor increased over the period. It may also be noted that gap between the rich and the poor has widened considerably over the same period. Particularly during the last fiscal year, the high rate of inflation has eaten up whatever gain was achieved in poverty eradication exercise. Primarily due to the sharp rise in energy and food-grains prices, inflation was very high and apparently more than 50% of the population of Bangladesh has slumped down in the poverty cycle. Incidentally enough, the phenomenon is not only national or regional; the price hike has been on an international scale. Almost all the countries of the world have been affected by this price rise and a new equilibrium level is being attempted to be attained reflecting the price-hike of these commodities. Particularly the price of food grains is being affected by the rise in cost of agricultural

inputs including irrigation, carrying cost of food grains to and from market place etc. Petroleum price reached a peak of $142 per barrel in the international market. Food-grain price also shot up in the international market due to relatively less production and use of maize for bio fuel purposes.

In view of this, some experts have extended suggestions to clamp across the board intervention by raising the cost of credit for dampening the demand side of the equation. But proverbially demand for food-grain is inelastic, implying irrespective of price-rise, people will consume their share of staple as usual. This implies that cost of credit even if it is increased considerably, the demand for food-grains which is the major staple all over the world can hardly be dampened. That way the traditional prescription of raising the cost of credit for discouraging the demand will not serve the purpose.

In this background, Bangladesh Bank (BB) of late has formulated a credit policy which seems to be a departure from the classical approach in respect of the cost of credit. Instead of imposing a crunch on credit expansion, Bangladesh Bank (BB) has opted for following a selective credit control measures. The broad monetary policy of BB has been expansionary in favour of credit to essential sectors, such as, agriculture, SMEs, house building, renewable energy, etc. simultaneously putting restriction on the expansion of credit to less essential or luxury items such as, cosmetics, expensive cars, cigarettes, and import of superior quality ceramic products etc.

Mere attainment of high GDP growth rate will not serve the purpose of poverty reduction of the people. While a vibrant economy is needed for poverty reduction, an uppish growth in sectors which do not involve poorer sections of the society will not make any dent in poverty reduction efforts.

In exchange rate policy measures so far, the device has not appeared to touch the poverty mitigation approach. To start with, the country followed a policy of 'free float currency' policy which appears to be a mere luxury for an economy like Bangladesh, where both export and import sectors of the country suffer from structural rigidities. While India, a neighbouring country of higher economic potentials has not gone for a 'free-float of their currency' and they are content with 'managed float', Bangladesh opted for a free float policy for a pottage of cabbage when an international organization offered some loan facilities as an incentive to undertake this exercise. Bangladesh's exchange rate system is based on a `basket of major currencies' of the international market. When the weight was given to the currencies depending on their existing circumstances, with the change in economic scenario, the weights attached to such currencies in the basket need to be revised also. For example, when Euro was first devised as the currency of the European Union, consisting of a number of major developed countries, exchange rate of Euro was not very strong as against dollar initially. Likewise GB pound was not fairing well against dollar which was a dominant currency of the world partially in view of the fall of the Soviet System and also for following a sensible foreign policy of US government in the past decade or so.

Afghan-Iraq Wars have not only started warfare in the world, it also fed a war psychosis, affecting the whole international scenario. The policy of war-mongering has also affected the value of the currency of the United States. It has shown continuous erosion against Euro, GB Pound and other major currencies of the world. It has been mentioned earlier that Bangladesh has adopted a 'free-float currency' rather than a 'managed-float' one. Managed float requires a little more prudent regulation of the exchange rate by the regulatory agency. However, it has not been effectively pursued in the country. As a result, among other factors, free float of Bangladesh currency along with erosion of dollar vis-a-vis other currencies of the baskets (US$ with major weight in the Basket) has placed the value of Taka more vulnerable in international market. While the credit control policies are in conformity to the economic realities of the country, this can not be said in respect of the exchange rate policy as well. Apart from this, a good policy can be nurtured on paper or file work only. This may not have the desired effect on the economic situation. The credit policy which appears to be objective-oriented may not bring the desired result unless the same is implemented with full vim and vigour. BB at times, seems to be helpless in the existing situation. For example, with writ in the High Court, in cases of LCs in contravention of BB directives, BB cannot apply banking disciplines among the defaulters. To obviate such a situation, BB may be allowed judicial or quasi-judicial authorities in respect of cases of monetary dispute, an area where BB is supposed to have adequate expertise. A permanent Banking commission may be formed to supervise the issues of the banking sector in totality and BB may be a member of this commission.

An appropriate exchange rate policy needs to be formulated keeping in view the national and international situations. For formulating an appropriate exchange rate policy in keeping with the objective situation of the world and of the country, a thorough look into such aspects is required indeed. With this end in view, an expert committee consisting of foreign exchange experts drawn from trade and commerce, government officials, academicians, bankers and other relevant personnel can be considered on an urgent basis.

3.3. Reforms in External Sector Policy

The economic reforms associated with trade liberalization measures in Bangladesh include government interventions in two broad sectors of the economy, i.e., export sector and import sector. The measures undertaken for industrial sector reform are closely related to those adopted in the foreign trade sector of the country. It must be recognized that reforms in the external sector have economy wide implications.

In the immediate post independence era being frustrated with acute balance of payments and other economic problems Bangladesh adopted import substitution strategy of industrialization. However, trade reforms were necessitated following changes in the domestic and global economies. The major objective of trade reforms in Bangladesh has been to accelerate economic growth through promotion of a competitive market environment.

It is widely known that economic reforms and liberalization measures in Bangladesh were largely donor driven. These sector specific reform measures had their own objectives and priorities. Since 1980s when reform measures were first initiated, government interventions were subsequently intensified in the 1990s and these measures were reviewed regarding their impacts, priorities and sequencing. At the centre of all discussions now is the pertinent question whether reforms have been able to promote economic growth and poverty reduction. The trade policy measures and their appropriate reforms need to be seen in this perspective. It may be noted here that the trade sector has been a subject of scrutiny by analysts not only for its strategic importance but also for the availability of a large amount of empirical data. Certain discernible trends and outcomes of trade reform measures can be observed from the analysis of the past.

The trade liberalization measures significantly opened the economy to the world market and it made contributions to growth. In recent years there has been considerable progress in opening markets to the global economy. This involved a process of redirecting incentives away from import substitution toward export competition (Ahmed and Sattar, 2005). It has been argued that it helped promotion of growth and poverty reduction.

Despite substantial measures towards openness, there still remain some restrictions on the import of a range of textile products. The import regime has also retained general administrative controls over imports and depending on how they are implemented can amount to a form of import licensing. It may be observed here that other protective import taxes are applied across the board on top of customs duties.

The main components of import liberalization in Bangladesh in 1990s were the removal of quantitative restrictions (QRs), reductions in nominal and effective tariffs, and adoption of a unified and moderately flexible exchange rate regime. Whereas in the 1980s piecemeal and partial reforms were undertaken, liberalization of Bangladesh's trade regime since 1991 is generally considered to be more systematic and comprehensive.

The removal of QRs and elimination of import licensing have helped remove anti-export bias of the trade regime. However, export expansion, especially the spectacular growth of the readymade garment sector, would not have been possible without the supplementary facilitating policies such as Special Bonded Warehouse, Duty Drawback and back-to-back LCs. All these policies helped ensure world-priced inputs to exporters.

The tariff rationalization has been the most significant liberalization measure in the history of Bangladesh. During the 1990s, Bangladesh considerably reduced its tariff rates and rationalized the structure, progressively moving towards the goal of simplicity and transparency of customs tariff. However, surcharges, supplementary duties and even VAT were applied discriminately against imports.

One of the most important aspects of trade liberalization has been the exchange rate liberalization. The exchange rate reforms gained momentum in the 1990s. The multiple exchange rate regime was replaced by a unified exchange rate in 1992 and the flexibility of the exchange rate system was enhanced to strengthen the competitiveness of exports. In 1994, the Taka was made convertible for current account transactions, and since May 2003, it has been floating.

The real effective exchange rate (REER) is another important indicator to judge the efficacy of reform measure undertaken by the government. In the mid-1980s, the REER appreciated rapidly for three years but then devalued sharply in 1985. The REER moved within a fairly small band of about 10% around its trend. It was a slow devaluation from 1980 up to about 1998, followed by a final episode of modest depreciation from about 2002.

Considerable attention has been drawn in analyzing the impact of trade liberalization on growth and poverty reduction in Bangladesh. The Bangladesh trade-GDP ratio rose from an average of 11% in 1972-75, to 17% in 1990, and further to 30% in 2000. Both imports and exports grew as a share of GDP, with imports growing from an average 8% of GDP in 1972-75 to 18% in 2000, and exports expanded from 3% of GDP in 1972-75 to 12% in 2000.

Per capita GDP growth moved from (-) 0.1% during phase 1 to 1.6% in phase 2, rising to 3.1% in phase 3. Inflation is a key determinant of poverty. It declined from a rapid pace of 47% per annum in the first phase to 9% in the second phase to 6% in the third phase.

The incidence of poverty (headcount index) fell from 88% in 1974 to 59% in 1992 and further declined to 50% in 2000.

It is observed that the progress has continued since 2000 in terms of greater openness, macroeconomic stability and higher economic growth. It is true that the overall growth and poverty outcomes are the results of a wide variety of economic and social policies. However, it appears that it is fair to conclude that the greater outward orientation and encouraging macroeconomic policies played a key role in this respect.

As mentioned before external sector policy reforms have two broad areas. In the import sector, since 1980s, Bangladesh has dismantled both tariff and non-tariff barriers. The import policy has been made consistent with the industrial policy of the country. Under the import policy, significant changes and amendments have been made to promote foreign investment, ensure availability of quality goods to the consumers at reasonable prices, develop human resources and create employment opportunities. The expatriate Bangladeshis can import capital machinery and raw materials in any quantity. The foreign investors, as part of their equity share, can import the same on c.i.f. basis. The bindings of country of origin have been withdrawn in case of importing industrial raw materials. The import of raw materials has been made easier for 100 per cent export oriented industries.

The expanding global economy and the WTO agreements have created new opportunities and challenges for Bangladesh severely constrained by underdeveloped technology and low capital base. The domestic import-substitute industries have been increasingly facing tough competition following gradual reduction of duty rates. Export industries on the other hand have to survive and expand by competing with other countries. A strategy of export development instead of export promotion has been adopted in the export policy. Several projects have been undertaken under the export development strategy.

The policy stances of the Government of Bangladesh can be better understood by a careful examination of the Export Policy 2006-2009 and Import Policy Order 2006-2009. Its position has been explained in the following words: "The government has taken initiatives to diversify and liberate the export sector from limited goods dependency and ensure the supply of goods at competitive prices in the world market by means of putting more importance on the implementation and observation of issues such as the facilitation and simplification of import-export procedures, expansion of the use of modern technology in business, market expansion, capacity building activities such as productivity increase, quality goods production, reduction of business expenses, and compliance –related issues including the over all development of the governance situation. At the same time the government has undertaken the initiative to increase the export earnings from the service sector (such as information and communication technology, consulting services, construction etc.) by providing all facilities for the development of this sector".

The applicability and jurisdiction of the Export Policy have to comply with certain requirements which are as follows:

1. The Policy will be applicable in all places except the Export Processing Zones (EPZs). Any tax/tariff related decision announced by the National Budget and the National Board of Revenue will prevail over the Export Policy.
2. In case that a Government Order endorses a specific decision related to export, and in case the decision is not in conformity with any of the provisions of the Export Policy, then the aforesaid Government Order will get precedence over the Export Policy.
3. The Government will review the Export Policy at least once every year, and if needed, will be entitled to make any modification, expansion or correction.
4 The Export Policy 2006-2009 has identified some sectors as the highest priority sectors and some sectors of the economy as special development sectors.
5. A large number of general export facilities for the development of the export sector have been included in the Export Policy.

The Import Policy Order 2006-2009 has been framed to uphold the principles of trade liberalization within WTO framework and it has provisions for limited protection of local industries. The Import Policy Order (IPO) has six clearly spelled out objectives:

1. It will further liberalize imports in line with developments in globalization and open market economy.
2. It will facilitate import of modern technology.
3. It will strengthen export developments by providing liberal import facilities and in consistent with this will harmonize industrial policy, export policy and other development programmes.
4. It will gradually withdraw ban on imports in order to make industrial inputs more easily available and thereby increase competition and skill.
5. It will ensure the supply of quality and healthy products.
6. It will ensure import of emergency imports of daily necessities in public interest.

The IPO has documented certain general rules concerning imports. These include:

1. A list of controlled imports, a list of widely importable goods, and certain conditions on ban or restrictions of imports.
2. Miscellaneous rules for certain categories of importers like joint importers, imports by actual users and professional Bangladeshis residing abroad.
3. General rules concerning imports for the industrial sector as well as for the commercial importers. Specific rules apply to industrial raw materials, wrapping materials and spare parts of machineries.
4. Rules for commercial imports by foreign agencies and imports of capital machinery on commercial basis.
5. Rules for the importers of the public sector. No import license or permit will be needed for the importers of the ministries and the government departments against definite allocations by the government.

3.4. Reforms in Governance

Next to external sector reforms are issues related to governance that have drawn extraordinary interest in public discussions in Bangladesh. Both theoretical and empirical questions have come in the forefront of this debate. Not only economic issues but also political as well as sociological problems are closely related to governance. In fact governance and institutions are now considered formidable constraints to further development of the country.

Four elements have been identified as major building blocks of poor governance in Bangladesh (Ahsan, 2005). These include dysfunctional state of parliament; lack of devolution of political authority; growing politicization and the attendant corruption in the bureaucracy, judiciary and public institutions; and information failure.

Four measures have been recommended to improve the prevailing poor governance situation in Bangladesh. These recommendations are: striking a balance in the sharing of powers among all political contestants; improving local governance with sustainable fiscal arrangements; ensuring professionalism (and thus eliminate politicization) in public service, and implementing full independence of judiciary; and pledging timely and unbiased information flows (via guaranteeing the independence of the media).

Four tools have been recommended to achieve these goals: broad based national advisory boards (NABs); institutions of administrative and fiscal decentralization (AFD); implementing a rigorous peer review model via independent employment commissions making the central and the election commission independent; and Bangladesh Bureau of Information.

The above mentioned theoretical model has identified rather exhaustively the current governance problems of the country. The fundamental development constraints in Bangladesh are poor governance, corruption, law and order, public service delivery, and effectiveness of public expenditures to improve human development (Ahmed, 2005).

Bangladesh has pursued a development strategy which is market oriented. However, the mixture of state controls and state-ownership relative to private sector has varied over time. The role of the government is critical in four areas: macroeconomic policies; policies for private sector development; policies for human development; and institutions and governance.

Institutional reforms are crucial in the following areas: management of the budget; anti-corruption policies and institutions; independent regulatory bodies to protect public interest; decentralization and devolution of decision making; and civil service reforms.

It has been argued that economic reforms in Bangladesh have not been matched by progress in building the institutions of political and economic governance (Mahmud, 2007). The government of Bangladesh has been successful in implementing many economic reforms without much resistance. However, a number of issues like wilful default of loans and large-scale tax evasion etc. can not be resolved without confronting political governance problems. It has been emphasized that the present dysfunctional parliament and confrontational politics are major constraints to further economic reforms and development in Bangladesh.

In spite of the adverse governance situation, successive governments in Bangladesh have been able to prepare annual budgets and announce them in time. It is well-known that these are based on certain clearly spelled-out principles though questions remain to what extent these are implemented.

It has been observed that the government has shown genuine commitments to improve child mortality, primary school enrolment and the adoption of modern birth control.

There are a number of areas where government did not face any major opposition from interest groups. It is also interesting to note that by and large Bangladesh did not see any significant reversal of reforms when governments changed.

An interesting political development in Bangladesh is that business interests have gradually gained influence over politics. If this influence is utilized to promote genuine economic cause, it may contribute to national development. However, this advantage is gainful only if the conflict of interest between law-making and pursuit of personal business can be managed through appropriate electoral reforms (Mahmud, 2007).

One of the major components of reforms in governance in Bangladesh is administrative reforms. Issues of salary reform have been identified as the single most important factor in public service reform in Bangladesh (Islam, 1999). It has been argued that the rigidity of the government pay scale in presence of private and international pay scales has led to a bad equilibrium in the government service factor market. This has led to a decline in effort and quality of entrants. This is largely responsible for an unhealthy gap in official and effective pay. Bangladesh should bring an end to this by safeguarding its national interests in the face of private and international pressures.

Although a number of steps have been undertaken to improve public administration in Bangladesh, the civil service remains relatively ineffective and unaccountable, and lacks proper motivation due to weak incentive system. The highly centralized political and administrative system weakens the government's capacity to deliver and monitor services.

In fiscal year 2005, the Government of Bangladesh issued new annual budget guidelines on a pilot basis. It contained elements of more strategic budgeting practices, better fiscal discipline, and better coordination of recurrent and capital budgets aimed at improving public financial management. The government has also undertaken expenditure tracking surveys in the health and education sectors to establish benchmarks against which to track the effectiveness of service delivery over time. Furthermore, the Government of Bangladesh recently released a comprehensive Public Financial Management Action Plan.

In light of growing development spending needs, an extremely low revenue base and the planned reduction in trade taxes, strengthening domestic tax mobilization is at the core of the medium-term budget strategy. Unless revenue efforts and tax administration are improved, revenues will be insufficient to fund pro-poor expenditures. The government has recently approved a strategic development plan aimed at increasing revenue collection, developing a more effective organizational structure along functional lines, developing legal and regulatory systems, fostering an ethos of tax payer service and ensuring that businesses are treated uniformly and equitably.

The court administration and case management reforms in five pilot districts have yielded some achievements, with significant improvements in disposal rates, case processing times and settlements through court-facilitated alternative dispute resolution in a majority of the pilot districts. These reforms will be "rolled out" to 20 more districts in the second phase of the project. The case management system is expected to be extended to criminal cases as well as the civil cases it now covers, to overcome the artificial divide in data collection and case management.

The overwhelming majority of both civil and criminal cases filed in the court system emanates from disputes over land and are linked to the system of land registration. The reform of land administration, i.e., modernization of land registration procedures and greater clarity on land titles will play a vital role in dispute prevention.

The core governance institutions in Bangladesh include comptroller and auditor general, public accounts committee, Bangladesh Bank, Public Service Commission, Securities and Exchange Commission, and the courts. It is also necessary to enhance accountability and transparency in public financial and budgetary management, public procurement, and revenue effort through the National Board of Revenue, justice sector reform, transparency in government and access by citizens to information held by public authorities.

It is important to improve the investment climate through supporting sectoral governance reforms and investments in the power sector, water and sewerage, roads, railways and urban development.

The governance reforms and investments in health, education, sanitation, local government strengthening and safety net approaches are very crucial for Bangladesh. These measures are central to Bangladesh meeting the Millennium Development Goals (MDGs) and improving the quality and efficiency of social service provision to the poor.

Likewise, augmenting voice and participation as a way to strengthen accountability and governance is an important essential theme. The innovative local governance and community driven development programmes are core elements of these reforms.

Reforms in the public administration in Bangladesh are fundamental issues pertinent to the development of the country. To improve and meet up development The challenges government has undertaken some reforms in the public administration sector. A high level committee for the reforms of the public administration has been constituted by the present government. It has undertaken initiative to implement about thirty recommendations from the report of the last commission known as Shamsul Haque Commission.

It is, however, necessary to identify the specific areas of public administration where reforms are critically needed. These specific areas are civil service; policy making system; rules, institutions and structure of the administration that are essential to carry out government policy, tools for public administration such as e-government and e-governance; and revenue and expenditure management system.

The public administration reform commission of 2000 had made a change in the recruitment procedure of civil service. At present the Bangladesh civil service has more than one million civil servants in thirty seven ministries and eleven divisions. The caretaker government had to decrease the number of ministries and divisions from forty eight to thirty for a successful reform of public administration. This has been done to give a more balanced, rational and effective shape of the government.

The class 1 officers are recruited through an open competitive examination. However, the government in 1997 introduced a quota system in particular for the freedom fighters. The public administration reform commission of 2000 proposed a gradual abolition of this system.

It has been mentioned earlier that the pay scale of the public sector is a major disincentive factor largely responsible for inefficiency and corruption. The government pay scale is lower than the private sector and international pay scale. The caretaker government has recently appointed a pay commission to recommend a new pay scale in the light of current inflationary situation.

One of most sensitive areas of governance reforms in Bangladesh is reforming the tax administration of the country. The stylized facts of Bangladesh revenue system are inadequate and stagnant revenue yield relative to GDP; high ratio of indirect to direct tax revenue; a high and constant level of dependence on imports to achieve resource mobilization; narrowly-based domestic indirect taxes; virtual exemption of agricultural sector from taxation; potential regressivity; and low revenue productivity and high administrative cost (McCarten, 2005).

The following areas of action have been strongly recommended: organizational strengthening; options for management and accountability; organization design; strengthening the revenue base; employing human resources more effectively and building a framework of accountability; and employing information and communications technology effectively.

3.5. Reforms in Public Sector Enterprises

Since the beginning of 1980s, Bangladesh has been conducting the process of reform programmes under the aegis of World Bank and many other donor agencies. The underlying philosophy of the reforms has been to squeeze the role of the state in managing the economic activities and expanding the role of private sector in promoting growth and development of the country.

The debate in SOEs in Bangladesh has exposed state's inability to handle these enterprises. These industries were nationalized as it was the ruling party's electoral commitment during the election of 1970 and the people's demand for a pro-poor development. Actually, the decision to nationalize the enterprises in the early years of independence was certainly a pragmatic approach. The aspiration of the people for a society with distributive justice and the absence of a sound private entrepreneur class have forced the people to paramountcy of the state sector over the economy. It was not the ideological conviction but the prevailing circumstances compelled the government towards establishing paramountcy of the state over the economy. The implementation of the state policy faced enormous trouble. The bureaucracy and the administration, which the country inherited, had neither firm conviction on socialist oriented policy nor had expertise to run the state owned enterprise. Even then, some industries have successfully overcome the initial barriers and attained high rate of growth and employment. But most of the nationalized industries failed to attain the desired goal due to corruption and mismanagement. Many of these industries turned into sick industries causing heavy burden to national exchequer.

The process of divestment had already started in 1974, which was confined to only in the increase of ceiling of private investment. The ceiling of investment for private enterprise was initially put at Tk. 2.5 million. It was subsequently raised to Tk. 100 million and Tk. 300 million in 1974 and 1975 respectively. But the major shift towards privatization came in the second half of 1970s – under the military regime. The new regime took the course of privatization. However, it did not adopt the policy of denationalization as this policy could have been adopted only by changing the Constitution.

The new government, instead of undertaking the denationalization programme, eliminated the ceiling on private investment. Although, the government during the period of 1975-81 did not privatize the enterprises, which were nationalized in 1972, but privatized 23 industries which were mostly abandoned properties. But a major breakthrough came with the adoption of New Industrial Policy (NIP) in 1982 under Structural Adjustment Reform (SAR) prescribed by the donor agencies.

Embracing the World Bank's SAR programme the government adopted the NIP in 1982, under which privatization was launched but made only negative reference of the public sector development. The proponents of privatization said that the nationalized industry was inefficient due to corruption and poor financial and operating performance. In order to overcome the malaise of the public sector there has been no alternative to privatization. Being influenced by this suggestion, steps were taken quickly to hand over the state owned enterprises to private business.

Blaming the nationalization as the roots of all evil, privatization was termed as the "Panacea" and quick transfer of state enterprises to private businessmen was made. But it was an imprudent approach to get rid of the malaise of SOEs. Transfer of SOE enterprises was made rapidly without conducting proper assessment about the buyer's experience and ability to handle the industry in a competitive market. As a result, privatization, which was supposed to bring dynamism in the manufacturing, largely failed to achieve the desired goal.

Since the beginning of 1980s, about 500 enterprises have so far been privatized. A few numbers of studies have been made by the donor agencies as well as the non-government and autonomous institutions. One study conducted by the interim government in 1991, found that out of 290 enterprises 52% were not operational. The Bangladesh Institute of Development Studies (BIDS) study conducted in 1997 covered 205 enterprises privatized from 1979 and onward. Out of the 205 enterprises surveyed by BIDS, only 112 or 54.6% were found operational, 83 or 40.5% were closed and 10 or 4.9% were found non-operational. Another study conducted by World Bank, found a mixed result. Of the 13 privatized enterprises, two industries turned profitable while others remained losing concern.

Similarly, the nationalized commercial banks were once the chief financial institutions dominating the financial system. These nationalized banks were blamed for creating the default culture. The government has privatized two commercial banks and opened sectors previously reserved for only public investment. Needles to mention here, that nationalization of banks was tried as a way out in the beginning, but the endeavour failed to free the bank loan from the influential clients of the political and bureaucratic patrons. Privatization was pursued from the early 1980s as an alternative prescription, but the situation remained unchanged.

Findings of the privatized banks show that the state-directed financing obtained by firm has rather increased instead of declining. Many privately-owned banks are not better in selecting borrowers. The share of non-performing loans of domestic commercial banks – both nationalized and private – is high.

The findings of these studies imply that privatization is not a "Panacea" or all evils. It, however, does not mean that privatization should be discouraged. There is no justification to continue support for the loss-making enterprises. The experiences show that privatization has hardly lessened the state's fiscal deficit by decreasing the demand for continued financing of privatized firm from the exchequer.

What went wrong?

Reform of the state owned enterprises is necessary. There is no denying that SOEs have caused burden on national exchequer and incurred liabilities to the banking system. But the amount of losses claimed by the proponents of privatization appears to be exaggerated.

A successful economic programme requires extreme care in sequencing—the order in which reforms occur. There is no universal reform programme suitable to all countries regardless of their distinct socio-economic characteristics. Each country must carry out reform under their own term, at their own pace. But the donor-driven reform suggests "One-size-fits-all". This approach has failed to bring the desired result. On the contrary, it has aggravated the situation of many countries including Bangladesh.

Reform policy was adopted to privatize the SOEs. But there was no policy guideline spelling out which industry or enterprise will be retained under public and which under private sectors. There was no proper investigation about the entrepreneurial skill, experience, and resource structure of the SOEs which were privatized.

There is no need to open up the market for competition too rapidly before strong financial institutions are established and genuine entrepreneurs are found. This is crucial for a country like Bangladesh. Because, employment creation in tandem with the growth of labour force is one of the most formidable tasks in this highly dense populated country. Any liberalization policy must take this into consideration that in this poverty-stricken country, closure of any industry would only increase poverty as there has been no safety-net.

But according to many donors successful privatization means "Do it at a higher speed and at any cost". Neither India nor China nor Malaysia nor even the US is so casual about surrendering their domestic market.

Actually there is an urgent need of a major review of the fate of all privatized units and see what kinds of problems of pre-privatization period exist, and what measures can be under taken to improve the performance. The government should also decide whether certain SOEs need to be closed down rather than privatized. Besides, if any SOE can be made profitable by improving its performance it would be better to run under state sector rather than to be privatized.

Issues to be taken into consideration

Under certain circumstances privatization is necessary. However, there are some pre-conditions that have to be satisfied before privatization contributes to growth and employment generation. To this end, the following must be satisfied:

1. Any step towards privatization must be taken on the country's own term and pace.
2. Any reform policy should be transparent and all decisions about divestment be made open to public. This is particularly important for Bangladesh because, when $250 million was sanctioned for Adamjee, it was said that the money will be used for restructuring the Adamjee Jute Mill. But it was used to close the mill leaving 30,000 workers out of job.
3. The market should not be left to develop willy-nilly on-their-own. Government must play a role in protecting the nascent industry.
4. Policy should be designed in such a manner which would reward efficiency.
5. There should be adequate monitoring system to identify whether the loopholes lie in the design of decision or implementation

It is an irony of fact that both the ruling and major opposition political parties are in favour of privatization of public enterprises, but the party is committed to privatization when it is in power but oppose it when in opposition bench. There is an urgent need of consensus on reform policy and an agreement must be made so that everybody respects the rules of game.

3.6. Reforms in Agriculture

Since the mid 1970s Bangladesh has increasingly moved towards a market-based economy following the policy prescriptions from the World Bank and IMF under structural adjustment programmes. Among all the major sectors of the economy, where the reforms have been attempted, the most pervasive is in agriculture sector, which still accounts for a significant portion of the GDP (16%)[3] and is a major source of employment of national workforce (52%).[4]

[3] Bangladesh Economic Review 2007.

[4] Bangladesh Labour Force Survey BBS, 2002-03.

In Bangladesh fertilizer, seeds, irrigation equipment and pesticides are used as the main inputs in agriculture. Until mid 1970s, the input management system was Government dominated and state was responsible for the procurement and allotment of all inputs to the farmers. About one-third of the development budget used to have been absorbed by agricultural subsidies. These policies have a major part in the initial adoption of the contemporary HYV rice technology. The market based reforms gradually moved away from the centrally based input management system to a liberal market system.

Since 1977, the first step of agricultural policies was opening the privatization and ending the domination of Bangladesh Agricultural Development Corporation (BADC) on imports and distribution of pesticides, followed by chemical fertilizers. Other policy reforms conducted in recent years include reforms in minor irrigation equipment, agriculture machinery, seeds and agricultural trade. By 1988/89, private traders and distributors were permitted to make bulk purchases of chemical fertilizer as well as import of TSP and MP fertilizers. BADC was no longer responsible for fertilizer distribution except in remote in-accessible areas.

In 1986/87, restrictions on the import of small diesel engines were removed. In 1988/89, the customs duty on such imports was withdrawn and shortly after, the standardization restriction was removed. The restriction on tube well sites in non-surface (ground water) irrigation area was also abolished. Imports of agricultural machinery were liberalized in the late 1980s. Prior to 1990, the import of planting materials was prohibited, apart from selected seeds. Since then the government has liberalized the import of seeds and planting materials, with the exception of rice, wheat, potatoes, jute and sugarcane. In recent years, some policy legislations, such as the Seed Amendment Act 1997 and the Seed Rules1998 have broadened the range for private sector participation in seed production, imports and marketing. The private sector can now import seeds of any crop other than five reported crops and seeds of notified crops can now be imported, and subject to the seeds deemed suitable, the variety can be multiplied and seeds sold.

Table 13: Summary of Reforms in Agricultural Input Market

Inputs	Type of reform measures	System prior to reforms	System after the reforms
Fertilizers	- Privatization of distribution services. - Withdrawal of subsidies - Deregulation of price	- BADC procured and shipped fertilizers to Primary Distribution Points (PDP). - Dealers appointed through a complex process - Buy fertilizers from PDP - Sell at Government fixed prices at a defined area	- BADC withdraw from retail and whole sale markets at PDP. - Licensing process for dealers simplified. - Dealers can now: - Buy from factory gates or ports. - Sell fertilizers in their own price. - Import fertilizer from world market.
Irrigation equipment	- Privatization - Withdrawal of subsidies - Deregulation	- BADC operated irrigation devices against a flat charge per acre. - Restriction on import of engines and pumps. - Private sector only allowed to import certain makes and model subject to the approval of the ministry of agriculture.	- Credit support for purchase of these machineries. - Liberalization of trade, import of agricultural machinery and minor irrigation devices made duty free. - Restriction on imports withdrawn, standardization requirements removed.
Pesticides	- Liberalization	- Restriction on import by brand names.	- Restriction on import by brand names, and standardization requirements removed.
Seeds	- Deregulation, - Liberalization	- Restrictions on import of seeds by private sector.	- Private sector allowed importing, developing and registering new seed varieties of all seeds and distributing to the farmers. - Easy credits and access to facilities and equipments.

Source: Azmat, F. and Coghill K (undated)

Implications of the reforms in agriculture sector

It is believed that the reforms that started from mid 70's have played a crucial role in the increased food grain production. These also made the way to easy access, increased use of agricultural inputs among the farmers, improved food security situation and increased budgetary savings due to the withdrawal of subsidy. A Seed Policy was approved by the government in late 1992 and those reforms have increased the availability of quality seeds to farmers at reasonable price. After almost one decade of the reform in Bangladesh, quality and pricing aspect of agriculture inputs have been major concerns.

In 1991 after the privatization of fertilizer distribution system almost every year Bangladesh has been experiencing a fertilizer crisis in varying degrees since the severe fertilizer crisis in 1995 which led to a partial problem of reforms. Sale of low quality at a high price to the farmer is demoralizing the positive impact of reforms, and creating a non-conducive environment for improvement of the socio-economic conditions as well as intimidating the sustainability of the farmers. When the farmers buy low quality inputs at a high price it leads to a decline in soil fertility and causes an adverse effect on agricultural production affecting the socio-economic condition of the farmers. The second generation problem which is sale of low quality inputs at a high price is directly associated with issue of good governance has detrimental effects on socioeconomic conditions of farmers and is also threatening the sustainability of the reforms.

Future challenges in agriculture sector

It is a matter of great challenge to achieve higher growth in agriculture sector that will ensure food security, employment and income generating activities (IGAs). Maximization of production in order to improve food availability from domestic sources is the main concern of the country. To improve water use efficiency in rice production and shift to water efficient food crops is an important challenge for this sector. Another significant challenge is to strike a balance between ensuring adequate incentives for the numerous small producers and keeping food prices low for the poor consumers on the other. To boost income generating programmes and accelerate poverty reduction in rural areas, intra- household food entitlement between men and women and between adults and children is a critical issue. Another challenging issue is to ensure food security especially in vulnerable disaster-prone areas. Maintaining ecological balance and conserving biodiversity is a significant environmental concern in the agriculture sector.

The desirable strategies for sustainable agricultural development to address the challenges faced by this sector are:

- In second PRSP, one of the main challenges identified is related to provisioning of subsidy on agricultural inputs including the right type and mix of support programme and prioritize implementing strategy, other broad based supports identified access to quality seeds (HYV, hybrid), fertilizer, electricity, diesel and other inputs at right price and time. Another strategy to implementing the policy of agricultural growth based on this phase is that ongoing programme will continue to develop market places and market outlets. The Government will go on with support of the agro-entrepreneurs through infrastructure development, concession on import duties, export bonus and income tax exemption. Importance has been given to minor irrigation for efficient use of surface water. The suggested interventions include facilitating tube wells and surface water irrigation, micro-irrigation, revival of rivers and Ganges Barrage.
- Continued investments in irrigation, water control, mechanization and human capital especially investment in better education is particularly important in the agriculture- dependent area. To expand markets and raise income of the farmer an export strategy should be set-up, and a region specific rural development strategies and public expenditure plan based on that is required.
- Adequate credit needs to be making available to farmers, particularly to marginal, small-scale and female farmers. The price support policy for providing fair prices should be improved. Sufficient irrigation devices and irrigation equipment should be made available to the farmers for enhancing agriculture growth. Homestead gardening for women should be vigorously pursued. For judicious use of agricultural land appropriate land use policy has to be pursued; such policy should include (among others) protection of agricultural land from unproductive use, agrarian-land-aquarian reform, crop diversification etc. The key aim of all these policies should be to ensure growth in agriculture and at the same time accelerate the process of poverty reduction and environmental and ecological sustainability.

4

Chapter

Financing growth and Poverty reduction: Trends and Patterns

4.1. Public Expenditure by Major Sources

One important feature of public spending in Bangladesh is that it is one of the lowest in the world, with current spending accounting for around 10 % of GDP. This is partly due to the fact that the government has not been able to mobilize large volume of resources domestically and government's own tax resources finance about 65 % of the government expenditure.

To make a comparative assessment of the trend of revenue spending is not an easy task because of the differences in the dentition of "sectors" provided in the same statistical source of the government at different time periods. However, considering the limitation, an attempt has been made to see how far the composition in the allocation of spending has changed during last one decade. It is observed that there has been some significant decline in the allocation of general public service from about 20 % in 1997/98 to 10 % in 2006/07. While allocation in the public order and safety affairs has marginally increased, some systematic improvement is notable in the allocation of social security and welfare services (Table 14). Although the visible allocation in the defense affairs and services show marginal reduction in the allocation to this sector, it does not reflect the whole of the scenario because of the fact that a sizeable amount of the defense budget is included in the budgetary allocation of other sectors like education, health, debt repayment, etc. (Barkat, 2004).

Table 14: Revenue expenditure by major sectors (%)

Indicator	1997/98	2000/01	2003/04	2006/07
General public service	19.7	21.3	17.9	10.0
Defense affairs and service	18.2	16.4	13.8	15.8
Public order and safety affairs	8.4	8.2	7.9	9.5
Education affairs and services	18.1	17.4	16.3	19.0
Health affairs and services	5.5	5.3	5.5	6.5
Social security and welfare affairs and services	0.7	1.0	2.0	3.2
Housing and community amenities affairs and services	1.5	1.4	1.7	1.3
Recreational, cultural and religious affairs and services	0.5	0.5	0.7	0.6
Fuel and energy affairs and services	0.0	0.0	0.0	0.0
Agri. Forestry, Fishing & Hunting affairs and services	3.4	3.3	3.4	6.2
Mining & Mineral, Manufacturing affairs and services	0.8	0.7	0.6	0.5
Transport and Communication and services	3.1	2.7	3.2	2.5
Other economic affairs and services	0.7	0.3	0.7	1.2
Expenditure not classified by major groups	19.4	21.6	26.3	23.6
Total	100.0	100.0	100.0	100.0
Total expenditure (in million Tk.)	148,462	206,620	274,322	413,551

Source: Bangladesh Bureau of Statistics, Statistical Pocket Books of respective years.

Another feature of the revenue expenditure pattern is that the resources devoted to the operations and maintenance (O&M) expenditure is very low with only 1.4 % of GDP implying low level of effectiveness of capital spending. Wages and Salaries accounts 2.5% of GDP, but if pensions, gratuities, and grants-in-aid are considered, it would constitute around 5 % of GDP which reflects an oversized bureaucracy particularly at the level of Class III and Class IV employees. Although the expenditure on wages and salaries has remained more or less stagnant showing government's control over salary increases, the challenges lie in ensuring the effectiveness and efficiency of the government employees and in coping with rescaling of the pay scale of government employees resulting from recent inflationary pressures and implementation of the recommendations of the Public Administration 2001.

Reforms Commission. Although the reliance on domestic and foreign borrowing has reduced over time, debt servicing currently accounting for 2 % of GDP remains a matter of concern.

Table 15: Economic classification of revenue expenditure (as % of GDP)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Pay and allowances	2.4	2.4	2.4	2.8	2.5
Goods and Services	1.6	1.6	1.5	1.3	1.4
Supply and Services	1.0	1.0	0.9	0.9	0.9
Repair and maintenance	0.6	0.6	0.6	0.4	0.5
Payment of Interest	1.8	1.8	1.8	2.0	2.0
Domestic	1.4	1.4	1.5	1.7	1.7
Foreign	0.3	0.3	0.3	0.3	0.2
Subsidies and current transfers	2.8	2.8	2.7	3.1	3.1
Subsidies	0.6	0.6	0.4	0.7	0.8
Grants-in-aid	1.7	1.7	1.7	1.7	1.7
Subscription to the international organizations	0.0	0.0	0.0	0.0	0.0
Write-off of Loan Advances	0.0	0.0	0.0	0.0	0.0
Pension and gratuity	0.6	0.6	0.5	0.6	0.6
Block	0.2	0.2	0.1	0.1	0.3
Unexpected	0.0	0.0	0.0	0.1	0.1
Other	0.1	0.1	0.1	0.1	0.1
Procurement of assets & public works	0.5	0.5	0.4	0.4	0.3
Total	9.1	9.1	9.0	9.6	9.5

Source: Finance Division, Ministry of Finance

Significant changes are observed in the allocation of development budgets during last one-and-a-half decade. Table 16 shows that the emphasis of the development expenditures has shifted from agriculture and industry to rural development, communication, education and training, and physical planning and housing. Although the sectoral composition of the allocation of ADP seems to be promising, problems remain in the quality of implementation of projects.

Table 16: Development expenditure by sectors (%)

Indicator	1990/91	1995/96	2000/01	2005/06
Agriculture	10.0	4.8	4.5	3.1
Rural development	4.5	6.8	12.2	13.1
Flood control and water resources	14.7	6.8	6.1	4.8
Industry	17.3	1.6	3.3	2.6
Power and Natural Resources	22.5	18.8	14.7	20.8
Transport	16.2	23.4	20.4	16.4
Communication	2.5	3.1	3.0	5.7
Education and Training	2.1	13.4	14.0	10.8
Health, Population control and Family welfare	6.1	7.6	7.3	7.2
Physical Planning and Housing	3.3	11.1	12.0	12.2
Others*	0.8	2.7	2.4	3.2
Total	100.0	100.0	100.0	100.0
Total (in million Tk.)	52,898	100,157	161,508	194,720

* Others include Social Welfare, Labour, Training, Cyclone Reconstruction, Scientific and Technological Research and Public Administration.

Source: Bangladesh Bureau of Statistics, Statistical Pocket Books of respective years

Challenges and Options

The public expenditure of Bangladesh is characterized by several bottlenecks: low effectiveness of capital spending, inadequate attention to operations and maintenance, inappropriate employment and pay policies, and the existence of fairly large subsidies. Challenges lie in turning the budget into an effective instrument for economic management and improving the links between policy, planning, and budgeting. The budgets are prepared mechanically by making incremental changes in the previous years' allocation which lacks medium and longer term strategic objectives. Recently there has been some improvement with some strategic guidelines directed in the Mid Term Budgetary Framework in the Poverty Reduction Strategy Paper and recent efforts towards consulting with different stakeholders like business and industry bodies and civil society organizations. But there is ample scope of improving the process by initiating the budgetary debates at least three months prior to the fiscal year to comply with the OECD Fiscal Transparency Guideline.

A typical weakness of the budgetary implementation stems from the lack of co-ordination and adjustment of expenditures between revenue and development budgets. It is highly important to ensure the budgetary allocations for operation and maintenance of projects in the revenue expenditure once the allocation in the development budget is completed and they are transformed into the revenue budget. The mechanism needs to be strengthened so as to ensure the efficiency of public spending.

The institutional framework through which the policies and expenditure are implemented is weak. There is considerable lack of transparency and accountability of the budgetary management and the delivery of public services. The following interventions are required if the potential benefit towards growth and poverty reductions is to be reaped from the public expenditure: improving the institutional framework in the budgetary management, raising returns to public investments, including improvement in the performance of SOEs and the quality of ADPs, and improving the efficiency and equity in the social expenditures.

4.2. Sources of Finance of Public Expenditures

The management of public expenditure is an important aspect of fiscal management of the government. The most significant strategy is to promote the outlays on productive sectors and contain over unproductive outlays. The major objectives of public expenditure are to improve the living conditions of the people, develop human resources, and physical infrastructure and reduce poverty.

One of the most crucial policy issues is the condition of public expenditures in Bangladesh, mainly their adequacy and appropriateness relative to the Government's broad economic and social goals. The financial capacity of the Government to tackle poverty declined considerably in 1999-2001 because of the deteriorating financial situation of the public sector, including state enterprises (World Bank and ADB 2003). The fiscal deficit of 6% of GDP during 1999-2001 is unsustainable. The case of domestic resource mobilization is quite strong especially for SOEs.

The level and structure of Bangladesh's public expenditures show some remarkable strength, which have definitely preserved macroeconomic stability and realized the strong record in human development (World Bank and ADB, 2003). It has, however, been observed that mainly as a result of the absence of a strong, medium- term fiscal strategy and good institutional mechanisms, the fiscal stance weakened considerably over 1999-2001, and the fiscal deficit widened to almost 6% of GDP. At the same time, with unresponsive pricing policies and weak revenue collection, the financial situation of SOEs deteriorated significantly, raising the consolidated deficit for the sector to 3% of GDP. SOEs have also taken on large foreign liabilities, threatening the exchequer's financial health (World Bank and ADB 2003).

Bangladesh needs to reduce its fiscal deficit by several percentage points of GDP to avoid prejudicing growth and financial stability. The unsustainable consolidated deficit of the public sector (around 9% of GDP in 2001) eroded the balance of payments and foreign reserves, which fell to about one month of imports at the end of mainly their adequacy and appropriateness relative to the Government's broad economic and social goals. The financial capacity of the Government to tackle poverty declined considerably in 1999-2001 because of the deteriorating financial situation of the public sector, including state enterprises (World Bank and ADB 2003).

The increasing trend of allocation and expenditure in socio-economic and physical infrastructure sectors through ADP is in line with the fiscal policy of the government. One of the crucial aspects of the public expenditure is budget balance and financing. Needless to mention that an annual budget is framed keeping in mind the overall context of the national strategy adopted for economic growth, poverty reduction and social development. In view of resource constraints, there exists a gap between the government revenue and expenditure. The data on budget deficit and mode of its financing during the last one decade can be seen in Table 17.

Table 17: Overall budget balance (as % of GDP)

Budget Deficit/financing	1998 /99	1999 /00	2000 /01	2001 /02	2002 /03	2003 /04	2004 /05	2005 /06	2006 /07	2007 /08
Overall budget deficit (excluding foreign grants)	-3.4	-4.6	-6.1	-5.1	-4.4	-4.2	-4.2	-3.9	-3.7	-6.1
Overall budget deficit (including foreign grants)	-2.1	-3.2	-4.5	-4.1	3.7	-3.4	-3.4	-3.3	-3.3	-5.3
Net foreign financing	2.3	2.5	2.5	2.0	1.7	2.3	2.4	1.7	1.8	2.4
Net domestic financing	1.6	1.9	2.8	2.7	1.3	2.2	1.8	2.2	1.9	3.7

Source: Ministry of Finance (2008), Bangladesh Economic Review 2008 (Bengali version)

.The contribution of domestic resources towards financing of ADP shows an upward trend. Table 18 shows the financing of ADP during the period from 1998-99 to 2007-08.

Table 18: Quantum of domestic resources in financing ADP (in crore Tk.).

	1998/99	1999/00	2000/01	2001 /02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
ADP	14,000	16,500	18,200	16,000	17,100	19,000	20,500	21,500	21,600	22,500
Foreign financing	8,188	8,274	8,670	8,215	8,241	9,410	10,430	10,700	10,194	14,430
Domestic financing	5,812	8,226	9,530	7,785	8,859	9,590	10,070	10,800	11,406	8,424
Domestic financing as % of total ADP allocation	41.5	49.9	52.4	48.7	51.8	50.5	49.1	50.2	52.8	37.4

Note: Data are from the revised budget.

Source: Ministry of Finance (2008), Bangladesh Economic Review 2008 (Bengali version).

Public debt management is an important policy issue for the government of Bangladesh. It resorts to borrowing for a variety of reasons. Among other reasons, the following are the most crucial ones: meeting unexpected expenditure in emergencies; increasing production of goods and services; discharging expenditure for social safety net programmes; increasing investment in the productive sectors; and maintaining macroeconomic stability.

The government borrows both from domestic and external sources. The domestic sources of government borrowing are Bangladesh Bank, scheduled banks and non-bank sources. The amount of government borrowing increased from 1.5% of GDP in 1996-97 to nearly 2.0% in 2006-07. It, however, declined in 2007-08 (Ministry of Finance, 2008).

Currently, the foreign debt obligation of the government is at an endurable level. The availability of loans and grants is now declining because of changing global situations. This is a compelling situation when government is forced to explore alternatives in the domestic sources.

4.3. Rural Financing and Agricultural Credit

In a country like Bangladesh where majority people either live in and/or are dependent on rural sector for their sustenance, rural financing and agricultural credit play important role in enhancing productivity of agriculture.

This is also crucial for eradicating poverty under MDGs. Status of disbursement and recovery of agricultural loans is shown in Table 19.

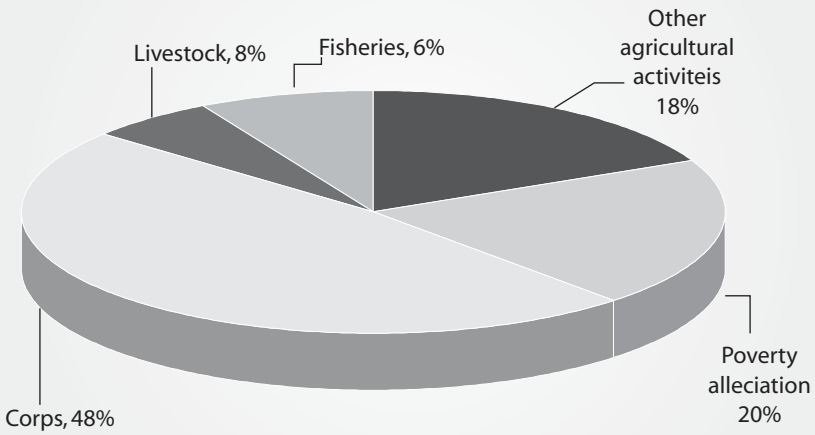
Table 19: Comparative statement of disbursement and recovery of agricultural loan (in billion Tk.)

	Disbursement	FY 03	FY 04	FY 05	FY 06	FY 07
I	Disbursement (Target)	35.6	43.8	55.4	58.9	63.5
a)	Crops loan (other than tea)	18.8	23.6	27.9	28.5	30.3
b)	Purchase and installation of irrigation equipments	0.2	0.2	0.2	0.3	0.3
c)	Livestock	1.9	2.8	3.8	4.8	5.3
d)	Marketing of agricultural goods	3.6	3.3	1.5	0.5	0.1
e)	Fisheries	1.2	1.7	2.8	3.0	3.5
f)	Poverty alleviation	6.7	8.7	11.0	14.0	12.6
g)	Other agricultural activities	3.2	3.5	8.2	7.9	11.3
II	Actual disbursement	32.8	40.5	49.6	55.0	52.9
a)	Crops loan (other than tea)	17.0	18.5	21.1	22.0	22.9
b)	Purchase and installation of irrigation equipments	0.04	0.04	0.03	0.1	0.1
c)	Livestock	1.5	2.5	2.9	2.8	2.7
d)	Marketing of agricultural goods	3.1	4.2	5.6	7.6	0.5
e)	Fisheries	0.6	1.1	1.3	2.3	2.4
f)	Poverty alleviation	7.7	10.2	11.9	15.2	11.9
g)	Other agricultural activities	3.0	4.0	6.8	5.0	12.5
III	Term structure of loans disbursement					
	Short term	28.2	33.5	33.9	46.3	38.7
	Longer term	4.6	7.0	15.6	8.6	14.3
IV	Recovery	35.2	31.4	31.7	41.6	46.8
V	Total outstanding loan	119.1	127.1	140.4	153.8	145.8
VI	Over dues	65.3	62.7	57.8	66.5	66.4
VII	Overdue as percent of outstanding	54.8	49.3	41.2	43.3	45.5

Source: Bangladesh Bank, Annual Report 2007.

In FY 2007, financing and agricultural credit for crop loans was Tk. 38.7 billion, and that for fisheries, poverty alleviation and other agricultural activities was Tk.14.3 billion. Long term loans are in the form of loans for irrigation equipments, agricultural machinery, livestock, etc. Total outstanding loans in the agricultural sector during FY-07 showed a fall of Tk. 7.9 billion or 5.2% to Tk. 145.8 billion over the previous year's level. The decrease in outstanding balance was due largely to increase in recovery of outstanding loans of banks. Figure 3 shows the comparative position of overall disbursement and recovery of agricultural loans and other relevant information for the FY 07.

Figure 3: Targets for agricultural credit disbursementin FY07



Source: Bangladesh Bank, Annual Report 2007

Two specialized banks viz., Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnyan Bank (RAKUB) and four Nationalized Commercial Banks (NCBs) played key role in disbursement of agricultural and rural finance.
Although these institutions are rendering very useful services to the rural sector, the snags and loopholes in their operations in rural sector may be systematized and the process for disbursement may be simplified for benefits of the rural population. In view of the fact that a big portion of farmers are share croppers whose access to agri-loans should not only be ensured but also simplified for convenience of the share-croppers. Such steps, if taken will no doubt accelerate agri-production in the country and will go a long way in eradicating poverty.

Foreign Commercial Banks (FCBs) and Private Commercial Banks (PCBs) do not find it convenient to go for rural credit, primarily because these banks cater mostly to the credit needs of the urban areas. Besides, FCBs and PCBs are mostly concentrated in the urban areas and their network has yet to reach the rural areas.

Unless there is a breakthrough in the agricultural sector, where majority of people of Bangladesh live, its sustained development is not possible. As already pointed out, the FCBs and PCBs prefer to do banking largely concentrating in the urban areas. Their preference for operation in the urban areas is due largely to a number of factors, as follows:

i. Disbursement and supervision of rural credit is expensive for the PCBs and FCBs. Supervision of large loan is less expensive due to lumpiness of involvement of such loans in the urban areas.

ii. Relatively better paid officers of PCBs and FCBs do not find it convenient to go for rural credit which are many in types and each of which is usually of small size.

iii. It is a common belief that rural credit can be better served by public sector efforts. Rural credit which is prone to seasonal hazards, any short-fall, drawback or loss due to seasonality can be better absorbed by public sector institutions.

iv. PCBs and FCBs are mainly profit-driven. They do not usually go for projects which are uncertain about profit-earning and which relate to social development activities.

v. Finally, NCBs are giants in size as compared to the newly set-up PCBs. NCBs can take risks, which PCBs and FCBs can ill afford.

With these factors in view, some policies may be designed to get over the situation of non-involvement of PCBs and FCBs in the rural sector:

i. A certain proportion of the deposits of PCBs and FCBs – upon decision by the Bangladesh Bank (BB) – may be set aside for disbursement in the rural sector after a well thought out exercise on the matter. Such funds may be routed through BKB or RAKUB under close supervision by BB for disbursement as rural credit.

ii. Alternatively, PCBs and FCBs may be encouraged to go under an arrangement with Non-government Organizations (NGOs) with good commitment for rural credit for disbursement of such credit in the rural areas. Already rural credit operations are being undertaken by a number of banks under such arrangements with NGOs for disbursement and supervision of rural credit.

iii. Another alternative may be considered. A percentage of deposits of PCBs and FCBs may be apportioned by BB for on-ward lending to specialized credit institutions for disbursement in the rural sector on usual terms and conditions of re-financing facilities.

If the above policies are implemented, the problem of non-involvement of PCBs and FCBs in rural credit can be overcome. Development of rural sector is essential for overall development and poverty eradication of Bangladesh. The lacunae for financing in the rural sector have to be removed. It is, therefore, crucial in the policy area to find out ways and means for involving the PCBs and FCBs in financing rural sector as a route to both GDP growth and poverty eradication in Bangladesh.

4.4. Financing Small and Medium Enterprises (SMEs)

Manufacturing industry is divided in different categories to denote the character of a particular size. Small and medium industries are that of a particular size. But its implications vary from country to country depending on the size and nature of the economy or its stage of economic development and other relevant considerations. Some attempts have been made to give unified universal definitions of small and medium industries. But this is possible with reasonable similarity of stages of development of the countries that are involved.

In Bangladesh, manufacturing industry has been categorized by size. This categorization (classification) is usually made on the basis of labour and capital. According to the Industrial Policy of 2005, the manufacturing industries are classified into 4-categories by size. These are:

a) "Large industry" means an industry in which the value/replacement cost of durable resources other than land and factory buildings is above Tk.100 million with more than 100 workers;

b) Medium industry means an industry in which the value/replacement cost of durable resources other than land and factory buildings is between Tk.15 million and Tk. 100 million, with labour numbering between 25 and 100.

c) Small industry means an industry in which value/replacement cost of durable resources other than land and factory building is below Tk.15 million and with labour fewer than 25.

d) Cottage industry means an industry in which only family members are engaged part-time or full-time in production and service-oriented activities.

The above classification is both confusing and not followed uniformly in the official documents. The BBS documents provide information by dividing the manufacturing into two broad groups instead of four. These are large and medium scale – and small-scale. In some documents small-scale and the cottage industries are brought into the category of small-scale industry.

According to BBS 2006-07, industry comprising manufacturing, electricity, gas and water, mining and quarrying and construction contributes 29.8%. Manufacturing is the largest and most important in producing goods and generating employment opportunities. Manufacturing sector contributes 17.8% with 12.7% for large and 5.1% for medium scale industries. Since disaggregated data on medium-scale are not available, separate share of small and medium scales are not available in the BBS.

Until the beginning of 1980s, almost all the large industries were owned by the government though many of the large units have been privatized. There still remain a significant number of large enterprises under the public sector. On the other hand small and cottage industries are owned by the private businessmen. With the growth of many large industries during the last two and half decades, their performances are usually merged into a new group called the small and medium enterprises.

Importance of SMEs and their Problems and Challenges

The manufacturing sector of Bangladesh is quite small and accounts for only 17.8% of GDP and accommodates around 12% of the total labour force. Most of the manufacturing establishments are quite small and almost of equal size as those of cottage industry. The modern manufacturing sector which includes public and private large and medium enterprises, employ only one-fifth of the manufacturing labour force, but generate lion's share of manufacturing value added.

The importance of SME in the development process has been highlighted almost in all the policy and planning documents of the government. In a country such as Bangladesh with abundance of labour force and scarcity of capital, there is strong reason for emphasizing-capital saving and labour-intensive technology. Modern large-scale industries based on western technologies are capital-intensive. Large industries require large amount of capital investment both in local and foreign currencies. As a poor country with very limited savings, Bangladesh has been facing problems of shortage of capital in both of the currencies. Furthermore, most of the

entrepreneurs, managers and workers lack modern dynamic skills which are pre-requisite of setting up and running industries. Bangladesh is lacking these ingredients and they can not be arranged within a short possible time. Therefore, development of these industries is time-consuming and expensive. Further the industry will be dependent on the foreign countries for supply of spare parts and raw materials till the domestic production of these spare parts and components are developed. The chronic shortage of foreign currency will make it difficult to ensure a continuous supply of these materials.
As against these, SMEs have many advantages over the large industries. This is particularly true for a predominantly agro-based country like Bangladesh. The pattern of industrial development here should be closely linked with agriculture. Due to its rural base, the small and cottage industries have been termed as rural industries.

During the last two decades, the agriculture sector has undergone significant changes. Crop production rose significantly. A large part of population generated savings. But there has been no proper means of investing these savings in productive enterprises and money is normally being utilized in non-productive purpose. The existing banking system is unable to collect this money and enable it to utilize in large-scale industries. Since small-scale industries do not require large capital, this surplus money of the rural areas could be invested in small-scale industries. Besides, as the small-scale industries have little or no access to banking and financial institutions, the small savings of rural population can be used for this productive purpose.

A relative advantage is that the technologies and raw materials used by the small industries are usually produced locally. It is not necessary to spend money and time to import these materials. The small-scale industries usually produce necessary consumer goods which have high demand in the market. But the most important advantage of the SMEs is employment generation. Agriculture still remains the mainstay of the economy providing employment to over 50% of the country's labour force. It has to be modernized to further increase crop production. Modernization of agriculture would certainly lead to a decline of absorptive capacity of agriculture. The large-scale industry - mainly because of specialized technology, huge finance, long lead time and highly qualified personnel - is unable to generate employment for surplus labour force. The absence of job opportunities in the rural areas forces the surplus labour to migrate to cities. The migration of surplus labour from rural area to the larger metropolis increased drastically during the last two decades. But the large industries mostly concentrated in the large metropolis, failed to absorb these people. As a result the rise of informal sector becomes obvious (Barkat and Akhter 2001).

Development strategies adopted in consultation with IMF, World Bank and other donor agencies have consciously undermined the SMEs. The rapidly opening up of the market has led the penetration of low cost products from the developed countries. As a consequence, the local SMEs dispersed throughout the country faced stiff competition and many of them failed to survive. The workers after losing their jobs migrated to the already crowded capital city in looking out for jobs.

Under the export-oriented strategy, the garment industry, received all possible incentives, but the SME industries acquired neither any incentive nor protection from competition. The emergence of garments is a great achievement in generating export-earning. But the growth of garments has affected the traditional local raw materials and market based industries as the later faced competition from foreign goods. These SMEs which faced closure were mostly agro-based and agro-supporting industries.

The garments generated over two million jobs and increased merchandise export-incomes significantly during the last two decades. But notwithstanding this impressive growth of garment sector, manufacturing-GDP ratio increased from 12% in mid 1980s to 17.8% in 2006-07. But the percentage of labour force employed in manufacturing has not changed. The unemployment and poverty remain the prime concern of the policy makers. Now it is recognized that unless along with the garments, SMEs, based on agro-based and agro-supporting industries receive due attention, poverty alleviation through employment generation will remain a far cry. As has been noted earlier that SMEs generating the lion's share of employment opportunities but contribute only 5.3% of the GDP.

It is important to note here that most of the large scale industries are located in the capital and port cities while small-scale are dispersed in the district level centres and small urban areas.

A significant number of large industries based on local raw materials were set-up in the past. All these were state-owned enterprises. Most of them are now either closed or handed over to the private owners under the structural adjustment programme. Many auxiliary industries had also been generated along with the large industries. But these small industries have also disappeared along with the disappearance of the large ones.

Financing

The financing of SME is the vital ingredient in both starting and running of any industrial enterprise. The owners of the industries do not have knowledge of commercial credit and therefore they fail to utilize the existing facilities.

Moreover, in many cases, their low asset strength does not convince the financial institution to lend credit. Their asset position also does not enable them to raise capital from the financial market or from the share market. It is worthwhile to note that almost 50% of bank deposits belong to small and medium depositors but small and medium enterprises get only 30% of the loans. Even the existing micro-credit institutions are also reluctant to lend money to the small industries. In this backdrop of capital scarcity, the small industries mostly depend on non-institutional sources which are often inadequate and costly.

The next critical problem which stands on the way is the inadequate supply of energy-electricity and gas. Although this problem affects all kinds of industries, it is critical for those located outside Dhaka and Chittagong it is more critical. This is particularly important for the districts of the Southwest and Northwest regions. These do not enjoy gas supply and the entrepreneurs depend on diesel and furnace oil, which is costlier than gas. The quick supply of gas is one of the primary demands of the business community of these regions. But it is worth mentioning that the Bogra district has received gas connection two and half years ago though during this time only four SMEs have been setup with gas connection. Others demanding immediate gas connection were unable to get because of the following reasons: diesel driven engines have to be converted into gas-driven engine is too expensive to afford –transformation of diesel engine into gas-engine requires Tk.30 million to Tk. 40 million; banking institutions are reluctant to lend; setting up of new gas-based industries needs clearance from the Ministry of Environment which is again an additional harassment and there have been hardly any instances of receiving clearance without bribe. All these contributed to the stagnation of SMEs in the region.

Recommendations

The role of SMEs in alleviating poverty through generation of employment has been underscored by the policy-makers. The government has taken up programme to provide financial assistance through commercial banks. In addition to the disbursement of loans, Bangladesh Bank has taken up a programme of Tk. 100 crore to provide loan to SMEs. At present, the scheme has been increased to Tk. 200 crore. International organizations have also come up with special funds for developing SMEs. These programmes and schemes are no doubt encouraging. However, given the complex nature of the problem and long negligence of SME, the following recommendations deserve consideration:

i) It is important to devise a clear definition with specific criteria of small, medium and cottage industries.

ii) All SMEs based on local raw materials should be declared thrust sector.

iii) The SMEs should receive equal treatment as those of EPZ.

iv) The government may adopt a new policy asking all commercial banks to provide a certain percentage of loans to the SMEs.

v) Special financial assistance programme should be taken by BSB and BSCIC to generate and promote SMEs.

vi) Tax holiday for a period of 7 to 10 years (depending on the nature and location of enterprises) should be provided to those who setup industries in backward areas.

vii) Special training centres should be established to develop entrepreneurship and skilled labour force for SMEs.

viii) The government should encourage large firms and provide incentives so that they take measures to promote SMEs through sub-contracting arrangement.

ix) SMEs should be encouraged to produce goods for both foreign and local markets and incentives should be given while importing raw materials and exporting goods.

x) At least 20% of Bank Portfolio of each bank must be compulsorily earmarked for financing SMEs. A separate Cell for small enterprises should be established where loan programmes will be managed on the basis of group banking based on movable assets as collateral securities.

4.5. Microfinance and Poverty Reduction

Micro credit is the extension of very small loans (micro loans) to the unemployed, to poor entrepreneurs and to others living in poverty that is not considered bankable. This financial innovation has successfully enabled poor people to engage in self-employment projects that allow them to generate an income and in many cases, begin to build asset and address poverty.

The micro credit programme is a unique innovation of credit delivery technique to enhance income generating activities. The poor people do not get access to formal financial services because of physical collateral. On the other hand, the informal money lenders charge an exorbitant high rate of interest, thereby reducing rural poor households from investing in productive income generating activities to fight against poverty. The MFIs of Bangladesh that build under a strong NGO microfinance system have been able to reach the poor with collateral-free loans at affordable costs and can help the poor become self-employed.

Development of Microfinance Institutions (MFIs) in Bangladesh

The development of MFIs took place in many districts over the last two decades. Micro credit was first commenced by Grameen Bank and was developed by a team led by Professor Mohammad Yunus. In late 1970s, during the 'Jobra' experiment of Professor Yunus, the "Dheki Rin Prokolpa" was commenced by the Bangladesh Bank in cooperation with the "Swanirvar Bangladesh" and several other plans were also initiated by a handful of the NGOs. In the early 1980s, a lot of NGOs tested with different ways of delivering credit to help the poor. In 1980s, during the Grameen Bank's success period and early 1990s, to broaden up the micro credit programmes of NGOs, developed their management capacity and programme design opposed to commercialization. The early 1990s was a period of rapid expansion of the Grameen-style micro credit approach. During the massive expansion of micro finance activities in 1990s, donors were encouraged and contributed to the expansion of revolving loan funds and Palli Karma-Sahayak Foundation (PKSF) was established to provide wholesale financial and technical support in microfinance sector. Almost all of the MFIs rely on the donor funds coming from foreign grants. The government is accountable for proper utilization of these grants and for this reason NGO Affairs Bureau (NGOAB) was established in 1991.

Microfinance providers

The micro credit providers are usually categorized into four major groups viz., MF-NGOs, specialized institutions, banks, and administrative ministries or divisions. MF-NGO has the largest share of the market, while Grameen bank holds about 29% (till December 2004) of total disbursement. There are now more than 1,200 Microfinance NGOs in Bangladesh (CDF, 2004) among which approximately 200 NGOs have large micro credit programmes

being dominated by four large MFIs namely, Grameen Bank, BRAC, ASA and Proshika. The large majority of borrowers (86%) are clients of these four MFIs (Table 20).

Table 20: Microfinance Providers and their coverage in Bangladesh

Members	No. of borrowers (m.)	No. of active borrowers (m.)	Outstanding loan portfolio (US$ m.)	Member savings (US$ m.)
Grameen Bank	3.6	4.0	803.6	212.9
BRAC	4.5	4.0	237.6	118.9
ASA	2.7	2.8	196.4	46.2
Proshika	2.8	1.5	11.6	24.7
Subtotal	13.7	12.3	1,249.2	402.6
PKSF's other partners	1.7	1.3	46.4	39.2
Other NGO MFIs	3.9	.8	54.6	22.2
Subtotal	5.6	2.05	101.0	61.4
Total	19.3	14.3	1350.2	466.7
Big Four as % of total	71%	86%	93%	87%

Source: World Bank (2005) in CDF 2006.

Four large MFIs – Grameen Bank, BRAC, ASA, and Proshika – are dominating the microfinance sector. Microcredit of Grameen Bank and 3 NGOs (BRAC, ASA and Proshika) have coverage all over the country. The 3 NGOs and Grameen bank combined command over 80% of the total microcredit market – both in terms of coverage and disbursement (Table 21).

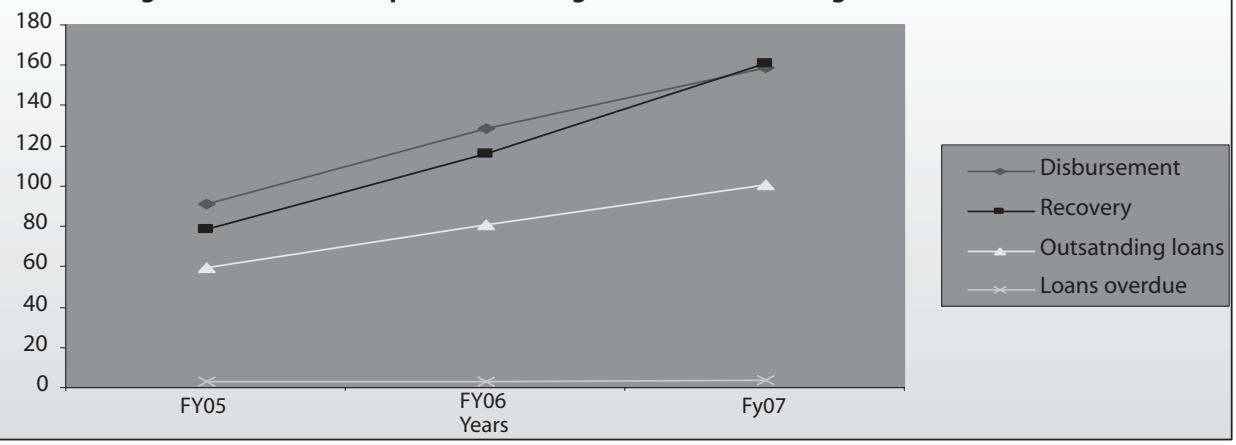
Table 21: Microcredit operations of the Grameen Bank and large NGOs (in billion Tk.)

	FY05	FY06	FY07
Disbursement	91.0	128.9	158.4
Grameen bank	31.5	45.9	50.2
BRAC	29.1	36.9	52.7
ASA	27.7	43	52.3
Proshika	2.7	3.1	3.2
Recovery	78.6	116.1	161.2
Grameen bank	25.8	37.7	48
BRAC	25.8	37.5	62.6
ASA	24.2	37.4	47.1
Proshika	2.8	3.5	3.5
Outstanding loans	59.4	80.6	100.8
Grameen bank	23.5	31.7	33.8
BRAC	16.6	20.9	32
ASA	15.7	23.2	28
Proshika	3.6	4.8	5
Loans overdue	3.1	3.3	3.6
Grameen bank	0.2	0.7	0.8
BRAC	1.8	0.9	0.9
ASA	0.1	0.2	0.3
Proshika	1.0	1.5	1.6
Overdue as percentage of outstanding	5.2	4.1	3.6
Grameen bank	0.9	2.2	2.4
BRAC	10.8	4.3	2.8
ASA	0.6	0.9	1.1
Proshika	17.8	31.3	32

Source: Bangladesh Bank, Annual Report 2007

It appears from Table 21 that microcredit operation grew rapidly in the country like previous years. Disbursement increased by 41.6% during FY 05-06 and 22.9% during FY 06-07. Overdue as a percentage of outstanding remained almost the same during FY 06 and 07 (4.1% and 3.8%).

Figure 4: Micro credit operation of the grameen Bank and large NGOs



Source: Bangladesh Bank, Annual Report 2007

Formal Financial Institutions

In Bangladesh, formal financial institutions that deliver credit are commercial banks. Some private commercial banks (PCBs) are also involved in microfinance provision. As of June 2005, NCBs and PCBs have provided credit to 2,025 million beneficiaries through direct programmes (CDF 2006).

Specialized Institutions

Grameen Bank (GB): GB was established in 1983 by an Ordinance. It is an expert microfinance institution giving micro loans especially to women. Grameen Bank works in 57,000 villages with its countrywide 1,658 branches and reaching 5.3 million poor, 95% of whom are women. From foundation till June 2005, GB has disbursed $3.6 billion, of which $3.3 billion has been repaid and its members have saved $260 million in their savings account (CDF 2006).

Bangladesh Rural Development Board (BRDB): BRDB is the largest microfinance institution of the government which has been working in the field of rural development. BRDB works for poverty alleviation through cooperatives and non-formal group network throughout the country providing financial and technical supports.

NGO-MFIs

BRAC: BRAC, the largest NGO in the country started its microfinance activity since 1990. Up to June 2005, a total amount of $2,028 billion has been disbursed as micro credit to its targeted client's beneficiaries (98% women) in 64 districts through 1,373 branches, and the recovery rate is 99.6% (CDF 2006). BRAC estimates that it adds more than 1% to the GDP of Bangladesh.

ASA: ASA started its micro credit programme in 1991. It provides two types of loans: small loans and small business loans. Especially women are the main clients of small loans whose monthly income does not exceed $31 and who possess less than 50 decimals of cumulative land. The initial loan size is $62 to $93 and may increase by $16 to $31 per year. Its small business loan is usually given to men but also given to women subject to demonstrating competence in business. At the end of the year 2004, the number of members in ASA stood at nearly 3.0 million (CDF 2006).

Proshika: Proshika, established in 1976, now works with nearly 2.8 million men and women members (CDF 2006).

Sources of funds for Micro-finance Institutions

Internal savings of members, micro savings, sponsor's equity, interest and service charge, loans from national agencies (mainly PKSF) and external donor grants are the major sources of funds for MFIs in Bangladesh. Among different sources of loan the trend in the external sources of fund for MFI-NGO is declining. MFIs are now less dependent on donor funds and of the total Revolving Loan Funds, member savings and service charge constitute more than half, and PKSF accounts for about 17%. The PKSF is known as 'apex organization' involved in loaning out donor and other funds to its partner organizations (POs) for on-lending as micro credit. Along with the financial assistance provision, PKSF also provides advisory services and training to NGOs for enhancing their institutional capacity.

Role of MFIs in eradicating poverty

As a tool to fight poverty, microfinance helps poor people to protect, diversify and increase their source of income. As the traditional commercial banks do not give loan to the poor, micro-credit is the only way to break the vicious circle of poverty. Using microcredit the poor can borrow a small amount of money to take advantage of a business opportunity or to pay for school fees of their children and other purposes. On the other hand, the poor people use the loan to buy assets such as inventory for a small business enterprise, to pay for health care or to send more children to school, it also helps the poor against the extreme vulnerability that is associated with their life. The financial services act as assistance in emergencies, business risks, seasonal slumps or in unfavourable circumstances like flood or a death in the family that can push a poor family into destitution.

A recent study by the Bangladesh Institute of Development Studies and the World Bank provides strong evidence that micro-credit helps the poor in asset building as well as consumption smoothing. The study also reports that it raises awareness to reproductive health and increases both individual and household welfare since microfinance programme is an effective way to provide low-cost financial services to poor individuals and families. Many studies have shown that microfinance programmes were able to reduce poverty through increasing individual and household income levels, as well as improving healthcare, nutrition, education and helping to empower women. Another study found that access to microfinance programmes contributed to the reduction of both moderate and extreme poverty of individual (particularly women) as well as for the village as a whole (Khandker, 2005). Appropriate institutional programme can have a strong positive effect on women's empowerment, resulting in women owning more assets, having a more active role in family decisions and increasing investment in family welfare.

Studies also show the flip side of microcredit. A recent study provides evidence that the effective interest rate of microcredit is high (ranging between 27% and 39%); microcredit may not be that conducive to asset building for the poor and causes increasing debt-burden syndrome; most women have no control over the economic activities run by using microcredit, and so on (Ahmed, 2007).

Challenges and Options of Microfinance Programmes

Although microfinance acts as an important tool to fight poverty, sometimes it becomes harsh for the destitute poor. In Bangladesh, no doubt micro credit comes to the door of poor as bliss but it has some challenges that should be confronted and resolved. These are as follows:

- Microfinance programmes benefit the moderately poor more than the destitute, and the impact can vary by income group.
- Most microfinance programmes target women, which may result in men requiring wife to get loans for them.
- This is a vicious circle of debt, micro credit dependency, increased workloads, and domestic violence associated with participation in microfinance programmes.
- There are high repayment rates in comparison with traditional financial institutions.
- The micro financial institutions use harsh and coercive methods to push for repayment and excessive interest rates.

- Reliance on microfinance programmes to aid the poor may result in a reduction of government and charitable assistance.
- MFIs lack adequate resources to finance the growing number of borrowers. In order to increase the size of operations, the MFIs may require interest rates to rise and thus discourage the poorest clients and thereby encourage the borderline poor.
- MFIs prefer larger loan sizes to increase the degree of financial sustainability. This may lead to worsening repayment performance and exclusion of the poorest.
- Achievement of financial sustainability of a MFI branch requires an increase in the number of clients within that branch, implying investment in less profitable activities and thus reducing the impact on poverty alleviation and reducing the demand for loans.
- The interest rate charged by MFIs in Bangladesh is very high that poor people cannot afford these rates and will perpetually remain in a poverty trap if interest rates are not lowered.

Therefore, the effectiveness of microfinance institutions in eradicating or reducing poverty is still in question and not free from debate. The MFIs in Bangladesh are well known for their pioneering, large scale provision of collateral-free microfinance loans and services mainly to poor women. The impact of micro-finance on household income, vulnerability and non-income dimensions of poverty has also been positive. Government will need to assist NGOs in moving towards financial sustainability by enabling them to set interest rates that will cover costs and not establishing interest rate caps that will only ultimately lead poor people having less access to credit.

4.6. Financing Infrastructure Development

Infrastructure services are critical to poverty reduction and achievement of the Millennium Development Goals (MDGs) in Bangladesh. Access to modern and improved infrastructure services also can directly improve health and education outcomes. Improved water and sanitation services reduce child mortality from waterborne diseases. They also support better education and health outcomes, for example by allowing more time for children to seek education and by improving access to health services. Efficient and reliable infrastructure services are essential for economic growth and have a major impact on the investment climate. Unreliable public-sector service provision has imposed substantial costs on Bangladesh economy and hindered growth. The National Poverty Reduction Strategy aims at a 7% growth rate. An important target is halving the incidence of poverty by 2015. The current state of infrastructure services is likely to hinder the achievement of these goals. Reliable basic infrastructure services help small farmers market their crops, encourage the development of non-farm income opportunities for the poor, and are associated with greater activity by credit providers, including microfinance institutions. Private-sector interventions have helped to extend services to some populations who were not covered by the public sector. But overall, compared to several of its neighbours in South Asia, Bangladesh has been less able to attract investment in private infrastructure projects. From 1990 to 2001 the country saw considerably less investment per capita in infrastructure projects with private participation.

The current state of infrastructure services threatens the achievement of the targets laid out in the Poverty Reduction Strategy. Bangladesh can no longer afford to postpone reforms in infrastructure. Without such reforms, the gap in service provision between Bangladesh and its neighbouring countries will continue widening while growth opportunities dwindle. Expanding the quality and quantity of infrastructure services delivered in Bangladesh will require sustained reforms to both pricing and service efficiency.

The private-sector service provision – both large scale and small scale – offers opportunities for innovation, customer responsiveness, efficiency, and accountability. Ultimately, Bangladesh will benefit from policy measures that set the conditions for the sustainable expansion of services and facilitate the entry of private providers.

Privatization need not mean that the assets are sold; rather, it means that the private sector provides much of the financing and has full management control. A range of public-private partnerships can be considered, including

arrangements that involve some government funding, such as subsidies to private companies to accomplish identified social goals.

Challenges

- Most consumers in Bangladesh still receive services from poorly managed and relatively unresponsive public-sector entities. As a result, Bangladesh sees low levels of efficiency and coverage of infrastructure services. Even within the South Asia region, performance is by and large below par.

- One major challenge will be mobilizing the financial resources to effect the necessary changes. Prices for critical infrastructure services, particularly electricity and water, are below the costs of provision. The operational inefficiency of the main publicly owned infrastructure service providers exacerbates the situation. The private management and capital can substantially expand infrastructure services. The private sector has already made important contributions in some sectors. However, this potential is only likely to be fully realized if the country undertakes substantive reforms which in any case are essential regardless of whether services are provided privately, or continue to be provided publicly or through a public-private mix.

- National averages mask important differences in access to services between urban and rural areas in power and telecommunications. Although 60% of urban households have an electricity connection, only 22% of rural households do. In telecommunications, Bangladesh has been much less aggressive than India has in rolling out Public Call Offices (PCOs). India has around one million PCOs in total, of which an estimated 40% are in villages, meaning that 80% of India's villages have PCOs. In contrast, only about 30% of villages in Bangladesh have telephone access. Even in urban areas, many people in slum areas have trouble getting official connections for water and electricity. Instead they pay more for unofficial connections provided by local criminals and racketeers.

- Most of the public sector enterprises providing infrastructure services in Bangladesh show weak financial performance, primarily for two reasons. First, prices do not cover costs. Second, operations are inefficient, particularly in relation to payment collection.

- Pricing in the ports, telecommunications and natural gas sectors has been more commercial, but even in these sectors investment has been inadequate. Petrobangla, BTTB, and the two main ports enjoy a better financial position than the water and power entities, but their better condition largely reflects market power rather than efficiency.

- Although there have been no systematic evaluations of the incidence of benefit by income class in Bangladesh, it is likely that the existing subsidies to infrastructure services in Bangladesh do not go to serve the country's poor people. More generally, as worldwide experience has shown, public-sector service provision has not benefited the poor.

- One perceived constraint to private-sector participation in infrastructure and utility services in Bangladesh has been lack of access to medium term and long-term debt financing. Restriction to short-term credit has created uncertainty and has been seen to increase financing costs. Consequently, the GOB in collaboration with the World Bank, established the Private Sector Infrastructure Development Project.

- Bangladesh lags behind other countries in the South Asia region in the telecommunications, electricity, and natural gas sectors, and in the performance of its ports. Bangladesh was the last country in the region to set up a regulatory agency covering telecommunications. It is the only country to see major constraints on interconnection capacity between the incumbent provider and new entrants. Most recently, Bangladesh Energy Regulatory Commission (RERC) has been established, which needs institutional strengthening.

Options

- To meet the challenge of coverage expansion, the Government of Bangladesh (GOB) must carry out policy changes in the pricing, governance, and operation of infrastructure services. The country's fiscal situation is increasingly getting constrained, and it has limited tax resources. Without increasing the revenues available from user charges to cover a greater proportion of the costs, improvements in access and service can be achieved only by reducing government expenditures in other critical areas, such as human development. Bangladesh has relied to some extent on subsidized financing from multilateral and bilateral donors for the development of its national infrastructure. However, fatigue at the slow pace of reforms has led many of these donors to reduce or withdraw their support.

- Private management and capital can substantially expand the coverage and quality of infrastructure services in Bangladesh. The private sector has already made distinct contributions in supplying telecommunications and water services, and to a lesser extent in supplying electricity. However, the potential for private-sector involvement will likely be fully realized only if the country carries out reforms on infrastructure pricing and governance. These reforms will be essential to future success whether services are provided privately or continue to be provided publicly.

- Increasing access to infrastructure services and improving their quality will be important factors in reducing poverty levels. Infrastructure services are critical to reducing poverty and achieving the Millennium Development Goals (MDGs) in Bangladesh. Improved water and sanitation services, for example, reduce child mortality from waterborne diseases.

- Bangladesh lags behind much of the South Asia region in extending infrastructure services to its citizens. Most consumers in Bangladesh receive infrastructure services from public-sector entities that are inefficient, poorly managed, and largely unresponsive to their needs.

- Most public-sector service providers show weak financial performance and inadequate investment. The financial performance of most public-sector service providers is weak because user prices do not cover costs and operations are inefficient, especially in collecting payments from consumers. As a result, rather than being able to generate funds for future investment, these enterprises drain public resources. This problem is particularly severe in the electricity, water, and railway service systems.

- Government support for infrastructure has not targeted improving service access for poor people. The GOB has provided much of the investment capital for infrastructure development. On average, allocations for energy and infrastructure under the government's Annual Development Plan have increased in recent years, while allocations for health and education have stagnated. No systematic evaluation has been made of the incidence of benefit by income class in Bangladesh, but it is unlikely that the existing subsidies for infrastructure services serve the country's poor people. Only around 12% of the poorest quintile of households has electricity connections. By contrast, nearly all of the households in the top two quintiles of income distribution have electricity connections. The subsidized tariffs enjoyed by residential consumers appear to represent benefits that go mainly to the upper and middle classes. The key option here is, irrespective of non-class neutral subsidization, household connectivity to electricity is key to both economic growth and poverty reduction, and in reaching MDG goals (Barkat, 2006a, 2006b).

- The private sector has contributed substantially to extending infrastructure services to meet uncovered demands. In the telecommunications sector, the four private cellular operators now exceed the public-sector provider in numbers of subscribers. Some of these private-sector interventions have helped extend provision of services and have been admired in the region. But overall, Bangladesh has been less able to attract investment in private infrastructure projects than other South Asian countries.

- Bangladesh faces a challenging reform agenda. The country should begin by focusing on steps that can be taken in the next 1 to 3 years. Broadly, these steps are:
    - Introducing private-sector provision of services in priority areas.
    - Experimenting with new approaches to providing services in rural areas.
    - Carrying out basic reforms in the governance and corporate structures of existing public service providers.
    - Introducing and facilitating competition, including competition to provide service to new consumers and, where possible, existing customers.
    - Pricing key services, such as water and electricity, in a way that more closely reflects the costs of service provision.
    - Developing a consensus that favours reforms and addressing the concerns of those groups who will be negatively affected by these necessary changes.
    - Improving the overall business climate.

These steps are interlinked. Indeed, reforms in all areas will be necessary to facilitate sustainable service delivery through the private sector and substantially improve the country's situation. In this regard, following options are worth mentioning:-

- Given Bangladesh's fiscal position and pressing needs for expenditures on health and education, increased resources for accelerated expansion cannot come from budgetary funds alone. Instead, emphases are needed on areas, such as user fees, efficient operation of service providers, and rational pricing policies.
- The government should invite private sector companies to offer telecommunications services other than cellular. In the ports sector, new entities can be created that will compete with the two port authorities. The government also should take the following actions:
    - Privatize the distribution of natural gas within the country while developing a credible regulatory framework and cost-covering tariffs.
    - Institute private financing and management of part or the entire gas transmission network, requiring vertical separation of existing assets and the establishment of a credible regulatory framework.
    - Privatize urban systems in the power sector, starting with operations in Dhaka, again within a sound and credible regulatory framework.
    - Contract out cargo and other services at the Chittagong and Mongla ports.
    - Invite private-sector participation in rail services, including equipment, terminals and depots.

  These represent the areas where there is probably the greatest potential for private-sector participation, for example natural gas, and the greatest need, for example urban electrical power given little improvement in recent years in public- sector performance.
- In the gas sector, the government should move toward establishing a transparent tariff framework in which the prices charged to final consumers reflect the costs of distribution and transmission (including a return on investment), the contractual costs for gas supply that Petrobangla faces, government taxes, and alternative fuels. The tariff framework should allow for changes in wholesale purchase costs to feed through into changes in the final tariffs facing consumers.

Current GOB's support to the infrastructure sector is substantial, but much of this support effectively props up inefficient public-sector service providers. On the basis of present evidence, little support goes to the extension of services to the country's poor people. Relatively little transparency exists in the financial relationship between the government and some service providers, such as Petrobangla and BTTB. These entities generate surpluses, but the surpluses go in part to pay back debt incurred by the government.

Bangladesh has had some difficulty in developing a consensus that supports reforms in the infrastructure sectors. Opposition from groups that would be negatively affected by reforms is one factor that must be addressed. Focusing on the country's need to expand services to those not yet connected and on the difficulty of doing this when prices are too low relative to costs and the main public service providers are inefficient will place the main issues to the centre of the debate. More frequent and widespread discussion of current service deficiencies also will generate momentum for change.

4.7. Health Sector Financing

Healthcare Providers and Healthcare Financing Intermediaries

In Bangladesh there are a wide range and types of healthcare providers who can be categorized as the following: (a) public providers, (b) private providers, and (c) Non-Profit Institutions commonly known as Non Government Organization (NGO) providers. Public providers include General Government (Central and Local Governments), Public Corporations and Government owned (Non-Profit Institutions (NPI)) healthcare institutions. The Ministry of Health and Family Welfare (MOHFW) is the largest institutional healthcare provider in Bangladesh with an extensive network of facilities across the country. A large number of healthcare facilities are owned and operated by the MOHFW, and it provides varied services ranging from primary healthcare typified by Essential Services Package (ESP) to complex treatment care. The healthcare facilities provided under the umbrella of MOHFW can be classified into a four tier system: (a) Union and grass root level facilities (which include Union Health and Family Welfare Centres and urban satellite and other clinics); (b) Upazila or thana level facilities (Upazila Health Complexes); (c) District hospitals; and (c) National level facilities that include specialized hospitals, medical colleges and institutions. In general, union and upazila facilities serve as primary healthcare centres, district hospitals as secondary level facilities and national level institutions as referral facilities.

The MOHFW operates as a financial intermediary of the Government of Bangladesh (GOB) obtaining funds from the Ministry of Finance (MOF) and allocating and disbursing them to its healthcare providing units. It also provides regular annual transfers or grants-in-aids to health and family welfare NGOs. As in other government ministries in Bangladesh, MOHFW expenditures are funded from and classified under two GOB budget categories: (i) Revenue Budget and (ii) Development Budget or the Annual Development Programme (ADP). The Revenue Budget is financed by the GOB by its tax and non-tax revenues including borrowing from the domestic market and self-financing by Public (or GOB owned) autonomous corporations. The ADP is primarily financed by the GOB revenue surpluses. ADP also relies on development partner assistance in the form of development grants and loans. The MOHFW recurrent expenditures (termed revenue expenditures) are funded through the Revenue Budget and are divided into the following major economic categories:

(i) Salary and allowances

(ii) Contingencies (or operational expenses)

(iii) Medical and Surgical Requisites (MSR) and Supplies (MSS)

(iv) Repairs and maintenance

(v) Transfers (grants in aid) to Non-Profit Institutions (NPIs) and contributions to the United Nations (UN) bodies.

Non-Profit Institutions Serving Households (NPISH), of which NGOs comprise the significant part in Bangladesh, play a key role in providing healthcare at the grass root level and complement the efforts of MOHFW. In recent times, NGO activities in healthcare services have been expanded with the increased flow of donor and GOB transfers. Non Governmental Organizations are important service providers because they target their services mainly to the poor and vulnerable. In many areas, they complement the activities of the public healthcare system, which is unable to effectively reach out to the poorest sections of the population. Also they make up for the private for-profit sector's health services which the poor may not be able to afford. In recent years, the importance of NGO services has increased as a result of their expanded coverage and diversification of service delivery.

Private healthcare providers include healthcare enterprises, including private clinics and hospitals, diagnostic and imaging centres, private modern ambulatory practitioners as well as a large number of traditional healthcare providers operating as unincorporated enterprises.

All three categories of providers also perform health related functions of capital formation, education and training of varying degrees. The Government and NGO providers are non-market providers in that the services they provide are generally not offered in the market. Private providers including traditional providers are all market operators.

The Bangladesh healthcare financial intermediaries or financing agents are classified under the following categories:

(i) Government of Bangladesh (GOB) Ministries and Departments;

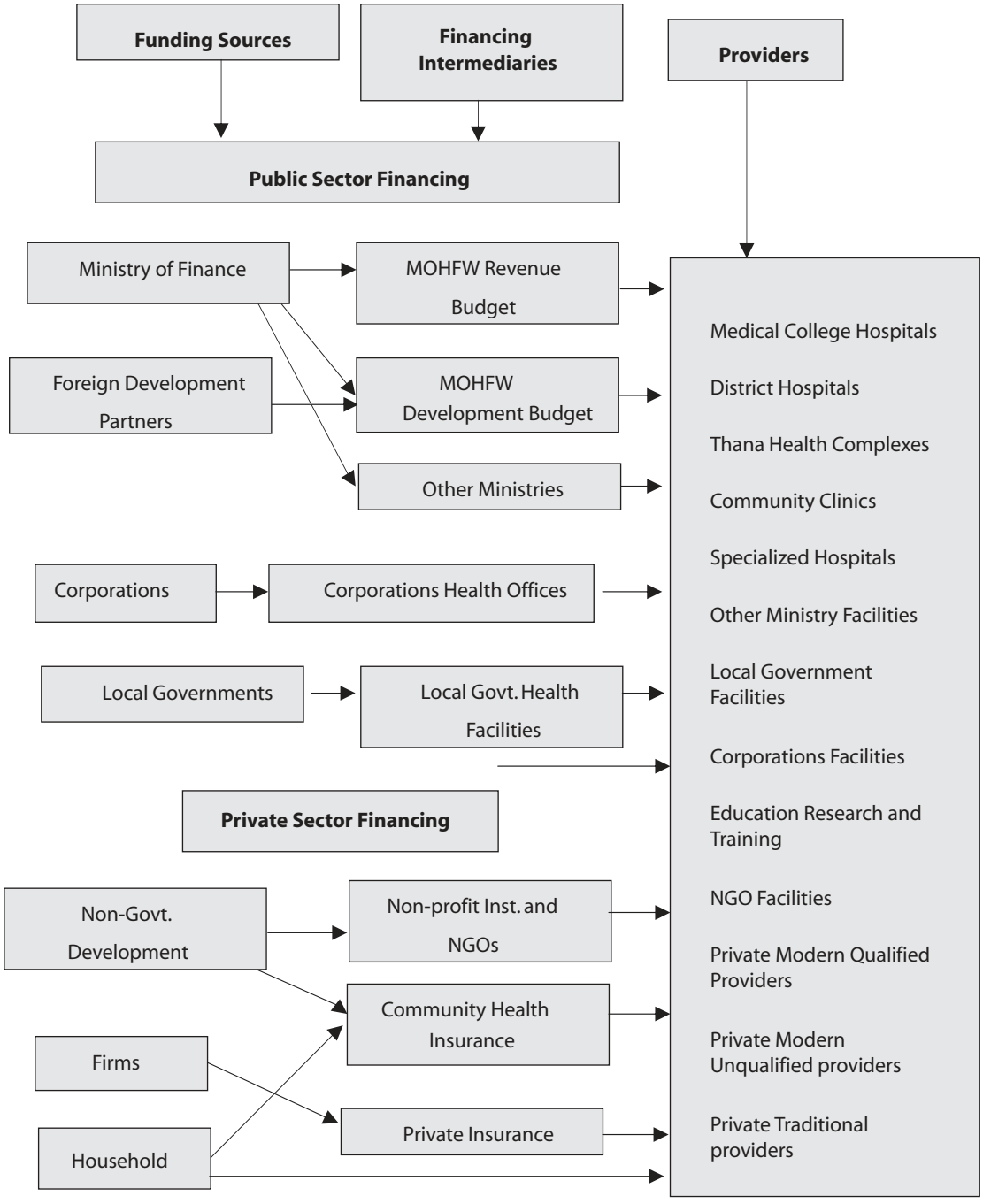
(ii) Ministry of Health and Family Welfare (MOHFW) Revenue and Development Budgets as separate funding channels;

(iii) NGOs acting as intermediaries;

(iv) NGO health insurance/community insurance schemes;

(v) Commercial health insurance schemes.

Figure 5: Flow of Funds in Bangladesh Healthcare



Source: Bangladesh National Health Accounts 2, Health Economics Unit, MOHFW 2003

Health Expenditure Estimates

In the most recent NHA-2 year estimate, 2001-02, Total Health Expenditure (THE)[5] amounted to over Tk. 88.3 billion ($1.5 billion); comparable National Health Expenditure (NHE) and The System of Health Accounts Total Health Expenditures (SHA THE) figures for 2001-2002 are Tk. 82.8 billion ($1.45 billion) and Tk. 85.3 billion ($1.5 billion) respectively. THE witnessed a real growth (adjusted for inflation) of around 5.7% during the 1996-97 to 2001-02 period while NHE increased at closer to 7% during the comparable period.

Table 22: Total health expenditure 1996/97-2001/02

Indicators	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
Total Health Expenditure (THE) (in million Tk.)	55,763	62,022	68,281	74,785	80,966	88,313
National Health Expenditure (NHE) (in million Tk.)	50,750	57,043	63,337	69,877	75,158	82,881
SHA THE in million Tk.	53,038	59,438	65,838	72,485	78,225	85,301
Real growth rate of THE	-	5.6	5.2	7.5	6.6	5.7
Real growth rate of NHE	-	6.8	6.1	8.3	5.9	6.9
Real growth rate of SHA THE	-	6.5	5.8	8.1	6.2	5.7
MOHFW as % of THE	27.6	28.3	27.2	25.7	24.0	24.3
NGO as % of THE	2.9	3	4.1	6.8	8.8	9.2
HH as % of THE	64.1	65.1	65.7	64.6	64.4	63.8
Development partners as % of THE	10.5	-	-	12.2	12.9	13.3
ESP as % of THE	-	-	-	19.7	19.1	19.9

Note: HH = Household, GDP = Gross Domestic Product, OOP = Out of Pocket Payment, NGO = Non Government Organization, MOHFW = Ministry of Health and Family Welfare, NHA = National Health Accounts, THE = Total Health Expenditure, NHE = National Health Expenditure, SHA THE = THE following OECD-ICHA concept

Source: Bangladesh National Health Accounts 2, Health Economics Unit, MOHFW 2003

NHA-2 captures changes occurring in the financing pattern of the national health expenditure. The share of public sector in the overall financing of the national expenditure, which is dominated by MOHFW expenditures, suggests a declining trend. On the other hand, shares of NGO and Household Out of Pocket (OOP) health expenditure have been on the rise. As compared to 27.6% in 1996-97, the share of MOHFW in THE declined to 24.3% in 2001-2002 (Table 22). The share of NGO expenditures increased from 3% to 9%. The share of household OOP expenditure has remained relatively steady during the period studied at around 64%. Overall donor funding increased from 12.2% of THE in 1999-2000 to 13.3% in 2001-2002.

Table 23 presents THE, NHE, and SHA THE as a percent share of Gross Domestic Product (GDP) of Bangladesh. Both NHE and THE have shown a modest increase in their share to GDP. In 1996-97, THE's share to GDP was 3.1%, which increased to 3.2% in 2001-02. Comparable figures for NHE are 2.8% and 3.0% for 1996-97 and 2001-02 respectively.

[5] Total Health Expenditure (THE) includes National Health Expenditure (NHE) plus capital formations, education and research expenditures of all healthcare providers. The System of Health Accounts Total Health Expenditures (SHA THE) include entire THE minus health education, and research expenditures.

Table 23: THE, NHE, SHA THE as percent of GDP, 1996-2001

Indicator	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
NHE	2.8	2.8	2.9	2.9	3.0	3.0
THE	3.1	3.1	3.1	3.1	3.2	3.2
SHA THE	3.0	3.0	3.0	3.1	3.1	3.1

Source: Bangladesh National Health Accounts 2, Health Economics Unit, MOHFW 2003

Per capita real (adjusted for inflation) THE, NHE, SHA THE are presented in Table 24. For 1996-97 to 2001-02, computed dollar figures are also provided. Compared to Taka 486 ($11.8) in 1996-97, in 2001-02 per capita THE is Tk.592 ($10.4).

Table 24: Real per capita THE, NHE, SHA THE, 1996-2001

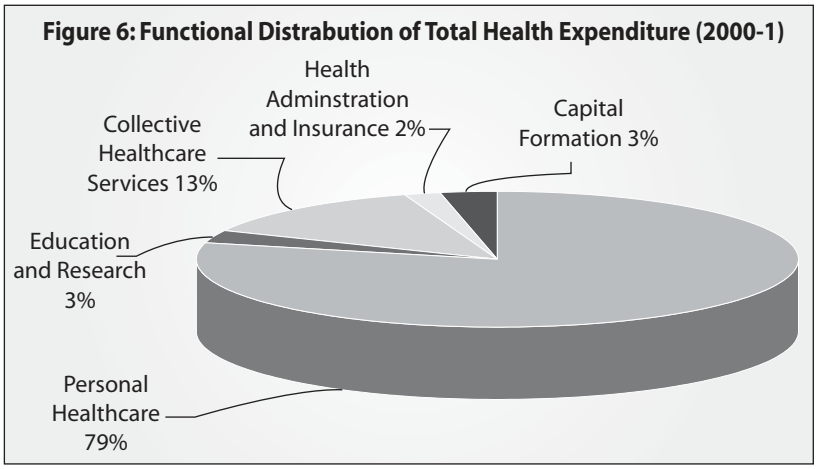
Indicator	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
NHE (Tk.)	442 ($10.8)	471 ($10.4)	500 ($10.4)	497 ($9.9)	519 ($9.6)	555 ($9.7)
THE (Tk.)	486 ($11.8)	513 ($11.3)	539 ($11.2)	532 ($10.6)	560 ($10.4)	592 ($10.4)
SHA THE (Tk.)	462 ($11.2)	491 ($10.8)	520 ($10.8)	516 ($10.3)	541 ($10.0)	571 ($10.0)

Source: Bangladesh National Health Accounts 2, Health Economics Unit, MOHFW 2003

Classification of Health Expenditure

The distribution of THE by functions shows that personal healthcare accounts for 79 % of total healthcare expenditures, and followed by collective healthcare services 13%. Education and Research and Capital Formation combined accounts for 3% of THE[6].

Figure 6: Functional Distrabution of Total Health Expenditure (2000-1)



Sources of Finance

The major sources of healthcare funding include: household, government, NGOs and development partners. Insurance makes up a small percent share of the total source of financing in Bangladesh. As evidenced in Table 25, while government financing has increased in absolute terms, it has declined as a percentage of Total Health Expenditure (THE). From around Tk.13.4 billion ($0.33 billion) in 1996-97, in 2001-02, government

[6] Note: Personal healthcare services include hospital services (in-patient curative care, out-patient curative care, in-patient rehabilitative care, out-patient rehabilitative care, out-patient dental care), ambulatory healthcare services, diagnostic and imaging, and medicine and other medical goods (drug retail outlets, and other medical goods outlets). Collective health services include family planning service, school health services, prevention of communicative diseases, health awareness creation, and occupational healthcare. Health administration and insurance include general government administration of health, private health insurance administration, and community health insurance.

expenditure increased to Tk.18.6 billion. As a percentage share of THE, government expenditure has declined from 24% in 1996-97 to 21% in 2001-02. Development partners funding to Bangladesh's healthcare has increased from around Tk. 5.8 billion ($0.14 billion) in 1996-97 to Tk. 11.7 billion ($0.21 billion) in 2001-02. In percentage terms, relative to THE, development partners' contribution has increased from 10.5% of THE in 1996-97 to 13.3% in 2001-02. Household expenditure, commonly known as Out-of-Pocket (OOP) health expenditure, had a modest decrease in its share of THE – from 64.1% in 1996-97 to 63.8% in 2000-01.

Table 25: Total health expenditure by sources of funding, 1996-2001 (in million Tk.)

THE (in million Tk.)	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
GOB	13,450	13,998	14,550	15,818	16,590	18,597
Development Partners	5,842	7,295	8,391	9,158	10,453	11,745
NGOs	194	224	259	271	512	301
Household OOP	35,293	39,579	44,021	48,344	52,153	56,341
Private Enterprises	979	917	1,048	1,178	1,231	1,297
Private Insurance	2	2	3	3	10	11
Community Insurance	3	7	9	13	17	21
Total Health Expenditure (THE)	55,763	62,022	68,281	74,785	80,966	88,313

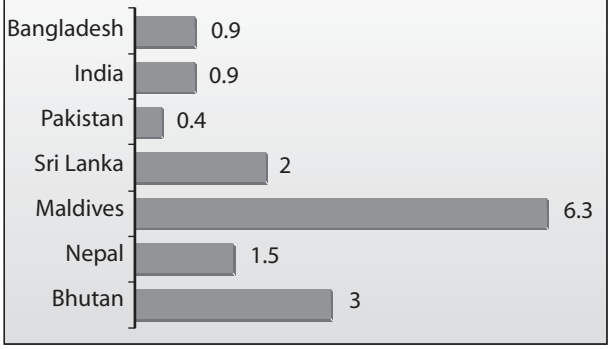
Source: Bangladesh National Health Accounts 2, Health Economics Unit, MOHFW 2003

Public Spending on Health

Budgetary allocation in the health sector is not at all encouraging with the public health spending accounting for less than 1% of GDP, which is lesser even by the standard of the neighbouring countries (Figure 7).

Between FY1994 and FY2005, the share of MOHFW in total government spending has reduced from 6.6% to 4.7%. It is also observed that there is less than full utilization of resources. In FY 2005, 13% of the total budgetary allocation for the MOHFW with 6% of the revenue budget and 19% of the development budget was under-spent.

Figure 7: Public health expenditure in selected South East Asian Countries (% of GDP, in 2004)



Source: Human Development Report, UNDP 2007/2008

Table 26: Bangladesh-Ministry of Health and Family Welfare current and annual development expenditures, FY94-00 (Tk. millions at current price)

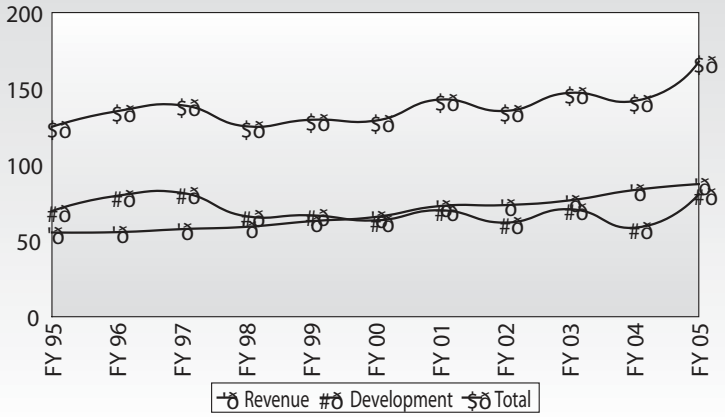
Indicators	FY94	FY97	FY00	FY03	FY05
Current expenditure					
Expenditure	5,040	7,330	9,430	14,478	19,360
Expenditure as a share of budget allocation (%)	116	103	97	103	94
Share of M O HFW in total current expenditure (%)	6.6	6.2	3.4	3.3	3.3
Annual Development Programme (ADP) expenditure					
Expenditure	5,690	10,250	10,260	13.383	17,679
Expenditure as a share of budget allocation (%)	109	108	75	88	81
Share of M OHFW in total current expenditure (%)	6.7	92	109	6.6	8.7
Total M OHFW budget (current and ADP)					
Expenditure	10,720	17,580	19,690	27,861	37039
Expenditure as a share of budget allocation (%)	112	106	84	95	87
Share of M OHFW in total current expenditure (%)	6.6	7.6	5.3	4.4	4.7

Source: Health Economics Unit, MOHFW (2007)

Between 1994/95 and 2005/06, per capita MOHFW spending increased with some annual fluctuations. Revenue spending per capita shows a consistent increasing trend while the development spending per capita shows annual fluctuations.

The MOHFW's spending by economic category is shown in Table 27. It shows that the proportion of recurrent spending devoted to staff pay reduced from 45 % in 2003/04 to 42% in 2005/06. This compares to nearly 50% during the HPSP (1998-2003). During the same period, the proportion of recurrent development budget devoted to pay declined from 12% to 2% reflecting the transfer of staff from the development to the revenue budget. During the same period, the spending on capital items increased from 20% to 23 %. Capital spending makes up a larger proportion of the development budget as compared to revenue budget (45% and 3% respectively in 2005/06).

Figure 8: Per capita MoHFW spending at 1996/97 prices (Tk)



Source: Health Economics Unit, MoHFW 2007

Table 27: Spending by recurrent (pay and non-pay) and capital items (economic codes), million Tk.

Indicators	Development	Revenue	Total	%
2003-2004				
Recurrent: Pay	961.6	9,018.8	9,980.4	36
Recurrent: Non-pay	7,134.8	5,046.1	12,180.9	44
Capital	5,286.9	413.6	5,700.4	20
Total	13,383.2	14,478.5	27,861.7	100
Pay:% of recurrent	12	64	45	
Capital: % of total	40	3	20	
2005-2006				
Recurrent: Pay	185.4	11,730.4	11,915.8	32
Recurrent: Non-pay	9,620.2	7,135.7	16,755.9	45
Capital	7,873.8	494.0	8,367.8	23
Total	17,679.4	19,360.1	37,039.5	100
Pay: % of recurrent	2	62	42	
Capital: % of total	45	3	23	

Source: Health Economics Unit, MOHFW 2007

The share of spending on Medical and Surgical Requisites (MSR) constituted a meager 5% in 2005/06 (HEU, MOHFW 2007) which is a matter of concern given the fact that the existing facilities operate with shortages of MSR and the patients have to obtain medicines from outside. As a result, a large proportion of household expenditure is devoted to buying medicine as reported by the National Health Accounts (NHA) and the Household Income Expenditure Survey (HIES) reports.

Table 28 shows that during the HPSP (1998-2003) and HNPSP (2003-ongoing) programme, there has been some improvement in the disbursement of the financial resources. Between 1999/2000 and 2005/06 the per capita spending of the MOHFW increased by 24% in the richest districts as compared to 52% increase in the poorest districts.

Table 28: Per capita MOHFW spending by poverty status of districts[7] (Tk.)

District category	1999/00	2003/04	2005/06	% increase (1999/00-2005/06)
Richest	109.7	114.2	136.3	24
Upper-middle	81.5	107.9	132.5	63
Lower-Middle	108.3	129.0	164.0	52
Poorest	83.5	97.2	126.9	52
All	98	113	141	44

Source: Health Economics Unit, MOHFW 2007

Challenges and Options

The overall expenditure of MOHFW as a proportion of the Total Health Expenditure (THE) has been declining. The proportion of public sector to THE has also declined. This decline together with the continued absence of social insurance initiative and a minuscule private insurance market is compelling the households, particularly the rural poor, to bear a very large proportion of national health expenditure through direct or Out-of-Pocket (OOP) payments. Therefore, budgetary allocations in the health sector need to be increased.

The share of spending on Medical and Surgical Requisites (MSR) constitutes a meagre 5% (HEU, MOHFW 2007) which is a matter of concern given the fact that the existing facilities operate with shortages of MSR and the patients have to obtain medicines from outside. Besides most of the increased capital spending in recent years has been devoted to upgrading or constructing hospitals, which implies that more MSR and staffing will be required in the near future and it will require concomitant allocation to MSR. Building hospitals has been stated as one of the priority areas in government's recent budgetary framework which means that the capital spending will increase in the near future and the increased capital spending has to be matched by increased spending on MSR.

Essential Service Package (ESP) has emerged as the dominant mode of MOHFW healthcare provisions in recent years, leading to a structural change in the pattern of MOHFW expenditure. As a consequence, overall expenditure within MOHFW shifted significantly from the tertiary and secondary level facilities to primary facilities at the upazila and below level Close-to-Client (CTC) facilities. This pattern has to be sustained in the future which implies demand for fixed investment expenditure of MOHFW for future capacity creation towards upazila and below level CTC facilities. However, a recent analysis conducted by the HEU of the MOHFW suggests that between 2003/04 and 2005/06, the share of MOHFW spending in the allocation to facilities at upazila and below increased by 10% while it increased by 36% at district level and above (HEU, MOHFW 2007). This is a serious cause of concern given the fact that the PHC has been stated as the major component of the National Health Policy. Therefore, the allocations in the lower tiers of the health system need to be increased further. Another study conducted by HEU suggests that the utilization of allocations is less at district and upazila level hospitals. Therefore, the expenditure allocations to different tiers of health systems together with the utilization of health services at the facilities need to be examined.

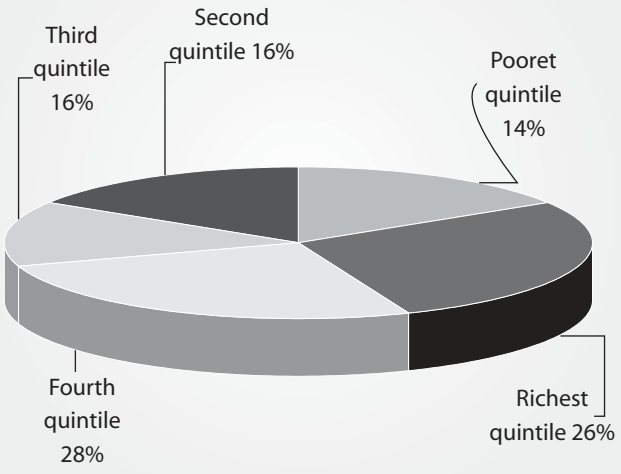
[7] Poverty status of the districts has been defined in terms of poverty headcounts: richest districts are those with poverty headcounts <24%, upper-middle 24-29%, lower-middle 29-36%, and poorest>48%.

The HEU of the MOHFW has conducted a Benefit Incidence Analysis (BIA) of the public health spending. It has estimated the utilization of government health facilities using HIES 2005 data. Individuals have been divided into five groups based on equivalent consumption expenditure using the WHO methodology. It has been revealed from the study that the facility based curative services are not pro-poor as evident in Figure 9. The richer people have access to facility based services more than the poor people, thereby receiving greater share of government subsidies channelled to these facilities. Findings of the BIA suggest that there is considerable scope for improving the pro-poor bias of the public spending on health care services.

New challenges to good health care are emerging, in particular HIV/AIDS, tuberculosis, malaria, arsenicosis, accidents and injuries and non-communicable diseases. These impose catastrophic treatment costs and heavy income losses on the poor, which may precipitate irreversible poverty and are difficult to insure privately.

As the epidemiological transition accelerates, non-communicable diseases will account for a larger and larger share of the total disease burden. It is estimated that by 2010, non-communicable diseases will increase their share of mortality to 59%, as compared to 40% in 1990 (Streatfield et al. 2001, in MOHFW-website).

Figure 9: Urilisation of curative care services at government facilities by different wealth quintiles



Source: HEU, MOHFW 2007

Bangladesh has made significant progress in reducing the U5 and infant mortality rate and increasing the coverage of immunization against measles. However, there is still considerable regional variation in attaining these successes. Urban slums, the Chittagong Hill Tracts, Coastal Belt region and other ecologically vulnerable areas are falling behind. The government should ensure that its effort reaches all regions and that these progresses are sustained.

Although notable progress has been achieved in reducing the maternal mortality ratio, the proportion of births attended by skilled health personnel is still at 20%. The age structure of the population is relatively young with 32% of the population in 10-24 year age bracket, which makes the challenge of maintaining the maternal mortality reduction rate harder, particularly given the widespread practice of the early marriage. Bangladesh must improve effective service delivery and the health sector governance especially in the primary and maternal health services, and needs extensive training programme to increase the number of skilled birth attendants, which of course involves funding challenges.

Bangladesh continues to suffer high levels of malnutrition in the form of both protein-energy malnutrition and micronutrient deficiencies. Forty-eight percent of children under five (age 6 to 59 months) are underweight, 43% are stunted in height and 13% are wasted (BDHS 2004). These rates are unacceptably high, even if considered in the context of Bangladesh's still low per capita income. Child malnutrition, especially at the youngest ages, impedes child development, is associated with increased rates and increased severity of infectious diseases and contributes to over one half of child deaths. Among rural adult non-pregnant mothers, 45% have a Body Mass Index (BMI) of less than 18.5, which is indicative of 'critical' food insecurity (HKI 2001; BDHS 1999-2000). Poor maternal nutrition affects, in turn, the high incidence of low birth weight in Bangladesh, estimated at 40%, which affects newborn health and survival.

Dietary intakes of both children and adults are severely deficient in multiple micronutrients, particularly vitamin A, iron, iodine and zinc. Bangladesh has made significant progress in reducing vitamin-A deficiency among pre-

school children over the past 15 years. However, the consumption of vitamin A rich foods is still low, suggesting that the underlying causes of Vitamin A deficiency require further attention and support. Iron deficiency anaemia, which is also highly prevalent, affects one-third of adolescent girls and non-pregnant women and is even higher in pregnant women (51%; HKI/IPHN 2002). Over 50% of children age 6 to 59 months are anaemic.

The immediate causes of malnutrition in women and children are inadequate dietary intake and high infectious disease burden, due to household food insecurity and inappropriate household practices in feeding, personal hygiene and caring for adolescent girls, pregnant women, mothers and their young children, exacerbated by a lack of knowledge and awareness about a healthy way of life.

To have any effect on the high child and maternal mortality rates, carefully designed programmes must be prepared, staffs trained, logistics developed, and services delivered. Services both at the rural health facilities and Union Health and Family Welfare Centre (UHFWC) levels are mostly curative in nature, which will have little impact in bringing down infant or early childhood mortality rates or even maternal mortality rates. It is necessary to consider training health of and family planning workers at the ward level, allowing them to deliver services at the household level. If the NGO and the government work together, their combined efforts would yield greater results. The government has the infrastructure, the manpower, and the commitment to provide primary health care to Bangladesh. The NGOs can offer their field experiences, assist in training, and provide logistical support.

4.8. Education Sector Financing

Sources and Patterns of Education Sector Financing

Bangladesh's education system depends heavily on public financing both for recurrent and development expenditures. One major exception is secondary education where there is significant private financing. The distribution of public spending between different levels of education is more unequal than the distribution of income. Households spend a substantial amount on education, but a large part of it is to compensate for low quality of instruction in the primary and secondary schools. Large private spending is both strength and weakness of the system. It is strength in the sense that it reflects a high willingness on the part of parents to invest in education. It is a weakness in the sense that the spending is for out-of-school tuition, where the focus is to prepare the students to pass examinations. This spending exacerbates the inequities in education, since the poor cannot afford the out-of-school tutoring.

The household sector represents the most important source of education financing in Bangladesh. Starting from the primary level, schools collect fees or contributions to cover costs, and households pay for supplementary educational materials, private tutoring, and other education-related expenditures. Households' annual expenditures per student equal government expenditures per student at the primary and tertiary levels. At the secondary level, however, private expenditures exceed government spending by a large margin. Secondary education in Bangladesh is not free, and households incur extremely high costs for private tutoring geared toward passing the public secondary school certificate (SSC) and higher secondary certificate (SSC) examinations.

In primary education, the Government, involved as financier and provider, directly operates about half of all schools, accounting for 60% of overall enrolment. Registered nongovernmental primary schools account for 25% of primary schools and 24% of enrolment. Another large group of school, the Ebtedayee Madrasah (religious schools), accounts for an additional 9% of primary schools and 5% of enrolment. Most of these schools are heavily subsidized by the Government, which provides on average 80% of teachers' salaries and free textbooks. All primary schools adhere strictly to the national curriculum developed by the National Curriculum and Textbook Board (NCTB), which is also responsible for preparing, printing, and distributing all textbooks at the primary and secondary levels. NGO-run schools (not supported by the Government) provide non-formal primary schooling to about 2 million children (about 10% of total enrolment in the 6-10 age group).

The mass education system is designed to provide (i) non-formal education for children aged 8-14 currently out of school, to enable them to transition to the formal schooling system upon completion of their non-formal

course, and (ii) adult literacy training. In adult literacy about 330 NGOs directly implement the non-formal education programmes of the Government, which aim to cover nearly 30 million adult learners.

Most secondary schools (covering grades 6-10 and 11-12) are privately managed (98% of all secondary schools, 94% of enrolment), but a substantial part of their expenses is covered by government salary subvention payments for teachers and staff and block grants for construction and maintenance. The Government also supports the religious secondary schools known as dakhil (grades 6-10) and alim (grades 11-12) madrasahs.

The low quality of instruction in the schools puts those who cannot afford private tuition at a substantial disadvantage and risk of losing the investment made in their education. Secondary schools in rural and urban areas differ in terms of quality. Such differences are essentially a reflection of a privately managed system without adequate public supervision and compensatory financing. But they are also a result of systemic flaws such as centralized management leading to weak supervision and limited institutional capacity. Parents attempt to supplement their children's secondary schooling by arranging private tutoring so that their children can get high marks in the HSC and SSC examinations. Private tutoring is the largest item in household expenditures on education. Anecdotal evidences suggest that parents spend nearly ten times more on private tuition than on school fee. Not surprisingly the high performers in the HSC and SSC examinations generally tend to be the ones who had most access to private tutoring.

The tertiary education system is intended to prepare high-level manpower for professional, technical, and administrative positions in the labour market; generate new knowledge through research; and extend that knowledge to the society at large. Pressed by lack of employment opportunities at lower levels and attracted by high rates of return (over 10% annually), about three out of four students who pass the higher secondary certificate (HSC) examination go on to some form of higher education. About 15% of the entrants are admitted to the universities, and the rest are channelled into the nearly 1,187 degree colleges, most of which are non-government. The Bangladesh Open University was established in 1992 in order to make university education more accessible.

Bangladesh's Technical and Vocational Education (TVE) system is relatively small, absorbing about 2% of the education budget and enrolling only 95,458 students at the certificate and diploma levels combined. There are a few reasonably good-quality public training institutions, including some technical training centres (TTCs) under the Ministry of Labour and rural training centres under the Ministry of Youth. Good models for skills training are provided by some NGOs. The Technical Education Board is a small, self-supporting, and relatively effective organization for curricula, teaching materials, and trade tests.

The primary instruments for financing education expenditures are the revenue and development allocations in the national budget. For the revenue budget allocations, the government draws from internal revenue resources. External aid finances are more than 50% of the government's development expenditures on education. The country has received loans from multiple donors, including IDA, ADB, and OPEC. External aid in the 1990s from all major donors amounted to US$1.14 billion, of which about 32% consisted of grants from several bilateral sources. This high level of external dependence is unavoidable in a country which has one of the lowest revenue-GDP ratios in the world (about 12%).

Three key public policies underpinned Bangladesh's education successes. These include (i) sustained injections of public resources; (ii) effective partnerships with the private sector for service delivery; and (iii) provision of subsidies to influence the demand for education in favor of the poor and girls.

Education expenditures increased dramatically in the early to mid-1990s, are high relative to other government expenditures, and focus on basic education. Bangladesh's public policy and expenditures have consistently emphasized education, and the sharp increases in education spending that occurred during the mid-1990s have been sustained. Education is by far the largest recipient of budgetary funds in combined Annual Development Programme (ADP) and recurrent budgets (BANBEIS 2008) (Table 29). But the total government expenditure on education is currently about only 2.5% of GDP and 14.2% of total government spending (Human Development Report, 2007/2008).

Table 29: Government budget on education, 1990-91 to 2006-07 (Tk. in million)

Fiscal Year	Revenue	Development	Total Budget	% of Growth
1990-91	11,820.1	3,124.1	14,944.2	-
1995-96	21,514.5	13,711.7	35,226.2	135.7
2000-01	35,996.6	22,520.4	58,517.0	66.1
2001-02	37,398.7	21,376.8	58,775.5	0.4
2002-03	39,627.1	25,410.7	65,037.8	10.6
2003-04	44,748.0	22,831.1	67,579.1	3.9
2004-05	50,813.9	20,487.3	71,301.2	5.5
2005-06	63,471.4	27,551.3	91,022.7	27.6
2006-07 (BE)	71,204.8	37,853.0	109,057.8	19.8

Source: BANBEIS 2008

Most government expenditure on education is directed to basic education-primary and mass education and secondary education both in development and revenue budget (Table 30).

Figure 10: Government Budget on Education, 1990-91 to 2006-07

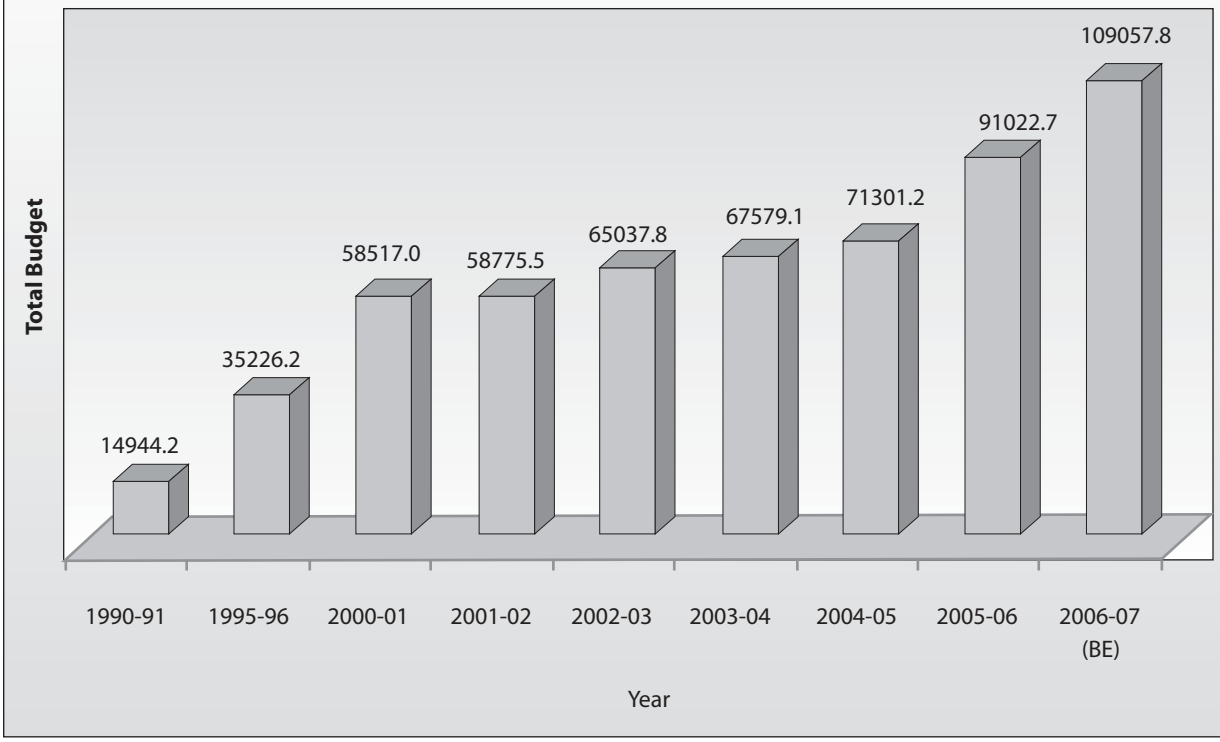


Table 30: Government revenue budget on education by sub-sector, 2005- 06 and 2006-07 (Tk. in million)

Type of Education	2005-06 (RB)		2006-07 (BE)	
	Budget	%	Budget	%
Primary Education	20,714.2	34.0	22,782.5	33.7
Secondary Education	11,970.5	23.3	15,437.9	23.4
College (General) Education	7,259.5	13.7	9,141.6	13.8
Madrasah Education	5,916.7	11.4	7,754.6	11.6
Technical Education	445.3	0.8	700.7	0.9
University Education	4,043.5	7.9	4,919.0	8.2
Teachers Training	256.2	0.5	300.5	0.4
Others Administrative and Subsidiary Services Department	12,865.5	8.3	10,168.0	7.9
Total (education):	63,471.4	100	71,204.8	100
Cadet College Education	*189.3	-	*201.3	-
Medical Education (included medical, dental, unani & ayurvedic and homeopathic education)	**436.0		**511.4	
Nursing Education	**6.6	-	**8.5	

* Budget included in the Defense Ministry for 2004-05 and 2005-06

** Budget included in Health and Family Planning Ministry for 2004-05 and 2005-06

Source: BANBEIS 2008

Table 31: Government development budget on education by sub-sector and source, 2005-06 and 2006-07 (Tk. in million)

Sub-Sector	2005-06 (RB)		2006-07 (BE)	
	Budget Allocation	%	Budget Allocation	%
Primary & Mass Education	16947.5	61.5	19927.8	52.6
Secondary & Higher Education	7459.6	27.1	9234.1	24.4
Technical Education	1252.3	4.5	1882.5	5.0
University Education	1878.2	6.8	1271.8	3.4
Own Project (MOPME)	-	-	2679.2	7.1
Own Project (MOE)	13.7	0.05	2857.6	7.5
Total	27551.3	100.0	37853.0	100.0

Source: BANBEIS 2008

The expansion of primary education took place both within and outside the public sector, while the rapid expansion of secondary education occurred mainly through partnerships with private providers.

The large expansion in primary enrolment eventually resulted in increased demand for continuing into the secondary level. To achieve rapid expansion of secondary enrolment, the Government opted for even wider partnership with the private sector, which allowed lower per-pupil costs. As a result, today more than 95% of secondary schools are non-government, with a unit cost per pupil of $16, compared with $68 in government secondary schools. This difference in unit cost is due to lower teacher-student ratios as well as lower teacher salaries (in non-government secondary schools the Government pays 90% of the basic teacher salary; see World Bank 2000c). Despite high administrative leakage, the Government strategy to promote education of the poor and girls through demand-side interventions delivers results.

Currently, two demand-side education transfer programmes provide subsidies to selected schools and direct benefits to selected groups of students and their families. The Food for Education (FFE) programme provides grain rations (recently monetized) to disadvantaged families if they send their children to primary school. The Female Secondary Stipends (FSS) programme provides stipends and tuition waivers to girls residing in non-municipal areas if they attend grades 6-10. About 16% of all education ADP spending is devoted to FSS, and another 20% to FFE and primary stipends combined. Public primary education expenditures are strongly pro-poor.

Combining information on enrolment across households with estimated per-pupil government subsidies reveals that the poor receive 56% of all government subsidies on primary education. Since the poor account for 40% of the total population, primary education spending is strongly pro-poor. In theory, the amount of subsidy accruing to a sub-group depends on the number of potential users, the rate of use among those users, and the level of per-user subsidy. In the case of primary education, the number of potential users is largely determined by the demographic composition and, more specifically, by the number of children. Twenty-seven percent of all children 6-10 years old belong to the poorest 20 % of the population, while only 12% belong to the richest 20%. Overall, three out of five children in this age group come from poor households, and two out of five come from non-poor households. The rate of use (enrolment rate) is lower among the poor, and per-student subsidies are roughly comparable across income groups. Thus the key factor driving the pro-poor distribution of primary education spending is the age composition, which more than offsets the lower enrolment rates among the poor.
The gap in enrolment rates between poor and non-poor widens considerably at the junior secondary level (where for every 2 non-poor children enrolled only 1 poor child is enrolled) and further at the secondary and higher secondary level (where the ratios are 1 to 4 and 1 to 6, respectively). Possibly, this is attributable to higher primary dropout rates among the poor and the fact that secondary education is much more costly. Thus secondary and tertiary spending is not pro-poor.

A high share of government education expenditure at all levels is directed to teachers' salaries and salary-related subsidies to non-government institutions. Salaries and salary-related subsidies accounted for 97% of recurrent expenditure at the primary level and 80% at the secondary level. Thus little funding is available for other inputs such as teaching materials, supplies, in-service training, and maintenance. Construction is another large item in education budgets.

Policy Challenges

- There are currently 54 private universities, permitted for the first time in the 1990s, and 24 government universities. Private universities are not subsidized by the Government, and even though the official government policy is to encourage them, there are numerous bureaucratic hurdles to their establishment.
- Budgetary allocation in the social sectors is not so encouraging with education expenditure accounting for less than 3% of GDP. The allocation is less even by the standard of the neighbouring countries except Pakistan.

Table 32: Public expenditure on education in selected South Asian Countries, 2002-2005

Name of the country	Public Expenditure as % of GDP
Nepal	3.4
Maldives	7.1
Pakistan	2.3
India	3.8
Bangladesh	2.5

Source: Human Development Report, UNDP 82007/2008

- Accountability and incentive mechanisms and checks and balances for teachers and administrators are extremely weak. The Government's centralized administration and the lack of involvement of communities also handicap the efficiency and effectiveness of resources devoted to education.

- There was a large expansion in primary schools in Bangladesh in the early 1990s, and by 1996 there were 37,710 government primary schools (GPS) and 19,683 registered non-government primary schools (RNGPS) operating in the country. In 2005, there are 37,672 GPS, 42,729 RNGPS in the country (BANBEIS, 2006). In fact, even after the growth in GPS and RNGPS levelled off in 1996, local communities continued to organize schools with government support. Though the rate of increase in government primary school is higher than that of private, compared with GPS, the RNGPS and community schools tend to have lower teacher salaries, a higher number of students per classroom, and higher student-teacher ratios resulting overall worse quality education.
- The Technical and Vocational Education System (TVES) lacks links to the job market, has low impact on poverty reduction, and is almost entirely dependent on state subsidies.
- Low quality and internal inefficiency manifest themselves in low attendance rates, low completion rates, limited relevance of the curriculum (particularly at the secondary level), limited teacher pupil contact time, and poor quality of instruction. Survey findings show that student attendance rates average 62% and are highest in informal NGO-run schools (CAMPE 1999). Absenteeism among teachers is over 20 % in registered and unregistered non- government schools, 13% in government schools, and 5.3% in NGO-run informal schools.
- The tertiary sector, relatively small but in high demand, tends to subsidize private goods and does not focus enough on science and technology. It also fails to fully mobilize private resources.
- Low efficiency is due in part to unbalanced expenditures on labour and non-labour teaching inputs.
- Notwithstanding recent improvements in data collection and dissemination Bangladesh's education administration at the central level and the policy planning and implementing agencies are not adequately equipped to perform their oversight role. They have minimal capacity to conduct policy research, do planning and budgeting, monitor and evaluate programmes, and assess school performance. The ministries do not have sufficient capacity to monitor the financial aspects of the subvention system, not to speak of the quality of instruction. They have little control over the collection of information from schools, resulting in substantial delays in the production of basic statistics. Information about student and school performance and about finances is not always reliable, nor is it available to the public.
- Given the Government's already overstretched capacity (financial and managerial) and the poor quality of the existing education system, the greatest challenge at this stage is to improve the quality of education services across the board, reach the poorest of the poor, and ensure more effective role of the Government as a provider of education.
- Bangladeshi universities are deteriorating rapidly because of shortages of funding and the rapid politicization of campuses. Access to library, laboratory, and computer resources is very limited, and teacher salaries and related personnel costs absorb most of the resources. Few resources are available for research, even in the best universities. Within universities, resources are allocated among departments based on staffing and historical patterns instead of being responsive to the needs of students (or the economy). Most government funding is used to support purely private services (the degree training of undergraduates and master's degree candidates) and, within this category, those majoring in general studies instead of scientific and technical fields.
- The other part of higher education, the degree colleges, account for about 85% of higher education enrolment. Although they are subsidized by the government (albeit at a much lower level per student than the universities), they finance about two-thirds of their costs through student fees. Because of the sub-system's rapid expansion, many of those teaching in degree colleges have limited education themselves. The degree colleges are nominally supervised by the universities, including the National University (NU), created expressly for this purpose, which currently supervises more than 900 degree

colleges. However, the supervision is largely ineffective because of the limited capacity of the NU. It is difficult to justify the payment of subsidies to degree colleges, since the services they provide are mainly "private." It would be better to gradually terminate the subsidies that private degree colleges receive and privatize most of the remaining government degree colleges. The savings generated could be directed to the universities (public and private) to support their research programmes.

- TVET training programmes do not produce the needed skills. No incentives are given to managers or instructors to consult with employers. On the contrary, the centralized training system imposes rigidities on managers of institutions and limits the possibilities of capitalizing on local responsibilities and initiatives. TVET is almost exclusively geared to in-school male youth, while underprivileged youth outside the school system, especially girls, do not have access. Last but not least, TVET is expensive relative to degree colleges, and the beneficiaries-students and enterprises-share virtually none of the costs. The Government pays all the expenses, including providing trainees with stipends and subsidizing their accommodations. At the same time, equipment and consumable supplies are chronically underfinanced in most public institutions.
- At the secondary level the Government provides its subsidies directly to a "qualified" set of private schools. Once the schools have attained their eligibility to receive government subsidies, however, the subsidies continue to flow regardless of performance or community satisfaction. The Government has little leverage beyond periodic non-renewal of accreditation and discontinuation of subventions, measures it rarely employs. School Management Committees (SMCs) are comprised predominantly of male elites and are not always representative of their communities. There is few ministry staff at the field level to monitor the quality of the services they are essentially purchasing. The consequence is a sub-system of uneven but generally poor quality, in which considerable rent-seeking behaviour is alleged to occur.

Policy Options

The quality of education is the main concern of civil society, parents, the public at large, and development partners. Intertwined with quality deficiencies are concerns about equity. Specific policy and management improvements in pursuit of better quality and equitable distribution of resources in education sector include:

- Considering the pervasiveness and depth of poverty in Bangladesh and the country's vulnerability to calamities of all sorts, its education outcomes are indeed highly impressive, particularly in ensuring wide coverage and access to primary and, to some degree, secondary education. The achievement of gender and urban-rural parity in Bangladesh contrasts sharply with the experience of many neighbouring countries. Unfettered commitments to education on the part of the Government and civil society and sustained injections of public resources on both the supply and the demand side have made this possible. However, enrolment expansion and gender parity have not been matched by improvements in the quality of education. Quality remains low because of the poor quality of education inputs and learning processes, weak accountability and incentive mechanisms, and inadequate checks and balances for teachers and administrators. The tertiary sector, relatively small but in high demand, subsidizes private goods and does not focus enough on science and technology. Public education expenditures now need to be directed to improving quality in basic education and providing access to the hard-to-reach poor. Policy changes are needed to make the tertiary system less dependent on the budget and transform it into one of quality and relevance.
- Increasing funding for education from 2.5% of GDP currently to 4 % by 2010 while giving the highest priority to improvements in the quality and equity of basic education. Analysis of public resource requirements under alternative scenarios indicates that in order to maintain the existing coverage with the existing "low quality" the share of education in the budget can stay at its current level (World Bank, 2000). Improving the quality and expanding the coverage of post-primary education would call for significant additional resources.

- Rebalancing expenditures on labour and non-labour teaching inputs. Increasing the allocation for teaching and learning materials from the current 0.50 dollar per student to the UNESCO recommended norm of 5 dollar per student at the primary level is desirable.
- Expanding the programme of contracting the management of non-performing government schools and non-formal 'education to NGOs and the private sector. The non-formal basic education system provides good learning opportunities to large numbers of primary-age children, including some of the most disadvantaged and hard to reach. The nature of provision within this sub-system is varied and provides some examples of innovation in teaching practice.
- Many of the strategies in the National Education Policy (2000) are essentially sound and consistent with both sector needs and with standard economic criteria of efficiency and equity. However, some of the proposed strategies need rethinking in terms of priority and sequencing. For example, extending primary education from five to eight years should be viewed as a less urgent objective than improving the quality of the existing primary education system. Expanding vocational education at the secondary level should not be provided as part of the regular school curriculum. Expanding university capacity in science and technology by establishing more new universities is less desirable than improving the quality of existing science and technology universities (which are starved of resources). Government policy should be more supportive of private universities while putting in place quality assurance mechanisms for both private and public universities as well as for degree colleges.
- Using area-based poverty indicators more widely in the allocation of public funds under the recently monetized FFE (now called Stipends for Primary Education), in the distribution of free teaching and learning materials in primary education, and in the Female Stipends Programme in secondary education.
- Using examination results as well as other performance-based criteria (e.g., indicators of effective school management practices, number of qualified teachers) to direct subvention payments to performing schools, particularly at the secondary and degree college levels.
- There is considerable scope to improve the pro-poor focus of government expenditures, even at the primary level. This is especially important given the high dependence on households for education financing and the inability of poor households to match the contributions of the wealthier households.
- Undertaking several institutional and management changes that would also help improve the efficiency of service delivery, including:
    - Refocusing the roles of the central Government and district- and upazila-level authorities in the sector. Management of primary and secondary education should be decentralized to the district and upazila levels, while the central Government's role in basic education should be confined to the provision of technical services, including transparently allocating resources among districts, setting standards, setting sector policy and curricula, conducting national assessments at regular intervals, conducting research, and disseminating research results and other education-related information to local governments and to the general public.
    - Adopting a programmatic approach in the education sector for budgeting and accounting.
    - Rationalizing (including phasing out) the publishing, printing, or distribution of textbooks for any level of schooling, including primary, while maintaining the Government's role in curriculum development and maintenance of standards in textbook contents.
    - Streamlining the procurement processes for works, goods, and services, especially in the Facilities Department, where there are widespread governance problems.
    - Strengthening monitoring and evaluation mechanisms.

- As far as local participation is concerned, there is little delegation of authority to School Management Committees (SMCs) or local government. Even when SMCs are established, local elites often dominate, leaving little room for real representation by parents and objective community members. One of the best ways to get better education results is to make those who deliver education accountable to stakeholders and beneficiaries. The locus of managerial control over educational institutions needs to shift to those closest to the place of learning. This enables better adjustment of available resources to local needs and circumstances. In basic education real authority over teacher appointments and school budgets should be put in the hands of local school boards or management committees while ensuring that they are genuinely representative of the local communities.
- Reducing the dependence of public universities on the budget and instead tapping the resources available from a student population that is already buying private education-the most important measure, given the private good nature of tertiary education. At the same time, the Government needs to shift its university funding from financing private services (undergraduate and master's degree-level education) to those functions of higher education that are more nearly public goods. Financial support for research should be the highest priority and should be equally accessible to public and private universities, independently of their ability to mobilize grant funding from the non-government sector (so as to prevent discouraging universities' entrepreneurial activity).
- Introducing fees for university undergraduate and master's courses. These should be accompanied by a means-tested scholarship programme and, if possible, a government-supported loan programme. Additional resources for expanding university revenues and augmenting staff incomes could come from formalizing consulting work, establishing business offices, and forging links with industry and services (under appropriate safeguards).
- Focusing TVET expenditures on labour market research that could guide private investments in TVET. Over the long term the best hope for a vibrant TVET system is to turn it over to the nongovernmental sector, which has demonstrated the capacity to develop local needs-based curricula customized to the experiences of trainees and has achieved strong employment rates for graduates.
- Teachers' wages are not related to performance. While teachers' salaries are low, it is not clear that this is the reason for their poor performance, as manifested by their high rate of absenteeism. It appears that mis-governance in teacher recruitment, training, and assignment to schools, salary payments, and supervision are some major factors behind the very low motivation on the part of the teachers to teach. Only these can explain why, despite being paid less than their counterparts in the government and government-aided schools, teachers in NGO schools seem to do better in classrooms.
- As in many developing countries, in Bangladesh the central Government carries out a combination of functions emphasizing regulation, supervision, and implementation of policies. Since the line ministry manages the overall education budget, it has an incentive to recommend expansion and construction as a solution to most education problems. This is in contradiction to the expected role of the central Government, which in basic education should be confined to the provision of technical services, including transparently allocating resources among districts, setting standards, establishing sector policy and curricula, conducting research, and disseminating research results and other education-related information to local governments and to the general public. The task of creating an effective, decentralized management of primary and secondary education will require several years. It should proceed according to a plan, possibly on a phased basis (those districts that are judged ready to manage their schools effectively should be permitted to do so).

4.9. Financing Youth Development

As per National Youth Policy, the population in the age group of 18-35 years is considered to be youth. They constitute one-third of the total population and estimated to be around 45 million. Keeping this in view, the

Department of Youth Development under the Ministry of Youth and Sports has been given the responsibility for transforming the disorganized and unproductive youth into an organized, disciplined and productive workforce.

The Vision of the Department of Youth Development is to: (a) facilitate the unemployed youth for gainful employment/self-employment providing vocational/skill development training and micro-credit support, and (b) involve the youth in the mainstream of national development process.

With these visions the key objectives of the Department are as follows:

- To encourage the youth for self-development and employment through motivation, training and other necessary support.
- To involve the youth in socio-economic development activities like literacy programme, disaster management, primary health care, environmental improvement, resource conservation and awareness building against anti-social activities, drug abuse, AIDs/STDs etc.
- To take necessary steps for empowerment of the youth by providing skill development training with micro-credit support for establishing self-employment projects and thus ensure their participation in decision making and national development process.

The four programmes of the Department of Youth Development which contribute to growth and poverty reduction are: (1) Skill development training programme for the youth; (2) Self-employment and credit programme for the unemployed youth (3) Poverty alleviation programme; and (4) Youth leadership training programme.

Completed Youth Training and Self-employment Project

The prime aim of the project was to impart skill development training to the unemployed youth on different trades and provide them credit facilities for establishment of self-employment projects. There are 64 districts and 475 upazila offices (including 10 metropolitan unit thanas) under the project. Under this project youths have been provided with training on dress-making, block and batik printing, pisciculture, wool knitting, secretarial science and steno-typing. The project also provided mobile training with short duration at upazila level in accordance to local needs.

Table 33: Allocation of the self-employment project

	In million Tk.
Total allocation for the project period (1990-2003)	3,725.1
Total expenditure up to June, 03	2,717.4
Total amount of capital received as credit fund	1,155.2
Total disbursement until June, 2007	3,384.5
Total amount of service charge received until June, 2007	470.2
Total target of credit for the period of 2006-2007	360.0
Total achievement for the period of 2006-2007	339.9
Total target of credit for the period of 2007-2008	360.0
	Number of persons
Total target of training for the project period (1990-2003)	1,148,368
Total achievement of training until June, 2007	1,622,015
Total target of training for the period of 2006-2007	160,255
Total achievement for the period of 2006-2007	105,697
Total target of training for the period of 2007-2008	160,255
Total target of self-employment project for the project period (1990-2003)	789,608
Total achievement until June, 2007	1,124,122

	Number of persons
Total target of self-employment for the period of 2006-2007	116,142
Total achievement for the period of 2006-2007	76,573
Total target of self-employment for the period of 2007-2008	116,142
Total number of leased Khas ponds/marsh until June, 2007	12,083 Nos.
Total amount of revenue received from leased khas ponds	TK. 338.1 million

Source: Brochure, National Youth Day 2007, Department of Youth Development, Ministry of Youth and Sports.

Completed Technical Training Project for Unemployed Youth (Phase-II)

The prime objective of this project was to turn the unemployed educated youth into skilled human resources and make them self-reliant through technical training. Under this project educated unemployed youths have been provided with practical training on computer basic course with internet and networking, computer graphics course, electronics, electrical house-wiring, refrigeration and air-conditioning. The project was completed in June'06 and the process of transferring the project into permanent set up of the Department of Youth Development is under way.

Table 34: Allocation of the training project for unemployed youth

Total allocation for the project period (1998-2006)	398.7 million Tk.
Total expenditure until June, 2006	369.0 million Tk.
Total target of training for the project period (1998-2006)	59,200
Total achievement until June, 2007	65,674
Total target of training for the period of 2006-2007	8,840
Total achievement for the period of 2006-2007	7,394

Source: Brochure, National Youth Day 2007, Department of Youth Development, Ministry of Youth and Sports.

Supply of inputs to the Trained Youth for self-employment Project

The main objective of the project is to provide disease-free high-breed pullets and broilers amongst the trained youths who undertake self-employment projects. For production of pullets and broilers a poultry hatchery has been established at Saver near Dhaka. Produced pullets and broilers are being sold at cheaper price amongst the trained youth. The project was completed in June 2004 and after completion of the project it is being implemented through self-financing. But at present the project activities has been suspended due to bird flue disease.

Table 35: Supply of inputs for the trained youth

Total allocation for the project period (1997-2004)	729 million Tk.
Total expenditure until June, 2004	72.9 million Tk.
Total target for producing pullets for the project period	816,658
Total achievement until June, 2006	488,739
Total target for producing pullets for the period of 2005-2006	462,500
Total achievement for the period of 2005-2006	310,310

Source: Brochure, National Youth Day 2007, Department of Youth Development, Ministry of Youth and Sports.

Expansion of Training Programme on Electrical and House Wiring in 41, Electronics in 55 and Air-conditioning and Refrigeration in 55 of the Remaining Districts

The prime objective of the project is to turn the unemployed youth into skilled human resource and make them self-reliant through technical training. Under this project unemployed youths will be provided practical training on electrical and house-wiring in 41, electronics and refrigeration and air-conditioning in 55 districts. The duration of the courses is six months.

Table 36: Expansion of training programme

	In million Tk.
Total allocation for the project period (2005-2008)	TK. 249.8
Cu mulative expenditure until June, 2007	TK. 154.4
Total allocation for the period of 2006-2007	TK. 157.0
Total expenditure until June, 2007	TK. 153.4
Total allocation for the period of 2007-2008	TK. 91.7
	Number of person
Total target of training for the project period	24,160
Total target of training for the period of 2006-2007	6,040
Total achievement until June, 2007	2,151
Total target of training for the period of 2007-2008	12,080

Source: Brochure, National Youth Day 2007, Department of Youth Development, Ministry of Youth and Sports.

Innovative Management of Resources for Poverty Alleviation through Comprehensive Technology (IMPACT) Project

The overall objective of the project is to unlock the potential of rural youth for undertaking innovative self-employment projects through mobilization of locally available resources for socio-economic development. But one of the prime objectives is to establish bio-gas plant through utilizing the perishable solid waste and animal excrement for producing bio-gas and electricity. The activities of the project are being implemented in 10 upazilas of the country. Through the activities of the project a total of 4,410 unemployed will be benefited. Unemployed youths are being provided micro-credit support after completion of training to protect and increase the resources to their self-employment projects. Moreover, youths are encouraged to cultivate vegetable and fruits to meet their growing needs and creating awareness on different social issues.

Table 37: Allocation of IMPACT project

Total allocation for the project period (2006-2009) (million Tk.)	200.0
Cumulative expenditure until June, 2007 (million Tk.)	34.4
Total allocation for the period of 2006-2007 (million Tk.)	40.0
Total expenditure until June, 2007(million Tk.)	34.4
Total allocation for the period of 2007-2008(million Tk.)	160.0
Total target of training for the project period (number)	9,960
Total achievement until June, 2007 (number)	632
Total target of training for the period of 2006-2007 (number)	900
Total achievement until June, 2007 (number)	632
Total target of training for the period of 2007-2008 (number)	3,430
Total amount of capital as credit fund (million Tk.)	110.0
Total target of beneficiaries for the project period (number)	9,960
Total target for credit disbursement for the period of 2006-2007 (million Tk.)	22.5
Total achievement until June, 2007 (million Tk.)	22.5
Total target for credit disbursement for the period of 2007-2008 (million Tk.)	43.6
Total target of beneficiaries for the period of 2006-2007 (number)	600
Achievement until June, 2007 (number)	590
Total target of beneficiaries for the period of 2007-2008 (number)	3,000
Total target of bio-gas plants for the project period (number)	4,260
Achievement until June, 2007 (number)	128
Total target of bio-gas plants for the period of 2007-2008 (number)	1200

Source: Brochure, National Youth Day 2007, Department of Youth Development, Ministry of Youth and Sports.

Family Based Employment Programme (Poverty Reduction Programme)

The nature and objectives of the "Upazila Resource Development and Employment Project" and the "Family Based Employment Programme" are same. These two were designed for reducing poverty of the rural landless

and the poor people, especially the poor youth. The main characteristics of these project and programme are to identify the family as a unit of development activities. The projects attached more importance to group. The members of each group are to be blood-related or close neighbourly-people. The projects were found most successful and the two projects were transferred into permanent set up of the Department under the name "Family Based Employment Programme". This programme is being implemented in 82 upazilas.

Table 38: Poverty reduction through family based employment programme

Total amount of capital received as credit fund (million Tk.)	495.8
Total disbursement of loan since inception of the credit programme including recycling fund until June, 2007 (million Tk.)	4,098.9
Total number of beneficiaries until June, 2007 (number)	452,976
Total target for credit disbursement for the period of 2006-2007 (million Tk.)	258.0
Total achievement until June, 2007 (million Tk.)	260.4
Total target for credit disbursement for the period of 2007-2008 (million Tk.)	258.0
Total target of beneficiaries for the period of 2006-2007 (number)	19,720
Achievement until June, 2007 (number)	15,820
Total target of beneficiaries for the period of (2007-2008) (number)	19,720
Total amount of service charge received from the capital until June, 2007 (million Tk.)	442.0

Source: Brochure, National Youth Day 2007, Department of Youth Development, Ministry of Youth and Sports.

Youth Empowerment through Life Skills Education and Livelihood Opportunities

The prime objectives of the projects are to create awareness amongst the adolescent girls and boys regarding reproductive health, reproductive rights, HIV/AIDS and gender, and make them self-reliant through life skill and livelihood training. The project is being implemented through 50 youth clubs in 18 upazilas of Sylhet and Cox's Bazar districts with the financial assistance of UNFPA.

Table 39: Youth entrepreneurship through life skills education

	(in million Tk.)
Total allocation for the project period (Jan, 2006-Dec, 2010)	70.5
Cumulative expenditure until June, 2007	16.7
Total allocation for the period of 2006-2007	15.0
Total expenditure until June, 2007	14.9
Total allocation for the period of 2007-2008	13.6
	(Number of persons)
Total targe t of training for the project period	16,282
Total achievement until June, 2007	5,510
Total target of training for the period of 2006-2007	5,075
Total achievement until June, 2007	5,301
Total target of training for the period of 2007-2008	5,997

Source: Brochure, National Youth Day 2007, Department of Youth Development, Ministry of Youth and Sports.

All the above programmes of Department of Youth Development aim at promoting economic growth and poverty reduction in Bangladesh. But it is too inadequate to meet the needs of the large section of youths who constitute one-third of population of the country. Ensuring economic growth and poverty reduction will be a far cry without properly addressing this vast majority of population who are the vital force of the society.

Challenges and Options for Youth Development

Need for Youth Entrepreneurship Development for Growth and Poverty Reduction: Bangladesh is at present not in a position to employ its vast unemployed youth force in offices and industries. Agro-based economy has no capacity to employ this vast unemployed youth force in productive activities. But creation of employment opportunity for employment of youths is essential to ensure national prosperity. Status of the unemployed youth in the country can be seen Table 40:

Table 40: Status of youth in Bangladesh (18-35 years)

Indicators	(in Tk. million)
Number of youths	45
Number of unemployed youth	18
Number of employed and under employed youth	27
Number of urban youth	12.02
Number of rural youth	32.08

Source: Ali M. Easin and Elal (2006).

There is no alternative of ensuring self-employment for the youths in the country and it is the only way to fight against unemployment and poverty. Establishment of youth enterprise through entrepreneurship development can fight against unemployment and poverty and introduce self-employment, income generation and employment.

The government in the 1980s introduced youth development programme through small scale skill development training. Although the department has built infrastructure throughout the country, allocation in the budget for sustenance of the employment programme for the hard-core poor-youth is insufficient.

Table 41: Allocation for youth development programme and percentage of the total budget of ADP

Period	Crore Tk.		
	Development budget	Allocation for DYD* of ADP	Percentage of ADP allocations
Second five year Plan (1980-85)	17,200	26.0	0.1
Third five year Plan (1985-90)	38,200	17.0	0.04
Forth five year Plan (1990-95)	62,000	80.0	0.1
Interim Period (1997-2002)	3,861	134.0	3.5
Fifth five year Plan (1997-2002)	196,000	628.0	0.3
2002-2003	17,100	84.1	0.5
2003-2004	19,000	56.9	0.3
2004-2005	20,500	48.7	0.2
2005-2006	21,500	97.3	0.4
2006-2007	21,600	37.9	0.2
2007-2008	22,500	15.6	0.1
2008-2009	25,600	24.9	0.1

Source: Planning Commission

* Department of Youth Development, Ministry of Youth and Sports Development

Table 41 indicates that during the last three decades, allocation for youth development was highly inadequate although youths constitute 33% of the total population of the country. According to the Department of Youth Development, the member of trained youths up to December 2004 were 2.7 million whereas only 1.4 million have been self-employed (55%), the remainder (45%) of the trained youth remain unemployed due to lack of capital and other logistic support. Institutional arrangement should be made for providing necessary support so that the youths can be made self-employed. The number of unemployed female youth is four times than that of male youths.

Objective of National Action Plan of MOWCA is to create employment for women. Although in the policy the need for entrepreneurship development, institutional credit marketing, advocacy programme for women have been highlighted, few female entrepreneurs are visible in the country. Lack of training, raw materials and requisite capital resource are responsible for this. The female youth should be brought under the mainstream of development.

Government of Bangladesh through Department of Youth Development has been working in connection with youth enterprise and entrepreneurship development. However, the reality is that, a few youths have come out successful as entrepreneurs. For entrepreneurship development, the following factors need attention.

- Ensuring supply of adequate capital for sustenance of the project
- Training should be participatory in nature to in still skills among the participants.
- Respect for law and order to ensure success of the project
- Development of infrastructure, such as, communication, marketing and electrification;
- Formation of youth co-operatives and clubs for organizing them in groups for engaging in productive purposes.
- Involving more female youths to bring about gender equality.

The success of entrepreneurship development with a view to improve the economic situation will depend on a number of factors. For this purpose, a pilot project may be taken-up for replication of the success of such a pilot. On the basis of skill and objective situation such youths may be organized around a specific trade. For acquiring skill, the youths may be provided with requisite training which can be of varied types, such as, computer skill, automobile workshop, horticulture, nursery, livestock and poultry farming, mushroom cultivation, tailoring etc. Up-to-date training on information technology is needed. The pilot project should provide seed money in addition to training on the specific trade. Allocation of budget for the youth should be at least ten times the amounts allotted at present. Only entrepreneurship development can involve the unutilized youth force in productive activities so as to ensure economic growth and poverty reduction objectives.

Small enterprises bring benefits to the economic development of a country. Without employment opportunities many youth find their talents being wasted and resort to unhealthy social activities. In Bangladesh, about 3 million youth suffer from drug addiction which is a threat to the country. IDU can be infected by HIV-AIDS. Unemployment, frustration and drug addiction are highly co-related. Self-employment of youths can reduce drug-addiction.

Small enterprises therefore provide a viable alternative to these youths. But young people, despite the knowledge they have, lack the experience, funds and influence needed to establish successful enterprises. They require assistance, training and guidance to put their ideas into practice. Youth plays an important role in establishing enterprises in local communities. It is also important for those in positions of power and influence to recognize that small enterprises provide youth with opportunities to develop a range of skills and knowledge. It also helps develop qualities of leadership, confidence and self-esteem.

Khas Ponds and Tanks – and Lease for Youth Employment: To involve more youths in income generating activities the government has given the authority to the Department of Youth Development to lease out khas ponds and tanks up to 20 acres. With this authority the Department of Youth Development leased out up to the size of 20 acres of khas ponds and tanks to the registered youth co-operative societies enlisted with the Department of Youth Development. Up to June 2007, a total of 12,083 ponds and tanks have been leased out amongst the registered youth co-operative societies all over Bangladesh and an amount of Tk. 338 million has been collected as lease money and deposited in the government treasury.

The total amount of Khas water-body in the country is estimated to be 1.2 million acre of which only 5% were given lease to the poor and the rest 95% are occupied by the grabbers (Barkat, 2008). Only 12,083 ponds are so far leased to the unemployed youths. Lacs of youth who are trained on pisciculture from the training centres of Department of Youth Development are deprived of fish-farming because of their in access to water bodies. More water bodies should be leased to the trained youths with micro-credit to initiate enterprises. There are large numbers of khas water bodies which may be allotted to the unemployed youths on a group basis. Cultivation of fish culture may be taken up for gainful employment of such youths.

Easy flow of credit facilities to the trained unemployed youths: Need for MOU with the Banks and Department of Youths Development: The trained youths should get the credit facilities just after completion of the training without any obstacles. The Ministry of Youth and Sports should make MOU with the concerned Banks, so that the trained youths get top priority in receiving credit on urgent basis. It is pertinent to mention that the recovery rate of credit of the Ministry of Youth is satisfactory (Table 42).

Table 42: Status of micro-credit in the Ministry of Youth and Sports (Department of Youth Development)

Ministry/Division	Agency	June 2002	2002-03	2003-04	2004-05	2005-06	2006-07 (Dec, 06)	December 2006
Ministry of Youth and Sports	Department of Youth							
	Disbursement	459.4	52.2	34.6	62.9	77.8	31.0	717.9
	Recovery	377.7	50.3	33.3	45.0	57.4	35.0	598.5
	Rate (%)	82.2	96.3	96.01	71.5	73.8	112.8	83.4

Source: Bangladesh Economic Review 2007, Finance Division, March 2008.

As a matter of fact, Department of Youth acted commendably during last three decades in extending required training facilities to the unemployed youth. A services snag, is however, noticeable in this process. While trained unemployed youths are producing the goods such as embroidery materials, dress, block, boutique, mushroom, chicks, milk, fishes etc., they face real problem in marketing of their merchandise. As such they are not getting the due price of the products, and middlemen often exploit them and take the advantages of whole production process. In most cases, it has been found that small entrepreneurs even do not get the normal profit of their merchandise. As such no capital accumulation takes place amongst the producers who could otherwise broaden the base of production to their advantage and the advantage to the employees who work with them.

Central/regional sales centre may be set-up for appropriate display and sale of products of the trained youths. Sale centres may also be set-up abroad where such goods are being marketed usually. Sale centres may play a crucial part in not only marketing of goods but also ensuring a proper return of the products to the entrepreneurs.

4.10. Financing Social Safety Net Programme

The government has adopted a very effective social strategy of protection to attain its poverty reduction objectives. The main objective of this programme is to transfer all kinds of cash and kind to the vulnerable people to (a) reduce income uncertainty and variability, (b) maintain a minimum standard of living, and (c) redistribute income from the rich to poor.

To overcome certain impact of global food shortage and the price hike of the essentials on the poor and lower middle class, the government has planned to widen and deepen the social safety net programmes by increasing the total number of beneficiaries and expanding the budget to Tk.16,932 crore in the present fiscal year (2008-2009), which is 48% higher than the revised allocation of Tk.11,467 crore of the last fiscal year. During the last two decades the government has been pursuing a number of social safety net programmes (SSNP). In general, there are five types of key social safety net programmes:

i) Cash transfer programmes

ii) Food transfer programmes

iii) Microcredit programmes

iv) Special poverty alleviation programmes

v) Other special poverty alleviation programmes.

Available information show that there are 47 well recognized SSNPs adopted to address both income poverty and human poverty. Some of the most important projects in the budgetary allocation of last four fiscal years are shown in Table 43.

Table 43: Allocation in the Social Safety Net Programmes

(Tk. In crore)

	2004-05	2005-06	2006-07	2007-08
Total budget	165	-	5,700	8,400
1. Old age allowance scheme	10	324	384	384
2. Allowance scheme for widowed and distressed women	-	137	156	198
3. Maternity allowance for the poor mothers	-	-	-	17
4. State honorarium for the freedom fighter	-	42	60	60
5. Stipend for primary students (PESP)	-	5,323	5,000	-
6. Temporary unemployment removal	-	50	50	-
7. Disaster affected farmers fund	75	70	30	-
8. Fund for rehabilitation of the acid burnt women and the physically disabled	25	20	10	10

Source: Economic Review 2005, 2006, 2007.

Decisions have been made to bring about 2 million poor under the social safety-net programme during this fiscal year (2008-09). To achieve this goal, government has decided to create 100 days employment generation programme as a long term strategic plan for ensuring permanent livelihood for the hardcore poor. The programme will create employment opportunities for 2 million hardcore poor during mid-October to mid January and mid March to mid-May periods and help them retain purchasing capacity in the face of high inflation rate (The Daily New Nation: July 10, 2008).

Social safety net is a key component of any of the development efforts of the country. The government has taken a number of initiatives to expand and to implement the safety net programme. The number of beneficiaries of various SSNPs in the last fiscal year is shown in Table 44:

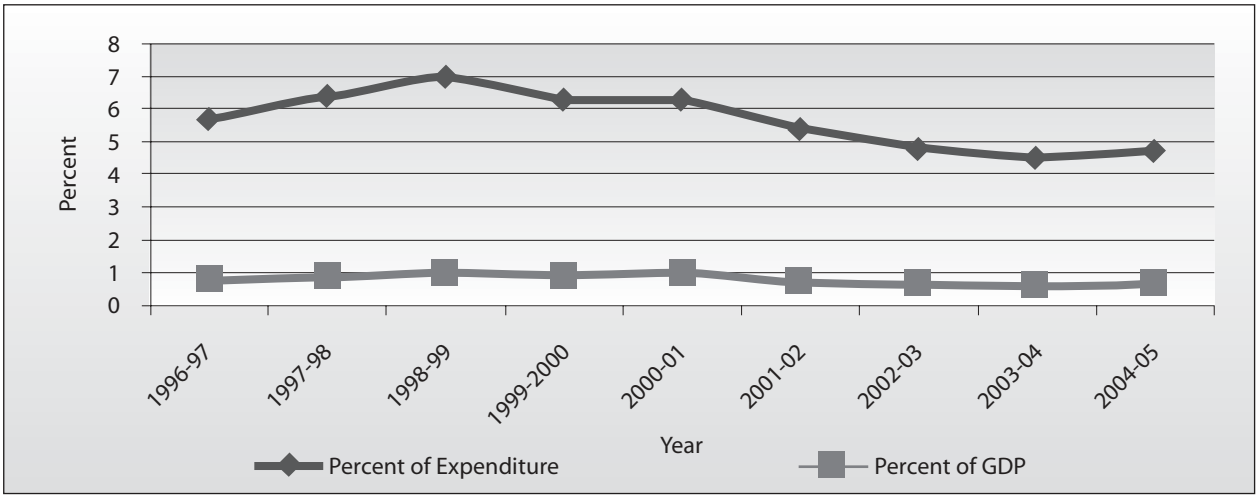
Table 44: Number of beneficiaries from SSNPs in 2007-2008

Project	No. of beneficiaries (in million)
1. Old-age allowance	1.7
2. Allowance scheme for widow	0.8
3. Allowance for the distressed disable persons	0.2
4. Maternity allowance for the poor mother	0.1
5. State honorarium for the freedom fighter	0.1
6. Programmes for the orphans	0.01
7. Stipend for the primary students	5.5
8. Stipend for the dropout	5
9. Stipend for the girls	3

Source: Bangladesh Arthanaitik Shamikkha (Bengali) 2008.

Actual expenditure data on SSNP is not provided by the government. However, data obtained from available literature indicate some trend in the allocation of SSNP during last one decade (Figure 11). It is revealed that the extent of SSNP has been increasing. However, in terms of share of public expenditure, investment on safety nets has been falling since 1998-99. On average, during 1996/97 to 2004/05, Bangladesh has been spending on the SSNPs to the tune of 0.8% of GDP and 5.7% of the total public expenditure.

Figure 11: SSNP of Bangladesh as % of GDP and Public Expenditure



Source: Based on WB Assessment, 2006

Although the regional targeting has been one of the main approaches of the social safety net programmes of Bangladesh, little evidence on effective addressing of regional issues is found in the overall SSNP design. According to the findings of the HIES 2005, percentage of recipient household is lesser in the regions with high poverty incidence as compared to that in the regions with low poverty incidence. It can be seen from Table 45.

Table 45: Regional Poverty and Beneficiaries of Safety Net Programmes

Division	% of recipient HH	% of people below povertyline
National	13.1	25.1
Barisal	13.3	35.6
Rajshahi	12.4	34.5
Khulna	9.5	31.6
Sylhet	22.4	20.8
Dhaka	14.3	19.9
Chittagong	11.1	16.1

Source: HIES 2005

Experts' opinion is that the different SSNPs of the government are temporary system which cannot provide a permanent source of income. Bangladesh has to spend 35% from total expenditure budget for SSNP only and 10% of total poor get benefits from SSNPs (The Daily Ittefaq, August 2008).

Challenges and Options for SSNP

Social Safety Net Programmes definitely has a positive impact in bringing people out of poverty. About 90% of total safety net programmes is directed towards the rural areas and have very positive role in increasing the purchasing power of the vulnerable people. An ideal or universal social safety net programmes may have significant role in reducing poverty in Bangladesh. The coverage of government safety net programmes has been inadequate to cater the needs of the poor; and the benefits of the programmes are also shrinking due to high price of essentials. It is important to find some alternative or options of the existing system of SSNPs. To this end, following needs consideration:

- It is considered that the present SSNP coverage is not sufficient in the context of high prevalence of poverty. Reforms of various policy frameworks can expand SSNPs to cover more of poor in the country particularly through agricultural diversification.
- It is important to increase the supply of food and cash to get out of poverty.
- Most cash transfer has been implemented as pilot project but it should be made a long term phenomena.
- Agriculture can assure a rapid growth in our economy. So, there is no alternative to invest in agriculture. By investing more in agriculture, the objectives of attaining food security can be fulfilled.
- Land reforms should get priority to remove poverty. Proper distribution of "khas land" to the ultra and landless poor is necessary. It is necessary to recover khas land from land-grabbers and give permanent settlement of those to the marginal people
- Time and cost to reach the SSNPs benefit delivery venues cause sufferings to the poor. A survey report says that 61% of the beneficiaries had to travel less than an hour to reach SSNP benefit delivery venue and 37% of beneficiaries had to wait for benefit from 2 to 3 hours. The cost of travelling to delivery points was Tk. 25 or less for about half of the beneficiaries and about 12% of the beneficiaries spent Tk. 76 to Tk.100 to receive the benefits from designated delivery points (The Daily Star, 06.07.08). To get rid of this problem, introduction of a rented van or pick-up by UP for delivery at a reasonable cost on recipients account may even reduce transaction cost both at UP and recipient units.

- Conditional transfers like education, health and nutrition, drinking water, sanitation, electricity supply and roads to the remote areas of the country can help to reduce poverty through income generation.
- Regional disparity in the SSNPs is alarming in Bangladesh. It has been reported that Sylhet division has been allocated fund for SSNP in the previous fiscal year though the total number of poor people is lower in Sylhet than that in the other divisions. Besides, Barisal division is known as an area of natural disaster and the number of poor is higher than in other divisions but the allocated fund for Barisal division is lower than Sylhet (The Daily Prothom Alo). The uneven distribution of wealth and regional variation in poverty incidence should be considered in targeting the poor. SSNPs are run by the government in collaboration with donors and NGOs. It is necessary to ensure equal distribution of allocation of budget for SSNPs to each region of the country.
- Selection of beneficiaries in the SSNP also plays a vital role in achieving the goal of poverty reduction. If this is not fair, negative impact on the beneficiaries is likely. Scrutiny system with special attention to types of vulnerabilities must be carefully designed and maintained.
- Irregularities in SSNP implementation processes like bribery and lobbying often cause to deprive the poor from receiving its benefits. Proper monitoring and follow up by the appropriate authority are needed in this respect.
- Leakages in transferring resources to the poor and participation of non-poor in the transfer are some of the most crucial issues of the SSNPs. To address these, administrative reform is essential, i.e., the local government has to be strengthened and it should work closely with potential beneficiaries.

The SSNPs are methods through which poverty is expected to fall through investment in human capital. The efficiency of SSNPs has to be increased for utilization of allocated budget. To improve the effectiveness of SSNPs a national policy on social safety net will have to be developed with particular focus on strategic options.

5
Chapter

Financing Growth and Poverty Reduction: Challenges and Options

5.1 Challenges and Options for Resource Management and Allocation

5.1.1 Challenges and Options for better Management of Public Expenditure

A careful analysis of the current policy options and identification of future challenges are no doubt formidable tasks to determine the necessary course of action at the sectoral level. The public expenditure of Bangladesh is characterized by low effectiveness of capital spending, inadequate attention to operations and maintenance, inappropriate employment and pay policies, and the existence of fairly large subsidies. The budgets are prepared mechanically by making incremental changes in the previous years' allocation and lack medium and longer term strategic objectives. The links between policies, planning and budgeting need to be improved. The budgetary debates should be initiated at least three months prior to the fiscal year to comply with the OECD Fiscal Transparency Guideline.

To ensure the efficiency of public spending, it is highly needed to improve the co-ordination and adjustment of expenditures between revenue and development budgets. If the potential benefit towards growth and poverty reductions is to be reaped from the public expenditure, institutional framework in the budgetary management needs to be improved; returns to public investment in the SOEs has to be increased; the quality of implementation of the ADP has to be improved; and the efficiency and equity in the social expenditures has to be ensured.

5.1.2 Challenges and Options for Rural Financing and Agricultural Credit

Two specialized banks viz., Bangladesh Krishi Unnyan Bank (BKB) and Rajshahi Krishi Unnyan Bank (RAKUB) and four Nationalized Commercial Banks (NCBs) played key roles in disbursement of agricultural and rural finance. The snags and loopholes in their operations in rural sector should be systematized and the process for disbursement may be simplified for benefits of the rural population. The FCBs and PCBs are mostly concentrated in the urban areas and their network has yet to reach the rural areas. The disbursement and supervision of rural credit is expensive for the PCBs and FCBs as officers do not find it convenient to go for rural credit which are many in types and each of which is usually of small size. PCBs and FCBs are mainly profit-driven. They do not usually go for projects which are uncertain about profit-earning and which relate to social development activities.

A percentage of deposits of PCBs and FCBs, decided by Bangladesh Bank (BB) may be set aside for disbursement in the rural sector. Such funds may be routed through BKB and/or RAKUB under close supervision by BB for disbursement as rural credit. Alternatively, PCBs and FCBs may be encouraged to go under an arrangement with Non-government Organizations (NGOs) with good commitment for rural credit for disbursement of such credit in the rural areas. Already rural credit operations are being undertaken by a number of banks under such arrangements with NGOs for disbursement and supervision of rural credit. A percentage of deposits of PCBs and FCBs may be apportioned by BB for onward lending to specialized credit institutions for disbursement in the rural sector on usual terms and conditions of re-financing facilities.

5.1.3 Challenges and Options for Small and Medium Enterprises Development

During the last two decades, the agriculture sector has undergone significant changes. Crop production rose significantly. Large percentage of population generated savings. But there has been no proper means of investing these savings in productive enterprises and money is normally being utilized in non-productive purpose. The existing banking system is unable to collect this money and enable it to utilize in large-scale industries. Since small-scale industries do not require large capital, this surplus money of the rural areas could be utilized for the generation of small-scale industries. Besides, as the small-scale industries have little or no access to banking and financial institution, the small savings of rural population can be used for this productive purpose.

Technologies and raw materials used by the small industries are usually produced locally. The small-scale industries usually produce necessary consumer goods which have high demand in the market. Agriculture still remains the mainstay of the economy providing more than half of the country's labour force. The large-scale

industry, because of specialized technology, huge finance, long lead time and highly qualified personnel, is unable to generate employment for surplus labour force. The absence of job opportunities forced the surplus labour to migrate to cities. The migration of surplus labours from rural area to the larger metropolis increased drastically during the last two decades. The large industries concentrated in the large metropolis failed to absorb these people. The rapidly opening up of the market has led the penetration of low cost products from the developed countries. As a consequence, the local SMEs dispersed throughout the country faced stiff competition and many of them failed to survive. Under the export-oriented strategy, the garment industry, received all possible incentives, but the SME industries acquired neither any incentive nor protection from competition. The growth of garments has affected the traditional local raw materials and market based industries as the later faced stiff competition from foreign goods. These SME industry – which faced closure were mostly agro-based and agro-supporting industries. The SMEs generate the lion's share of employment opportunities but contribute only 5.3% of the GDP.

The SMEs do not have knowledge of commercial credit. Their asset position also does not enable them to raise capital from the financial market or from the share market. It is important to note that almost 50% of bank deposits belong to small and medium depositors but, small and medium enterprises get only 30% of the loans. Even the existing micro-credit institutions are also reluctant to lend money to the small industries. In this situation the small industries mostly depend on non-institutional sources which are often inadequate and costly.

The inadequate supply of electricity and gas particularly for industries located in the areas outside Dhaka and Chittagong is critical. This is particularly important for the district of the Southwest and Northwest regions. These districts do not enjoy gas supply and the entrepreneurs have to depend on diesel and furnace oil, which is costlier than gas. The diesel driven engines have to be converted into gas-driven engine which is quite expensive. The setting up of new gas-based industries needs clearance from the Ministry of Environment which is again an additional harassment and there have been hardly any instances of receiving clearance without bribe.

The government has taken up programme to provide financial assistance through commercial banks. In addition to the disbursement of loans, Bangladesh Bank has taken up a programme of Tk. 100 crore to provide loan to SMEs. At present, the scheme has been increased to Tk. 200 crore. International organizations have also come up with special funds for developing SMEs.

5.1.4 Challenges and Options for Microfinance

The development of MFIs took place in many districts over the last two decades. In the early 1980s, a number of NGOs tested with different ways of delivering credit to help the poor. In 1980s, during the Grameen Bank's success period and early 1990s, to broaden up the micro credit programmes of NGOs, they developed their management capacity and programme design opposed to commercialization. The early 1990s was a period of rapid extension of the Grameen-style micro credit approach. During the massive expansion of micro finance activities in 1990s, donors were encouraged and contributed to the expansion of revolving loan funds and Palli Karma-Sahayak Foundation (PKSF) was established to provide wholesale financial and technical support in microfinance sector. Almost all of the MFIs rely on the donor funds coming from foreign grants. The government is accountable for those grants for proper utilization and for this reason NGO Affairs Bureau (NGOAB) was established in 1991.

The micro credit providers are usually categorized into four major groups viz. MF-NGOs, specialized institutions, banks and administrative ministries or divisions. MF-NGO has the largest share of the market, while Grameen bank holds about 29% (till December 2004) of total disbursement. There are now more than 1200 microfinance NGOs in Bangladesh (CDF, 2004) among which approximately 200 NGOs have large micro credit programmes being dominated by four large MFIs namely Grameen Bank, BRAC, ASA, and Proshika. The large majority of borrowers (86%) are clients of these four MFIs.

Internal savings of members, micro savings, sponsor's equity, interest and service charge, loans from national agencies (mainly PKSF) and external donor grants are the major sources of funds for MFIs in Bangladesh. Among different sources of loan the trend in the external sources of fund for MFI-NGO is declining. MFIs are now less

dependent on donor funds and of the total Revolving Loan Funds, member savings and service charge constitute more than half, and PKSF accounts for about 17%. The PKSF is known as 'apex organization' involved in loaning out donor and other funds to its partner organizations (POs) for on-lending as micro credit. Along with the financial assistance provision, PKSF also provides advisory services and training to NGOs for enhancing their institutional capacity.

Microfinance helps poor people to protect, diversify and increase their source of income, the essential path out of poverty. The poor can borrow a small amount of money to take advantage of a business opportunity, to pay for school fees and other purposes. The poor people use the loan to buy assets such as inventory for a small business enterprise, to pay for health care or to send more children to school. It also helps the poor against the extreme vulnerability that are associated with their life. The financial services act as assistance in emergencies period, business risks, and seasonal slumps or in unfavourable and vulnerable circumstances like flood, draught, crop failure or a death in the family that can push a poor family into destitution.

Microfinance programmes benefit the moderately poor more than the destitute, and the impact can vary by income group. Most microfinance programmes target women, which may result in men requiring wife to get loans for them. The micro financial institutions use harsh and coercive methods to push for repayment and excessive interest rates. The interest rate charged by MFIs in Bangladesh is very high that poor people cannot afford and they will perpetually remain in a poverty trap if interest rates are not lowered. The effectiveness of microfinance institutions in alleviating poverty is still in question and not free from debate. Government will need to assist NGOs in moving towards financial sustainability by enabling them to set interest rates that will cover costs and not establishing interest rate caps that will only ultimately lead to poor people having less access to credit.

5.1.5 Challenges and Options for Infrastructure Development

Infrastructure services are critical to poverty reduction and the achievement of the Millennium Development Goals (MDGs). Access to modern and improved infrastructure services can also directly improve health and education outcomes. The National Poverty Reduction Strategy under preparation aims at 7% growth rate. An important target is halving the incidence of poverty by 2015. The current state of infrastructure services will likely hinder the achievement of these goals.

Private-sector interventions have helped to extend services to some populations who were not receiving coverage from the public sector. But overall, compared to several of its neighbours in South Asia, Bangladesh has been less able to attract investment in private infrastructure projects. A range of public-private partnerships can be considered, including arrangements that involve some government funding, such as subsidies to private companies to accomplish identified social goals.

Most of the public sector enterprises providing infrastructure services in Bangladesh show weak financial performance, primarily for two reasons. First, prices do not cover costs. Second, operations are inefficient, particularly in relation to payment collection. The existing subsidies to infrastructure services in Bangladesh do not go to serve the country's poor people. One perceived constraint to private-sector participation in infrastructure and utility services in Bangladesh has been lack of access to medium term and long-term debt financing.

Private management and capital can substantially expand the coverage and quality of infrastructure services in Bangladesh. Increasing access to infrastructure services and improving their quality will be important factors in ensuring both high growth and in reducing poverty levels.

Bangladesh faces a challenging reform agenda. The country should begin by focusing on steps that can be taken in the next 1 to 3 years. Broadly, these steps are: carrying out basic reforms in the governance and corporate structures of existing public service providers; introducing and facilitating competition, including competition to provide service to new consumers and, where possible, existing customers; pricing key services, such as water and electricity, in a way that more closely reflects the costs of service provision; and developing a consensus that favours reforms and addressing the concerns of those groups who will be negatively affected by these necessary

changes. These steps are interlinked. Indeed, reforms in all areas will be necessary to facilitate sustainable service delivery through the private sector and substantially improve the country's situation.

5.1.6 Challenges and Options for Health Sector Financing

The proportion of public sector spending and the spending of MOHFW as a proportion of the Total Health Expenditure has been declining. This decline together with the continued absence of social insurance initiative and a minuscule private insurance market is compelling the households, particularly the rural poor, to bear a very large proportion of national health expenditure through direct or Out-of-Pocket payments. Therefore, budgetary allocations in the health sector need to be increased.

The existing health facilities operate with shortages of Medical and Surgical Requisites (MSR) and the patients have to obtain medicines from outside. Because most of the increased capital spending on health in recent years has been devoted to upgrading or constructing hospitals, more MSR and staffing will be required in the near future, and it will require concomitant allocation to MSR. The increased capital spending on the health sector has to be matched by increased spending on MSR in the future.

Between 2003/04 and 2005/06, the share of MOHFW spending in the allocation to facilities at upazila and below increased by 10% while it increased by 36% at district level and above (HEU, MOHFW 2007). The existing mode of MOHFW spending has to be altered in favour of future capacity creation of upazila and below level close-to-client facilities. Besides, the utilization of the allocation of expenditures in the lower tier health system needs to be examined. Access to facility based curative-services is not pro-poor, and there is considerable scope of improving the pro-poor bias of the public spending on health care services.

New challenges to good health care are emerging, in particular HIV/AIDS, tuberculosis, malaria, arsenicosis, accidents and injuries, and non-communicable diseases. It is estimated that the non-communicable diseases will account for a larger and larger share of the total disease burden in the future. Therefore, the allocation needs to be increased in the prevention and control of non-communicable diseases.

Although there has been significant achievement in reducing the U5 and infant mortality rate and increasing the coverage of immunization, there is still considerable regional variation in attaining these successes. The government should ensure that its effort reaches all regions and that these progresses are sustained. Notable progress has been achieved in reducing the maternal mortality ratio, but the age structure of the population makes the challenge of maintaining the maternal mortality reduction rate harder, particularly given the widespread practice of the early marriage. Therefore, the country needs to improve effective service delivery and the health sector governance especially in the primary and maternal health services, and needs extensive training programme to increase the number of skilled birth attendants, which of course involves funding challenges.

Bangladesh continues to suffer high levels of malnutrition among children and mother. Child malnutrition is associated with increased rates and increased severity of infectious diseases and contributes to over one half of child deaths. Poor maternal nutrition, on the other hand, is related to the high incidence of low birth weight. The immediate causes of malnutrition in women and children are inadequate dietary intake and high infectious disease burden, due to household food insecurity and inappropriate household practices in feeding, personal hygiene and caring for adolescent girls, pregnant women, mothers and their young children, exacerbated by a lack of knowledge and awareness about a healthy way of life. To have any effect on the high child and maternal mortality rates, carefully designed programmes must be prepared, staffs trained, logistics developed, and services delivered. It is necessary to consider training health and family planning workers at the ward level, allowing them to deliver services at the household level. If the NGO and the government work together, their combined efforts would yield greater results. The government has the infrastructure, the manpower, and the commitment to provide primary health care to Bangladesh. The NGOS can offer their field experiences, assist in training, and provide logistical support.

5.1.7 Challenges and Options for Education Sector Financing

Bangladesh's education system depends mainly on public financing both for revenue and development expenditures. Secondary education is a major exception where there is significant private financing. .Though education is by far the largest recipient of budgetary funds in combined Annual Development Programme (ADP) and recurrent budgets, the total government expenditure on education is currently about only 2.5% of GDP and 14.2% of total government spending (BANBEIS 2008; Human Development Report 2007/2008).

The expansion of primary education took place both within and outside the public sector, while the rapid expansion of secondary education occurred mainly through partnerships with private providers. The large expansion in primary enrolment eventually resulted in increased demand for continuing into the secondary level. To achieve rapid expansion of secondary enrolment, the Government should opt more seriously for even wider partnership with the private sector, which will allow lower per-pupil costs.

A high share of government education expenditure at all levels is directed to teachers' salaries and salary-related subsidies to non-government institutions. Salaries and salary-related subsidies accounted for 97% of recurrent expenditure at the primary level and 80% at the secondary level. Thus little funding is available for other inputs such as teaching materials supplies, in-service training, and maintenance. Construction is another large item in education budgets. In tertiary level, the allocation for research is really disappointing. Government should increase substantially the non-salary budget for education sector.

Accountability and incentive mechanisms and checks and balances for teachers and administrators are extremely weak. The Government's centralized administration and the lack of involvement of communities also handicap the efficiency and effectiveness of resources devoted to education. The Technical and Vocational Education System (TVES) lacks links to the job market, has little impact on poverty reduction, and is almost entirely dependent on state subsidies. For the effective use of budget for education, government has to consider these issues seriously.

The quality of education is the main concern of civil society, parents, the public at large, and development partners. Improving the quality and expanding the coverage of post-primary education would call for significant additional resources.

In Bangladesh the central Government carries out a combination of functions emphasizing regulation, supervision, and implementation of policies. Since the line ministry manages the overall education budget, it has an incentive to recommend expansion and construction as a solution to most education problems. This is in contradiction to the expected role of the central Government, which in basic education should be confined to the provision of technical services, including transparently allocating resources among districts, setting standards, establishing sector policy and curricula, conducting research, and disseminating research results and other education-related information to local governments and to the general public. The task of creating an effective, decentralized management of primary and secondary education will require several years. It should proceed according to a plan, possibly on a phased basis.

5.1.8 Challenges and Options for Youth Development

The population in the age group of 18-35 years is considered to be youth. They are one-third of the total population and estimated to be around 45 million. The Department of Youth Development under the Ministry of Youth and Sports has been given the responsibility for transforming the disorganized and unproductive youth into an organized, disciplined and productive workforce by providing vocational/skill development training and micro-credit support. The specific programmes include skill development training for the youth, self-employment and credit for the unemployed youth, poverty alleviation, and youth leadership training.

One of the aims of youth development is to impart skill development training to the unemployed youth on different trades and provide them credit facilities for establishment of self-employment projects. There are 64 districts and 475 upazila offices (including 10 metropolitan unit thanas) under the project. Under this project youths are provided training on dress-making, block and batik printing, pisciculture, wool knitting, secretarial

science and steno-typing. The project also provides mobile training with short duration at upazila level in accordance to local needs.

The objective of the youth development is to turn the unemployed educated youth into skilled human resources and make them self-reliant through technical training. Under this project educated unemployed youths are provided practical training on computer basic course with internet and networking, computer graphics course, electronics, electrical house-wiring, refrigeration and air-conditioning. The project was completed in June'06 and the process of transferring the project into permanent set up of the Department of Youth Development is under way. The youth development is also implementing projects of supply of inputs to the trained youth for self-employment; expansion of training programme on electrical and house wiring, electronics, air-conditioning and refrigeration in the remaining districts; innovative management of resources for poverty alleviation through comprehensive technology; family based employment programme; and youth empowerment through life skills education and livelihood opportunities.

Establishment of youth enterprise through entrepreneurship development can effectively fight against unemployment. The government in the 1980s introduced youth development programme through small scale skill development training. Although the department has built infrastructure throughout the country, allocation in the budget for sustenance of the employment programme for the hard-core poor-youth is insufficient.

According to the Department of Youth Development, the number of trained youths (up to December 2004) was 2.7 million whereas only 1.4 million have been self-employed (55%), the remainder (45%) of the trained youth remain unemployed due to lack of capital and other logistic support. The number of unemployed female youth is four times than that of male youths. Lack of training, raw materials and requisite capital resource are responsible for this female youth unemployment that should be brought under the mainstream of development.

The Department of Youth Development leased out up to the size of 20 acres of khas ponds and tanks to the registered youth co-operative societies enlisted with the Department of Youth Development. Up to June 2007, a total of 12,083 ponds and tanks have been leased out amongst the registered youth co-operative societies all over Bangladesh and an amount of Tk. 338 million has been collected as lease money and deposited in the government treasury.

The total amount of Khas water-body in the country is estimated to be 1.2 million acre of which only 5% were given lease to the poor and the rest 95% are occupied by the grabbers (Barkat et. al, 2001). Only 12,083 ponds are so far leased to the unemployed youths. Lacs of youth who are trained on pisciculture from the training centres of Department of Youth Development are deprived of fish-farming because of lack of water bodies. More water bodies should be leased to the trained youths with micro-credit to initiate enterprises. There are large numbers of khas water bodies which may be allotted to the unemployed youths on a group basis. Cultivation of fish culture may be taken up for gainful employment of such youths. This will contribute both to economic growth and poverty reduction.

While trained unemployed youths are producing the goods such as embroidery materials, dress, block, boutique, mushroom, chicks, milk, fishes etc., they are not getting the due price of the products, and middlemen often exploit them and take the advantages of whole production process. In most cases, it has been found that small entrepreneurs even do not get the normal profit of their merchandise. Central/regional sales centre may be set-up for appropriate display and sale of products of the trained youths.

5.1.9 Challenges and Options for Social Safety Net Programmes

During the last two decades the government has been pursuing a number of social safety net programmes (SSNP) that include cash transfer programmes, food transfer programmes, micro-credit programmes, special poverty alleviation programmes, and other special poverty alleviation programmes. Available information shows that there are 47 well recognized SSNPs that are adopted to address both income poverty and human poverty. Important projects in the budgetary allocation of last four fiscal years reveal interesting features.

Decisions have been made to bring about 2 million poor under the social safety-net programme during this fiscal year (2008-09). To achieve this goal, government has decided to create 100 days employment generation

programme as a long term strategic plan for ensuring improved livelihood for the hardcore poor. The programme will create employment opportunities for 2 million hardcore poor during mid-October to mid-January and mid-March to mid-May periods and help them retain purchasing capacity in the face of high inflation rate. The government has taken a number of initiatives to expand and to implement the safety net programme.

The extent of SSNP has been increasing over time. However, in terms of share of public expenditure, investment on safety nets has been falling since 1998-99. On average, during 1996/97 to 2004/05, Bangladesh has been spending on the SSNPs to the tune of 0.8% of GDP and 5.7% of the total public expenditure.

Although the regional targeting has been one of the main approaches of the social safety net programmes of Bangladesh, little evidence on effective addressing regional issues is found in the overall SSNP design. According to the findings of the HIES 2005, percentage of recipient household is lesser in the regions with high poverty incidence as compared to that in the regions with low poverty incidence.

The coverage of government safety net programmes has been inadequate to cater the needs of the poor. The benefits of the programmes are also shrinking due to high price of essentials. It is considered that the present SSNP coverage is not sufficient in the context of high prevalence of poverty. Reforms of various policy frameworks can expand SSNPs to cover more of poor in the country particularly through agricultural diversification. Proper distribution of "khas land" to the ultra and landless poor is necessary. It is also necessary to recover khas land from land-grabbers and give permanent settlement of those to the landless and marginal poor people.

5.2 National Policies that need to be emphasised to Ensure Higher Growth and Accelerated Poverty Reduction

In this section, an attempt has been made to identify the policies of the government that need to be emphasized to ensure growth and poverty reduction. With this end in view, an inventory of the policies and some sort of ranking of those have been attempted. However, it may be noted here that to identify a **"policy"** from the relevant policy document is not an easy task because most of the policy documents reflect combination of **"policies"** and **"strategies"**. Therefore, a working definition of **"policy"** and **"strategy"** has been set out (box 1).

The present exercise has been done in two phases. In the **first phase**, the policy documents that are most pertinent to growth and poverty reduction have been identified. A total of 16 national policies have been identified and reviewed: (i) Export Policy 2006-09, (ii) Import Policy Order 2006-09, (iii) Monetary Policy (July- December 2008), (iv) Industrial Policy 2005, (v) National Agriculture Policy (2007 Final Draft), (vi) National Food Policy 2006, (vii) Renewable Energy Policy 2002, (viii) Environment Policy 1992, (ix) Bangladesh Education Policy 2000,(x) National Child Labour Policy 2008, (xi) National Health Policy (xii) National Youth Policy 2004, (xiii) National Action Plan for Woman 1998, (xiv) Housing Policy, (xv) National Jute Policy 2002, and (xvi) National Policy on ICT.

Box 1: Definitions of "Policy" versus "Strategy"

A policy is a statement of principles and/or values that guide decisions and achieve rational outcome(s).

Or, A policy is a set of principles intended to govern actions that guide decisions and achieve rational outcome(s).

A strategy is the plan of action/method/process/ specific step taken to attain a relevant policy.

In the **second phase**, based on the definition of **"Policy"**, the relevant policy statements have been identified from the policy documents and given score in terms of their potential implications to growth and poverty-reduction. The rule that has been followed in scoring is that a statement with the "lowest level of implication" in achieving economic growth or reducing poverty has been given a score of 1, and that having the "highest level of implication" has been given 5. As for example, based on the definition of "Policy" a total of 18 policies have

been identified from the Export Policy 2006-09. Now each statement has been given a score between 1 and 5 with 1 being the lowest and 5 being the highest score against both growth and poverty. Therefore, each statement has a "growth score" and a "poverty reduction score", and the Export Policy will have eighteen "growth scores" and eighteen "poverty-reduction scores". From the sum of the eighteen growth scores, there will be an "average growth score"; and from the sum of the eighteen poverty reduction scores, there will be an "average poverty reduction score". Thus each policy document will have an average growth score and an average poverty reduction score. Although the basis of the scoring is subjective, these are expected to give a tentative indication of the implications of the policies to growth and poverty.

Table 46: Scoring of various national policies in terms of growth and poverty

Sl no	Name of policies	Growth score (out of 5)	Poverty reduction score (out of 5)	Total Score (out of 10)
1	Export Policy 2006-09	4	3	7
2	Import Policy Order 2006-09	3.4	1.1	4.5
3	Monetary Policy (July-December 2008)	2.6	2.4	5.0
4	Industrial policy 2005	2.4	2.3	4.7
5	National Agricultural Policy 2007 (Final Draft)	2.3	2.6	5.0
6	National Food Policy 2006	1.8	2.7	4.5
7	Renewable Energy Policy 2002	3.4	1.5	4.9
8	E nvironment Policy 1992	1.7	1.9	3.6
9	Education Policy 2000	2.6	3.4	6.0
10	National Child Labour Policy 2008	1.0	2.6	3.6
11	National Health Policy Final Draft (27 August 2008)	1.3	2.2	3.5
12	National Youth Policy 2004	2.9	3.6	6.5
13	National action Plan for Women 1998	1.8	2.0	3.8
14	Housing Policy	1.9	2.8	4.7
15	National Jute Policy 2002	2.5	2.1	4.6
16	National Policy on ICT	2.8	3.0	5.8
	All	2.4	2.5	4.9

Box 2: Framework for prioritizing policies

Poverty Reduction \ Economic Growth	5	4	3	2	1
5	A	B			
4	C	D			
3					
2				E	F
1				G	H

Following the same reasoning, an exercise of prioritizing the policies in terms of achieving economic growth and poverty reduction objectives have been attempted. The conceptual framework of the idea behind prioritizing the policies can be best illustrated through the 5*5 matrix as shown in Box 2. Area "A" shows the policies with scores (5, 5), and therefore, should be treated as the policies with the highest possible implications for both growth and poverty reduction, followed by areas B ,C, and D with scores (5, 4) , (4, 5), and (4, 4) respectively. Similarly E, F, G, and H show the policies with scores (2, 2), (2, 1), (1, 2), and (1, 1) respectively. It should be noted that the policies that fall in the areas E, F, G, and H do not necessarily imply that these are the bad policies. Of course, a policy that falls in these regions may be a good policy and have particular implication for a certain objective of the government, and sometimes, may have relationship with a policy falling in the regions A, B, C, D. However, for the sake of prioritizing, it can be said that the polices falling in the regions "A", "B", "C", "D" should be given more priority. The results of the prioritizing exercise are shown in the Table 47. It shows the policies that fall in the regions A, B, C, D and suggests that the government should give emphasis in implementing these policies to attain higher growth and accelerated poverty reduction, which are absolutely necessary to reach the National Poverty Reduction goals as well as the goals of MDG.

Table 47: Policies that need to be emphasized to attain higher growth and accelerated poverty-reduction

Economic Growth			
		5 (highest score)	**4 (second highest score)**
Poverty reduction	**5 (highest score)**	**Export Policy (2006-09)** • Encourage labour intensive export-oriented production • Develop a skilled labour force to manage international trade • Specific facilities to RMGs **Monetary Policy (July-Dec. 2008)** • Private sector credit to agriculture, SME, and rural economy • Direct increasing amount of remittances towards investment in productive sectors. **National Youth Policy 2004** • Lease out "khas" land and water body among the youth	**Monetary Policy (July-Dec. 2008)** • Develop an active secondary market for government securities • Bringing appropriate changes in govt. debt management strategy to improve balance between short and long term borrowing. **Food Policy 2008** • Proper allocation of available cultivable land and improved agricultural technologies; appropriate research and agricultural loan; investment in roads, canals, irrigation, rural electrification, and market infrastructure.
	4 (second highest score)	**National Agricultural Policy (2007 Final Draft)** • Take steps to diversify products and explore potential markets abroad **National Youth Policy 2004** • Set up youth training centre throughout the country with modern training equipment and facilities for training on entrepreneurship. Provide facilities for marketing of the products of youth co-operative society, voluntary youth organization and self employed youth. **National Jute Policy 2002** • Emphasizing on activities related to jute product diversification and usages of jute products.	**National Youth Policy 2004** • Opportunity for the youth for self employment in country and abroad **Housing Policy** • *Infrastructure:* Increased investment for increasing service facilities, investment for pure drinking water in rural and urban areas, investment for public transportations, encourage building technologies which are profitable and environment-friendly, ensure community people's participation in service design and construction. • *Housing,* building materials and technology: Increase production of cement, brick, rod; encourage domestic production of building materials; encourage research institute to develop new materials • *Finance:* Take up national house loan plan and generate housing fund; spend resources from insurance, unit trust, commercial banks, and special financial institutions on loan; flexible tax package for land development organizations; introduce housing loans on soft terms; arrange housing finance for the poor; ensure finance to co-operative societies for house building of low and middle class people; establish "Greehayan" banks. **ICT policy** • *ICT industry:* Develop local software Industry, develop ICT Incubator; involve non-resident Bangladeshi and experts; organize disseminations of ideas, knowledge and establish business contract. • *Hardware industry:* Incentives to multinational companies for employing local labour force; IT/ICT laboratories for producing skilled manpower; R&D by local initiatives. • *Poverty alleviation:* Utilize and use ICT in agro-based industries, research, dissemination, agri-business and agri-database. • *Implementation:* Allocate 2% of ADP for ICT; new budget provisions for ICT in all ministries.

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ANNEX: A

INVENTORY OF POLICIES

(Identification of policies and their relevance on growth and poverty reduction)

Policy	**1:**	**Export Policy 2006-09**
Policy	**2:**	**Import Policy Order 2006-09**
Policy	**3:**	**Monetary Policy (July-December 2008)**
Policy	**4:**	**Industrial Policy 2005**
Policy	**5:**	**National Agriculture Policy (2007 Final Draft)**
Policy	**6:**	**National Food Policy 2006**
Policy	**7:**	**Renewable Energy Policy 2002**
Policy	**8:**	**Environment Policy 1992**
Policy	**9:**	**Bangladesh Education Policy 2000**
Policy	**10:**	**National Child Labour Policy 2008**
Policy	**11:**	**National Health Policy (Final Draft, 27 August 2008)**
Policy	**12:**	**National Youth Policy 2004**
Policy	**13:**	**National Action Plan for Women 1998**
Policy	**14:**	**Housing Policy**
Policy	**15:**	**National Jute Policy 2002**
Policy	**16:**	**National Policy on ICT**

Policy 1: Export Policy 2006-09

The principal objective of the export policy is poverty reduction. The diversification of the export sector would be achieved through facilitation and simplification of import-export procedures, expansion of the use of modern technology in businesses, market expansion, capacity building activities such as productivity increase, quality goods production, reduction of business expenses, and compliance-related issues including the overall development of the governance situation. The following specific policies have been identified that have bearing on economic growth and poverty reduction. There are some policies that are more jurisdictional in nature. They do not have direct growth promoting or poverty reduction implications. In some cases strategy and policy are very closely related.

Sl. No.	Policy statement	Whether it promotes growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
01.	This policy is applicable in all places of Bangladesh with the exception of the Export Processing Zones (EPZs).				
02.	Any tax/tariff-related decision of the National Budget and the National Board of Revenue will prevail over the Export Policy.				

Sl. No.	Policy statement	Whether it promotes growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
03.	Any Government Order related to export will get precedence over the Export policy.				
04.	The rules and regulations related to foreign currency exchange issued from time to time by the Bangladesh Bank has to be followed.				
05.	All products other than export prohibited products and the products for which the export is contingent to certain conditions shall be freely exportable.	Yes			
06.	The Government can authorize, under special considerations, the export, export-cum-import or re-export of certain products.				
07.	While exporting products for which quality control certificate is obligatory, the exporter will have to submit, to the Customs Authorities, a quality control certificate issued by the appropriate authority.				
08.	Encouraging labour-intensive (especially female labour) export-oriented production.	Yes		Yes	
09.	Assisting the development of a skilled labour- force through proper training to manage international trade.	Yes		Yes	
10.	Strengthening and expanding the "Product Development Council" activities through joint initiatives of the governmental and non-governmental sectors so as to encourage the production and export of export potential products.	Yes		Yes	
11.	Creating training opportunities and establishing sector-specific training institutes for workers, staff and management people to increase productivity.	Yes		Yes	
12.	Providing financial and tax subsidies or incentives, including low-interest loans, to exporters.	Yes		Yes	
13.	Highest priority sectors are: agro-products and agro-processing products; light engineering products (including auto-parts and bicycles); footwear and leather products; software and ICT products; and home textile.	Yes		Yes	
14.	Specific benefits and facilities will be provided to the highest priority sectors. These include project loans with reduced interest rates; income tax exemptions; subsidies which are compatible with WTO Agreement on Agriculture, and WTO Agreement on Subsidies and Countervailing Measures; possible financial benefits or subsidies for utility services such as electricity, water and gas, provided that they are compatible with WTO Agreement on Agriculture, and WTO Agreement on Subsidies and Countervailing Measures; export loans with soft terms and lesser interest rates; reduced air travel fares; duty draw back/bond facilities; privileges for the establishment of backward linkage industries including infrastructural development so as to reduce production cost; expansion of institutional and technical facilities to improve and control product quality; assistance in production and marketing; assistance in foreign market search; and taking necessary initiatives to attract foreign investments.	Yes		Yes	
15.	Special development sectors will include the following sectors: finished leather production; frozen fish production and processing; handicraft products; electronic products; fresh flower and foliage; jute products; hand-woven textiles from hill areas (pahari taat bostro); uncut diamond; and herbal medicine and medicinal plants.	Yes		Yes	

Sl. No.	Policy statement	Whether it promotes growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
16.	Benefits and facilities similar to the highest priority sectors will also be rendered to the special priority sectors.	Yes		Yes	
17.	Export promotion fund that includes among others providing venture capital with lower interest rates and soft terms for production.	Yes		Yes	
18.	Financial facilities including tax exemption and subsidy in service sectors will be provided.	Yes			
19.	Special facilities that include providing fund for export, export loan, exemption in insurance premium, and incentives for export of non-traditional industrial products and bond facilities for export oriented industries will be provided.	Yes		Yes	
20.	Venture capital facilities for small and medium enterprises.	Yes		Yes	
21.	Specific facilities will be provided to readymade garments industry.	Yes		Yes	
22.	Specific facilities will be provided to frozen fish industry.	Yes		Yes	
23.	Special steps will be taken to promote handicrafts made from bamboo, cane and coconut fibre.	Yes		Yes	
24.	Special measures will be taken to develop tea industry, jute industry and leather industry	Yes		Yes	

Policy 2: Import Policy Order 2006-09

The principal objective of the Import Policy Order is to further liberalize imports in the context of globalization and open market economy. An important goal is to provide easy import facilities to export oriented industries. The industrial policy, export policy and import policy are to be well coordinated in the context of other development programmes of the country. One of the purposes of the Import Policy is to gradually withdraw prohibitions on industrial imports and thereby to make industrial production easier and more competitive. The Import Policy aims at ensuring the supply of essential goods during emergency situation and also quality and healthy products in the public interest. The following specific policies have direct bearings on growth and poverty reduction. There are some policies that are more jurisdictional in nature. They do not have direct growth promoting or poverty reduction implications. In some cases strategy and policy are very closely related.

Sl. No.	Policy statement	Whether it promotes growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
01.	There is a list of prohibited imports and imports that can be imported subject to certain terms and conditions.				
02.	Other than prohibited and restricted products all other products can be imported freely.				
03.	If import of any product is restricted to protect the interest of a local industry, the concerned industry must strictly monitor its production.				
04.	The import must be made under the most competitive price and the importer would be under binding obligation to submit relevant documents to the authority.	Yes			
05.	Except some exceptions all imports must have clear specifications of country of origin.				
06.	The Bangladesh is living abroad can directly send permissible imports to Bangladesh is living in Bangladesh by making full payments there.	Yes			

Sl. No.	Policy statement	Whether it promotes growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
07.	The importers can import jointly.	Yes			
08.	The professionals can import scientific appliances and instruments for their professional works from their earnings abroad.	Yes			
09.	Exporters of different categories will be entitled to import new design materials or to cater the needs of foreign buyers without any prior approval and permit.	Yes			
10.	There is a long list of conditions that would apply in case of food imports for human beings.	Yes			
11.	In the case of commodities whose commercial imports are prohibited and valid only for the industrial sector, approved industrial organizations can import those under normal conditions maximum three times.	Yes			
12.	There are other detailed rules for import of the industrial sector.	Yes			
13.	There are detailed rules for imports by the industrial organizations concerning beer and all types of wines, raw materials and wrapping materials for the pharmaceutical industries.	Yes			
14.	There are detailed rules for imports by the export oriented industries. industries.	Yes			
15.	There are detailed rules for imports by the commercial importers. The commercial imports are generally to be made by cash foreign exchange. The commercial importers can import industrial raw materials, wrapping materials and spare parts of the machineries outside the controlled list of imports. The registered foreign companies can make commercial imports without prior permission. The commercial importers can import new capital machinery and accessories at cash foreign exchange in unlimited amounts.	Yes			
16.	Selected importers with prior approval under certain conditions can import selected old clothing.			Yes	
17.	The importable cigarettes must have statutory warning in Bengali that smoking is injurious for health.			Yes	
18.	The foreign commercial organizations can import their own computers or new computers and their spare parts and accessories either through LC or by making direct payments abroad.				
19.	Old computers can be imported under certain conditions.				
20.	Certain commodities can be imported subject to certification by Bangladesh Standard and Testing Institution (BSTI) .	Yes		Yes	
21.	The secondary quality tyre cord fabrics suitable for making fish net can be imported liberally.			Yes	
	Refined edible oil can be imported under certain conditions.			Yes	
23.	The machineries for telecommunications sector can be imported with the approval of the ministry and Bangladesh Telecommunications Regulatory Commission. .	Yes			
24.	The ministries and divisions of the government can import against definite sanctions without any license or permit.	Yes			
25.	All government agencies, corporations, universities, research organizations and industrial organizations can import against government sanctions without any license.	Yes			

Sl. No.	Policy statement	Whether it promotes growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
26.	There is no need for import registration certificate for imports under the public sectors.	Yes			
27.	The government agencies are to follow some rules to import.	Yes			
28.	There is a pre-shipment inspection requirement though imports by the government agencies under certain circumstances can be done without it.				
29.	The Trading Corporation of Bangladesh (TCB) can import any eligible imports, arms, ammunitions and with the prior approval of the ministry of commerce within specified time limits sanctioned amounts of forbidden or conditional products.				

Policy 3: Monetary Policy (July-December 2008)

This monetary policy stance of the Bangladesh Bank (BB), covering the first half (H1) of FY09 (July-December 2008), aims at using the monetary policy for ensuring reasonable price stability essential to sustaining high economic growth, shielding the economy from global price and financial turbulences and downside risks, and tapping new upside opportunities.

Sl. No.	Policy statement	Whether it promotes growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
01.	For supporting growth promoting policies, the policy stance would give priority to unhindered flow of private sector credit to the economy's productive sectors, with agriculture, SMEs, and the rural economy being the prime targets. BB would also undertake effective measures to encourage increased flow of credit to women entrepreneurs.	Yes	In the absence of vibrant public sector, private sector in Bangladesh is indulging in unbridled profiteering	Yes	Without effective regulation of the private sector growth with stability can not be achieved
02.	Measures would be taken to divert increasing amount of remittances toward investment in productive sectors to ease the potential demand pressure and expand the economy's productive capacity. For facilitating more efficient import of essential goods, BB has made available forward hedging mechanism to importers. In this context, BB would ensure that the facility is used only for true hedging.	Yes	Foreign remittances are mostly used for conspicuous consumption	Yes	Without building up of appropriate infrastructure, foreign remittances cannot ensure productive investment
03.	Along with increasing the revenue earnings, the government needs to increasingly tap alternate sources of financing such as developing an active secondary market for government securities. Bringing appropriate changes in the government's debt management strategy would be important to improve the balance between short (e.g. T bills) and long term borrowing (e.g. through issuing bonds) since any shift in the borrowing pattern has implications for the conduct of the monetary policy.	Yes	A fairly long term planning is needed for this purpose.	Yes	GDP/revenue ratio has to be enhanced substantially from the current level of 10-12% for waging a vigorous development programme
04.	Bangladesh needs to remain alert regarding its competitiveness of exports especially in price-sensitive RMGs. For meeting such challenges, the policies need to build solid macroeconomic fundamentals supported by prudent monetary, fiscal, and exchange rate policies.	Yes	Mere low wage rate cannot sustain competitiveness of RMGs	Yes	Apart from backward linkage, forward linkage, like, sale centre has to be developed

Sl. No.	Policy statement	Whether it promotes growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
05.	The policy stance has been designed keeping in view a real GDP growth rate of 6.5 % and an average inflation rate of around 9.0 % in FY09. The annual monetary programme would be set accordingly providing a predictable relationship between various policy instruments (e.g., repo and reverse repo rates, bank rate, CRR, and SLR) and the monetary policy goals adopted for H1 FY09. Besides, the priority under the policy stance would be to pursue prudent policies that are supportive of supply-side and growth promoting measures.	Yes	Unless price hike can be arrested, improvement in standard of living cannot be ensured		GDP growth rate cannot be treated as a parameter of development, unless it improves the living conditions of the people
06.	In order to gear up economic activities while maintaining inflation at tolerable limit, the monetary policy gave added priority to unhindered flow of credit to productive sectors, especially in the rural areas, along with measures to keep the demand side pressure under control. The policy also focused on pursuing an exchange rate stabilization policy through sale of USD to the authorized dealers to prevent any undue volatility in the exchange rate.	Yes	Pursuit of the policy needs cautious balance between unhindered flow of resources to productive sectors and check on demand generation in the economy.		Unless a judicious balance is struck, poverty reduction may remain elusive.
07.	In order to sustain and strengthen the positive gains of the monetary policy of FY08 and create greater scope for supporting growth promoting policies within the monetary policy framework, the policy stance would give added priority to unhindered flow of private sector credit to the economy's productive sectors, with agriculture, SMEs, and the rural economy being the prime targets.	Yes	Without the presence of a strong public sector, private sector may not be supportive. Excessive rise in price of rice is an example in this direction.		A strong public sector needs to be evolved with definite and clear policy objectives
08.	The existing refinance support for agriculture, SMEs, and housing loans would be continued; and new refinancing lines would be considered for socially desirable and emerging activities such as shipbuilding, renewable energy, effluent treatment in manufacturing establishments, and similar other areas. The growth in private sector credit would be watched carefully especially in view of the falling real interest rates due to recent increase in inflation.	Yes	Without grassroot level supervision this fine intention may remain unfulfilled		1. Appropriate institution to be built-up. 2. Local government has to be strengthened and supported. 3. Strong supervision to be exercised
09.	In the foreign exchange market, prudent measures would be taken to ensure desired exchange rate stability and facilitate the import of essential commodities to ease any shortage in the domestic market. The aim would also be to arrest undue volatility in the exchange rate in order to keep the pressure of imported inflation under control.	Yes	B.D. follows basket of currency system for fixation of rate. Weight of $ should be reduced and weight of Euro should be increased in view of its growing importance in international currency market.		1. Needs elaborate arrangement for exchange rate stability. 2. Appropriate institutions to be created in Bangladesh Bank and banks 3. Elaborate training arrangements to be evolved.

Sl. No.	Policy statement	Whether it promotes growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
10.	The weekly auctions of Bangladesh Bank Bills were used in influencing the level of Reserve Money (RM)	Yes	Monetary stability is essential for growth. But other factor are also necessary	Yes	Policy decisions are needed to achieve the goal
11.	Scheduled banks' borrowings from the Bangladesh Bank declined by Taka 13.11 billion or 18.6% to Taka 57.35 billion at the end of June 2007, against 25.8% increase during FY06 due to cautions monetary policy stance of BB.	Yes	Across the board reduction in credit may not be acceptable. It needs selective interventions	Yes	Definite policy package is need to reduce poverty
12.	The bank rate was received from 6% to 5.0% in FY07. This rate has November 2003 and removed unchanged thereafter	Yes	Bank rate can bean effective tool when the Banks depend on BB for borrowing	Yes	
13.	Weighted average interest rates on deposits and advances were declining during FY03-FY05. Deposit and lending rates thereafter, moved upward and reached at 6.9% and 12.8% respectively in FY07, reflecting the tightened monetary policy stance of BB. The spread between advance and deposit rates declined in FY04 then it remained same at 5.3% in FY05. The spread again picked up in FY-06 until it reached to 5.7% in FY07.	Yes	Although deposit rates are gradually going up, the spread is expanding due to increase in lending rate	Yes	Banks should reduce the spread by lowering lending rate which is quite high as compared to many …….
14.	Strict compliance of policies issued by Bangladesh Bank for rescheduling of defaulted/classified loans is essential. It has been observed that, by submission of writ petition in the Honourable High Court and obtaining stay order of showing their names as loan defaulter with the Credit Information Bureau (CIB) of Bangladesh Bank, defaulters of different banks and financial institutions are availing further loans and other facilities. In these circumstances, banks have been advised to take legal steps to get stay order vacated by engaging senior and efficient lawyers as well as by taking other legal steps so that loan defaulters cannot avail further loans and other facilities by using stay order of the Honorable High Court.	Yes	CIB system is bring made in effective by such court orders	Yes	Semi-judicial authority should be given to BB to dispose of any complaints by clients as BB has got specialized knowledge about banking.
15.	With a view to ensuring balanced and organized industrial development in the country through more institutional credit facility at easy terms and conditions, a decision has been taken to allocate minimum 10 % of total fund of Small and Medium Enterprises (SMEs) provided by Bangladesh Bank, to women entrepreneurs of Small and Medium Industries. Credit as term loan or working capital loans for single borrower from Taka 1.00 lakh to Taka 50.00 lakh, disbursed by banks/financial institutions will be provided with a maximum of 100% refinance facility at bank rate, by Bangladesh Bank.	Yes	Arrangement for allowing loans for SMEs is a good effort	Yes	If this is implemented with full vigour, the effort may be successful.
16.	Loans/lease which have been classified as bad/loss and 100 % provision against which have been preserved will be considered as eligible for write off. Approval of Board of Directors is required for writing off.	Yes	Write off is of bad loans are essential for good banking	Yes	To encourage the Banks for write-off, in tent exemption may be allowed on founds for setting aside provision from profit of the Banks.

Policy 4: Industrial Policy 2005

The last Industrial Policy was adopted in 2005. The main objective of the Industrial Policy is (like the previous policies of 1991 and 1999) poverty alleviation which can be achieved by generation of employment opportunities in the manufacturing industries. Faced with the challenges of free market economy and globalization, the government has accepted private ownership and management of industrial enterprises as one of the major guiding forces in achieving high rate of growth and employment generation to reduce poverty and generate employment opportunity. Efforts are needed to ensure full utilization of current production capacity in the industrial sector especially by minimizing the infrastructural deficiencies, developing more agro-based industries, providing financial technological and infrastructural facilities to the small and medium industries, assisting garments to promote backward and forward linkage for increasing value addition, and so on. Some specific policies have been highlighted which are aimed at generating growth, employment and reducing poverty:

Sl. No.	Policy statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
01.	Ensure full utilization of current production capacity in the industrial sector, providing that it is not hampered because of infrastructural deficiency	Yes		Yes	Provided that more jobs are created
02.	Provide special facilities as well as infrastructural support to Cottage and Small and Medium Enterprises (SME) located in different parts of the country.	Yes		Yes	
03.	Provide financial, technical, technological and infrastructural facilities in order to inspire setting up and developing agro-based industries.	Yes		Yes	
04.	Assist backward linkage industries on a priority basis. The objective is to diversify and produce goods of world standard and value added items so that they help to diversify our exports.	Yes		Yes	
05.	Provide necessary assistance to value added linkage industries and sub-contracting industries so that they are developed.	Yes		Yes	Provided that workers are provided with
06.	Provide assistance to waste management, development in order to ensure proper waste minimization and waste removal and produce pollution-free goods.	Yes		Yes	
07.	Strengthen and ensure efficiency in import substitution industries so that the gradually increasing demand for goods in the local market can be met.	Yes		Yes	
08.	Inspire well-proportioned industrialization across the country by providing incentives, wherever necessary.	Yes	If good infrastructural facilities are provided	Yes	
09.	Provide incentive to various institutions that are concerned with technological and technical efficiency enhancement, side by side with human resource development, in order to improve efficiency in the industrial sector.	Yes		Yes	
10.	Remove policy discrimination, if any, between domestic and foreign investments, and enhance regional and sub-regional cooperation.	Yes		Yes	
11.	Privatize non-profitable industries in the state sector quickly and in phases. Restrict state investment and administration only to those industries in the public sector which the government thinks are not safe for investment in the private sector.	Yes	It depends on management	Yes	

Sl. No.	Policy statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
12.	Give preference to infrastructural development including ports, power, transport and communications, and human resources development. Specifically promote private investments along the principles of construction, administration and BOO, and construction, administration and BOT in these sectors.	Ye s		Ye s	
13.	Provide further structural and other facilities to establish and develop compact industrial areas. Develop planned industrial areas by establishing Special Economic Zones in areas with vast economic potentials, and utilizing local resources.	Ye s	Depends on infrastructural facilities and incentives	Ye s	
14.	Consider highly developed technology-based seed breeding, production and development, and agricultural goods processing activities as industries. At the same time, take strong steps regarding the diverse use of jute.	Ye s		Ye s	
15.	Promote foreign direct investments in order to bring about technology transfer, efficiency and management development and enhance marketing skills.	Yes	Provided that training programmes are undertaken to improve skill	Yes	
16.	Create a long-term credit fund to generate industrial production capacity and also a venture capital fund to support the commercial production and marketing of creative industries.	Ye s		Ye s	
17.	Collect information on industrial development and arrange for technology dissemination through the Technology Dissemination Cell, set up at the Ministry of Science and Technology, Industry and Business Association, and Bangladesh missions abroad.	Yes	Provided that missions are equipped with qualified personnel	Ye s	
18.	Ensure the availability of the working capital from financial institutions after the establishment of an industry so that working capital can be obtained in time.	Yes	provided that cost of borrowing is low		
19.	Ensure the availability of assistance of the capital market so that industrial entrepreneurs can overcome the lack of capital and mobilize the necessary capital from the capital market in order to establish or administer industrial enterprises.	Ye s		Ye s	
20.	Consider other industry related policies such as the Textile Policy, Jute Policy, and Silk Policy as supplementary to the Industrial Policy.	Ye s		Ye s	

Policy 5: National Agriculture Policy (2007 Final Draft)

Agriculture has been and will continue to be the lifeline of the Bangladesh economy; it is the dominant economic activity of Bangladesh. The agriculture policy broadly aims at creating an enabling environment for sustainable growth of agriculture for reducing poverty and ensuring food security through increased crop production and employment opportunity as envisaged in Poverty Reduction Strategy (PRS), SAARC Development Goals (SDGs) and Millennium Development Goals (MDGs).

Sl. No.	Policy statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
	Research & Development				
01.	The Government will continuously seek measures to strengthen coordination, planning, priority-setting, and monitoring and evaluation mechanisms in the NARS.	Yes	New innovative method by continuous research will be affiliated to agriculture system.		
	Agriculture Extension				
02.	The Government will promote public, private and voluntary extension initiatives to achieve diverse agricultural goals and to address needs of target populations.	Yes	Decentralized, Efficient and coordinated extension service availability will bring benefit to the marginal farmers so the productivity will increase, and economic growth will increase.	Yes	
	Seeds and planting materials				
03.	Access to Breeder Seed and Foundation Seed will be facilitated by public, private agencies and farmers.	Yes	All these activities promoted by public and private sector will help the farmers to get the quality seeds so their productivity and income will rise.		
	Fertilizer				
04.	Procurement and distribution of fertilizers both in the private and the public sector will continue.	Yes	The cultivators can get fertilizer in right time and right price so the production will rise and economic growth will rise.		If per capita production rises the livelihood of the people will improve.
05.	The Government will facilitate availability of quality fertilizers at farmers' level.				
06.	The Government will encourage use of organic manure, compost and bio-fertilizer at farmers' level.				
	Minor Irrigation				
07.	The Government will facilitate dissemination of water management technology to enhance irrigation efficiency and water productivity through optimal use of available water resources.	Yes	Through proper irrigation the agriculture production will increased and this will contribute to economic growth.	Yes	Increased the productivity will reduce the poverty of the farmer.
	Mechanizations in Agriculture				
08.	The Government will encourage production and manufacturing of agricultural machinery locally. Manufacturing workshops and industries engaged in agricultural mechanisation activities will be provided with appropriate support.	Yes	Agricultural mechanization will promote economic growth	Yes	
	Agricultural Marketing				
09.	The Government will facilitate smooth flow of agricultural produces from the production point to the consumption point by setting up village market and improving distribution to main markets.	Yes	The farmer will get a fair price of their commodity and this will contribute to growth.		

Sl. No.	Policy statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
	Women in agriculture				
10.	The Government will facilitate increased women participation in management decision and their involvement in agriculture.	Yes	If women participation in management decision making and in agriculture sector can be increased the agriculture production will rise highly so economic growth will rise.	Yes	If women can participate in agriculture the poverty in the family can get reduced quickly.
	Strategy statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
	Agriculture Extension				
11.	Extension services will be provided to all categories of farmers: landless, marginal, small, medium, large with special emphasis on women and youths.	Yes	The marginal farmers, women and youth will get lacking of extension service easily, and cost of production will decrease and production will increase.	Yes	If extension services are available, production cost will decrease, surplus of production will broaden and poverty will decrease.
12.	Government will decentralize extension activities at the grass-root level to deliver efficient and coordinated services.	Yes	Decentralized, Efficient and coordinated extension service availability will bring benefit to the marginal farmers so the productivity will increase, and economic growth will increase.	Yes	
13.	The Government will make a shift from the top-down, hierarchical approach to bottom-up participatory approach in which farmers, researchers and extension workers will serve as peers.	No		Yes	A shifting to bottom-up participatory approach can give opportunity for involvement in any decision of wellbeing of marginal farmers.
14.	Traditional and advanced media and ICT will be employed to disseminate extension services.	Yes	Disseminated extension services through ICT and advanced media can bring necessary information to the farmers. It will help them to recognize the best input for a better cultivation.	Yes	
15.	Efforts will be taken to provide micro-credit support at preferential rate for selective crops.	Yes	For selective crops micro credit will solve the collateral problem of the farmers, production and economic growth will increase.	Yes	For selective crops micro credit will solve the collateral problem of the farmers.

Sl. No.	Policy statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
16.	The Government will pursue programme for hilly area, char land, monga-prone area, haor-baor and coastal belt with appropriate technological support.		Disadvantaged area can get technological support for cultivation and this will increase agriculture production.		
17.	To facilitate multiple approaches during and after crises the Government will combine immediate assistance, and short, mid and long term development programme for the affected farmers to enhance productivity and to create employment involving the private bodies, NGOs, philanthropic organizations and private individuals.	Yes	Additional employment opportunities for the farmers will contribute to economic growth.	Yes	During crisis creation of employment for farmers will reduce poverty.
18.	The Government will undertake agricultural rehabilitation programme during natural calamity to overcome crop damage through DAE and other extension service providing agencies.	Yes	The prevention of crop damage will contribute to growth. .	Yes	The farmers will be relieved from food deficiency.
19.	Government will promote poverty reduction through creation of employment opportunities in rural non-farm sectors.	Yes	If non-farm activities promote production of non agriculture products, it will contribute to economic growth.	Yes	
20.	The Government will fully discourage engagement of child labour in hazardous agricultural activities.	No		Yes	If child labour is discouraged, it will encourage educational activities and of children they will became as active manpower for future economic growth.
21.	The Government and relevant agencies will organize awareness-building programmes to prevent child labour in agriculture.	No			
22.	Care must be taken so that children's opportunities for food, education and life skills are not blocked.	No			
	Seeds and planting materials				
23.	The private sector will be encouraged to build necessary facilities for seed production, processing, preservation and marketing.	Yes	All these activities promoted by public and private sector will help the farmers to get quality seeds. It will raise productivity and income.	Yes	
24.	Seed certification and enforcement of seed regulations will be strengthened for increasing availability of quality seeds.	Yes			
25.	Quality assurance of seed will be enforced at all stages of seed system from production to marketing including seed import and export.	Yes			
26.	Steps will be taken to maintain a fertiliser buffer stock at the regional, district and upazila level.	Yes	The cultivators can get fertilizer in right time and right price. It will increase production and contribute to economic growth.		

Sl. No.	Policy statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
27.	Production, importation, marketing, distribution and use of any kinds of fertilizer that are harmful or detrimental to plant, soil, flora and fauna will be banned.	Yes			
28.	The Government will monitor supply, storage, price and quality of fertilizer at various levels.				
	Minor Irrigation				
29.	Modern irrigation, drainage and water application systems will be introduced for expanding irrigation coverage including difficult or disadvantaged areas i.e. in char, hilly, drought and saline areas.	Yes	In char, hilly, drought and saline areas, through proper irrigation the agriculture production will be increased and it will contribute to growth.		
30.	The Government will encourage and train private entrepreneurs and unemployed youths on operation, repair and maintenance of irrigation equipment.				
31.	Preferential access will be given to power-source for irrigation through intimate inter-agency collaboration.				
	Mechanizations in Agriculture				
32.	Efforts will be made to rationalise import duties on raw materials of agricultural machinery to encourage local manufacturers and to keep the price of local machineries competitive with the imported ones.	Yes			
33.	Training will be imparted to operators, farmers, rural youths on repair and maintenance of agri-machinery at rural level.				
	Agricultural Marketing				
34.	Both the private and the public sectors will be encouraged in the initiatives in market improvement of agricultural products.		The farmers will get high price for their commodity. So they will increase production, which will contribute to growth.		
35.	The Government will encourage private sector investment in establishing ware houses and cold storage facilities for agricultural produces'.	Yes			
36.	The Government will take steps to diversify products and to explore new and potential markets abroad.				
37.	The Government will encourage the public-private partnership and coordination for efficient market operation.				
	Women in Agriculture				
38.	Necessary support will be provided for capacity building of women in promoting household food and nutrition security.				

Sl. No.	Policy statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
39.	Efforts will be made to ensure women's equal access to agricultural inputs (e.g. seed, fertilizer, credit, education and training, information etc.).	Yes	Women will get input easily.		
40.	The government will provide micro-credit support to women for small-scale agro processing, storage and preservation.			Yes	The women will be able to contribute to family income using the micro credit efficiently.

Policy 6: National Food Policy' 2006

According to Article 15 (a) of the constitution of Bangladesh, it is a fundamental responsibility of the state to ensure its citizens with the basic necessities of food. The present food policy was developed in light of the recently adopted Poverty Reduction Strategy Paper and also in a broader perspective according to the definition of food security as adopted in the World Food Summit. The Government of Bangladesh in accordance with the World Food Summit Declaration of 1996 and the MDG has set its target at reducing the number of poor People to half. The main objectives of the national food policy are to ensure adequate and stable supply of safe and nutritious food, to enhance food accessibility and to ensure adequate nutrition for all especially poor women and children.

Sl. No.	Policy statement	Whether it Promotes economic growth Yes/No	Remark	Whether it Promotes Poverty reduction Yes/No	Remark
01	Proper allocation of available cultivable land and improved agricultural technologies along with appropriate research and agricultural loan. Other aspects of long term food security include investment in roads, canals, irrigation, rural electrification and market infrastructure.	Yes	Implementations of this policy have a direct positive impact on economic growth.	Yes	
02	To ensure the delivery and sufficient use of water government is trying to encourage the farmers by supplying irrigation by private and public sector. Another stream of this policy is to address and present drought situation in rain-dependent areas (like very-north of the country) through preserve of water by improved irrigation technologies.	Yes		Yes	Poor and unable farmer will be ability irrigate their crop field.
03	Ensure adequate, balanced and timely supplies of fertilizer and other inputs in crop and fish Production to reduce input shortages and sharp increases in input prices. Development of a consistent fertilizer price policy support poor farmers. Arranging training for all types of farmers and creating an environment friendly agriculture and conservation system through to be some of the most effective policies.	Yes	Poor farmers will be known the proper method to use of fertilizer and other inputs by training.	Yes	Adequate, balance and timely supplies of fertilizer and other input in crop and fish production will help poor farmers to increase production.
04	Increase production of non-cereal crops by increasing the use of modern technologies at the field level.	Yes		Yes	Farmers will get technical assistance.
05	Emphasis on research of biotechnology for the development of new varieties of crops and improved varieties and poultry birds.	Yes			
06	Government will pursue some initiative for rapid expansion of both productivity and production growth and to stabilize the price levels of non-cereal crops	Yes		Yes	

Sl. No.	Policy statement	Whether it Promotes economic growth Yes/No	Remark	Whether it Promotes Poverty reduction Yes/No	Remark
07	Improvement of quality and productivity of fishers and livestock by strengthening research, training and extension services.	Yes		Yes	
08	Support development and expansion of technologies for the resource less and poor by involving no-governmental organizations at a larger scale.	Yes		Yes	Farmers can get an improved agricultural technology to increase and development of both non-cereal and non-crop agricultural goods.
09	Ensure improved access to credit to all agricultural farmers (including landless, marginal and small farmers) by bringing in poor farmers in agricultural production related micro-credit schemes.		This Policy emphasizes to increase productivity intensification and diversifycation in agriculture		
10	Distribute non-discriminatory credit, development and enforcement of quality standards, trade supportive legal and regulatory environment and selective non-distortionary public food market intervention for price stabilization.	Yes		Yes	Non-discriminatory credit and non distortionary public food market will help to achieved food security.
11	Build up a public stock of 1 Million tons of food grain at the beginning of fiscal year, considering the dynamics of seasonal variation in public procurement and distribution.			Yes	Govt. will supply this amount in a price hike market to stabilize market price so that poor people get access to sufficient food.
12	Operate open market sales (OMS) programme, distribute food grain at low price or free of cost.	No	Food grain distributed from food stock, production will not take place.	yes	Poor can purchase or get minimum required quantity of food from the market.
13	Supplementary irrigation, during drought to avoid severe reduction of yield and crop failures.	yes			Farmer well get crop during drought reason.
14	Homestead gardening, including fruits and vegetables farming, social forestry, livestock and backyard poultry in the homestead areas in flood-free years.	No		yes	Poor people will be able to get nutritious food and earn income simultaneously.
15	Ensure quick distribution of food in affected household in times of disaster..	No		yes	
16	Hold enough food grain stock to cover at least 3 months of emerging distribution need in addition to its normal working stocks needed for the regular food-based programmes.	No		yes	Public food grain stocks enable the government to respond quickly to disaster induced emerging food situations.

Sl. No.	Policy statement	Whether it Promotes economic growth Yes/No	Remark	Whether it Promotes Poverty reduction Yes/No	Remark
17	Distribution of food grain as wages in Food-For-Work (FFW) programmes managed by the local government Engineering Dept., the ministry of Disaster Management and others.	Yes		yes	
18	Direct distribution of food to poor households participating in training and development activities	Yes		Yes	Ultra poor will get access to food.
19	Support to women and the disabled in income generating activities.	Yes		Yes	
20	Promote investment in employment enhancing technology.	Yes		Yes	Promote income growth.
21	Special assistance for expansion of rural industries.	Yes	Promote growth by creating more employment opportunities	Yes	
22	Initiate more women responsive projects and programmes with a view to increase their participation in economic activities.	Yes		Yes	Women can contribute it development work.
23	Prepare diet charts on the basis of local means at low. cost yet attaining balanced nutrition.	No		Yes	It will help to reduce malnutrition
24	Take steps to increase availability through local production of low cost item for balanced nutrition.	No			Poor people can get access to nutritious food at a minimum cost.
25	The importance of safe drinking water and sanitary practices for prevention of diseases. expansion of the existing public facilities for testing water quality (particularly the arsenic content)	No		Yes	Policy to mitigate water borne diseases.
26	Training for concerned officials and institutions of protecting the grades and standards of food products.	No		Yes	Ensure safe and complete food values.

Policy 7: Renewable Energy Policy of Bangladesh, 2002

Notes:

- One of the major objectives of the Bangladesh National Energy Policy, 1996:
  - To ensure environmentally sound sustainable energy development programmes causing minimum damage to environment.
- Millennium Development Goal 7, Target 9:
  - Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
- Renewable energy covers solar, wind, biomass, small hydro, geo-thermal, tidal, wave etc. in different form.

Sl. No.	Policy statement	Whether it Promotes economic growth Yes/No	Remark	Whether it Promotes Poverty reduction Yes/No	Remark
01.	Renewable Energy Development Agency (REDA) is to be established as a public limited company for the development and diffusion of different types of renewable energy technologies (RETs).	Yes		Yes	An important first step for moving towards achieving Goal 7, Target 9.
02.	Establish a Renewable Energy Trust Fund to finance renewable energy projects and Research and Development activities.	Yes			
03.	To collect concessional funds (like GEF, CDM, PCF) from bilateral or multilateral lenders for renewable energy projects which will be implemented through CBOs, NGOs and rural energy entrepreneurs.	Yes			
04.	Board of Investment to promote and facilitate foreign and local investment in this sector.				
05.	Improve access to basic health care for poor people in the un-electrified areas through the provision of renewable energy systems in health clinics.			Yes	Has implications for Goals 4,5 and 6.
06.	Improve the quality of education in the un-electrified areas through the provision of renewable energy systems in schools.			Yes	Goal 2.
07.	Promote the use of renewable energy to facilitate access to safe drinking water.			Yes	Goal 7, Target 10.
08.	Establish renewable energy powered Information and Communication Technology centres in the off grid areas.	Yes		Yes	Goal 8, Target 18.
09.	Provision of energy in different infrastructure projects including rural markets, cyclone shelters, schools, health clinics, government offices and training centres.	Yes			
10.	Arrange required training programmes for capacity building and technology transfer needed to support commercialization of renewable energy technologies (RETs).	Yes			
Fiscal incentives:					
11.	Project sponsors shall be exempt from corporate income tax for a period of 15 years.	Yes			
12.	100% depreciation in the first year for photovoltaic, solar thermal projects and 100% depreciation in five years for wind, biomass, geothermal, tidal and small hydro projects.	Yes			
13.	Import plant and equipment without payment of customs duties, VAT and any other surcharges as well as import permit fee.	Yes			
14.	Exemption from income tax in Bangladesh for foreign lenders.	Yes			
15.	Foreign investors will be free to enter into joint ventures.	Yes			
16.	The private parties may raise local and foreign finance in accordance with regulations applicable to industrial projects as defined by the Board of Investment.	Yes			
Other facilities and incentives for foreign investors:					
17.	Tax exemptions on royalties, technical know how and technical assistance fees and facilities for their repatriation.	Yes			
18.	Tax exemption on interest on foreign loans.	Yes			
19.	Tax exemption on capital gains from transfer of shares by the investing company.	Yes			
20.	Avoidance of double taxation in case of foreign investors on the basis of bilateral agreements.	Yes			
21.	Exemptions of income tax for up to three years for the expatriate personnel employed under the approved industry.	Yes			
22.	Remittance of up to 50% of salary of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return.	Yes			
23.	Facilities for repatriation of invested capital, profits and dividends.	Yes			

Policy 8: Environment Policy 1992

The existence and development of plants and lines are dependent on nature and environment. Different socio-economic problems such as population exploration, poverty, illiteracy, insufficient health facilities and lack of consciousness, are obstacles for preserving/protecting the environment. This is why, these problems must be resolved along with the implementation of environmental development programmes. National Environment Policy 1992 includes different sector specific policies, which affect either poverty reduction, or economic growth or both.

Sl. No.	Policy statements	Whether it Promotes economic growth Yes/No	Remark	Whether it Promotes Poverty reduction Yes/No	Remark
1.	Ensure supply of pure water and cheap sanitary latrines both in rural and urban areas.			Yes	The Mid Term Bangladesh Millennium development Goals (MDG) Progress Report 2007 has identified "access to sanitary latrines in rural and urban slum areas" as one of the key challenges ahead to reach MDG-7 (target 10, indicators 30 and 31). If the policy statement materializes, it will help addressing this challenge.
2.	Encourage usages of natural gas and insecticides and discourage usages of agro chemicals.	Yes	Soil fertility will increase (which will increase productivity)		
3.	Support environment friendly development with a view to preserving environment and ensuring sustainable development.	Yes			
4.	Invent modern technology, encourage and extend their usages to save fuel.	Yes			
5.	Increase usages of natural fibre like jute and jute products by decreasing synthetic fibre.			Yes	Good for environment and poor farmers will be benefitted
6.	Take steps to control environmental pollutions in different industries identified by Environment Department.			Yes	Help to achieve MDG7 [indicator: carbon dioxide emissions (per capita) (plus two figures of global atmospheric pollution: ozone depletion and the accumulation of global warming gases].
7.	Introduce area based environment friendly substitutes of agricultural cereals and products to meet the additional demand.			Yes	

The degree of implementation of the environment policies is discouraging. If we do not become conscious about environment, we are to pay a lot in future in terms of earth quake, intolerable air, water, soil pollution, increasing temperature etc. Though many environmental aspects are not limited within the national boundary, we have to take different effective initiatives to preserve environment as soon as possible.

Policy 9: Bangladesh Education Policy 2000

Methodology and remarks: The first step was to list down all the policies which might be conducive for promoting economic growth and poverty reduction. Some of these policies were more like overarching objectives rather than specific strategies, i.e. universal, free education for all. The list was then condensed, taking care to include only those policies which were more concrete in nature and getting rid of all general statements. The next step was to determine whether the policies would promote economic growth or poverty reduction or in fact both. This was perhaps the most difficult task of all. It seems that all policies would eventually aid both economic growth and poverty reduction one way or the other. However, some policies would have a more immediate and direct effect than others. And that is the criterion that was used in classifying the policies. Finally a brief explanation was given to make it clear how they would impact economic growth and/or poverty reduction. In some cases these were pretty self-explanatory.

Sl. No.	Policy statement	Whether it Promotes economic growth Yes/No	Remark	Whether it Promotes Poverty reduction Yes/No	Remark
01.	Teacher-student ratio in primary and secondary schools should be 1:40.			Yes	Improve quality of education – develop human capital.
02.	Literacy drive conducted through distance education in radio and television.			Yes	Take education to the remotest parts of Bangladesh with little access to education.
03.	Turn our unskilled manpower into a skilled labour force through vocational and technical education.	Yes	A skilled labour force can help to foster higher economic growth.	Yes	Equip our labour force with practical skills and generate employment for them.
04.	More skilled manpower should be created for the international market.	Yes	Skilled manpower can be a valuable source of earning remittance.	Yes	Remittances can directly benefit low-income families.
05.	Increase the number of polytechnic institutes.	Yes	Produce skilled labour force.		
06.	Teacher-student ratio in vocational and technical institutes should be 1:12.	Yes	Produce skilled labour force.		
07.	Provision for technical and vocational education in madrasah education system.	Yes	Produce skilled labour force.	Yes	Equip madrasah students with practical skills which would enable them to take up vocational jobs once they finish school or if they drop out.
08.	Take necessary steps to strengthen the Textile College and the College of Leather Technology.	Yes	Provide stimulus to the textile and leather industries and boost economic growth.		
09.	Steps should be taken to increase the number of engineering universities, technological universities and BITs.	Yes	Make advancements in technology and increase productivity.		
10.	Scientific research should be encouraged and assisted by providing funding for research work and facilities for the researchers.	Yes	Make advancements in technology and increase productivity.		

Sl. No.	Policy statement	Whether it Promotes economic growth Yes/No	Remark	Whether it Promotes Poverty reduction Yes/No	Remark
11.	Information and Technology education sector is to be identified as a thrust sector and IT co urses are to be included in the secondary education programme and taught in all government and non-government educational institutes.	Yes	Make advancements in IT and increase productivity.		
12.	Special fund should be created and non-government initiatives encouraged for increasing the rate of women education.	Yes	Improve participation rate and create more employment.	Yes	Promote gender equality and empower women (MDG3).
13.	More polytechnic institutes for girls need to be set up.	Yes	Improve participation rate. Create skilled labour.	Yes	Promote gender equality and empower women (MDG3).
14.	Special scholarships and bank loans on low interest should be made available to the poor and meritorious students for higher education and research.			Yes	Encourage poor students to excel in their studies and pursue higher education.
15.	Supply necessary education materials for the handicapped learners free of cost or at a low price.			Yes	Attract handicapped students to pursue education and move closer to the goal of achieving universal education (MDG2).
16.	Provide nutritious tiffin for the primary and secondary level students.			Yes	Reduce malnutrition of children.
17.	Distribution of textbooks free of cost at primary level should continue and provision should be made for distributing secondary textbooks at a low price.			Yes	Facilitate universal primary education (MDG2) and help those on the bottom rungs of poverty.

Policy 10: National Child Labour Policy 2008

National child labour policy 2008 discusses about current status of child labour in Bangladesh; causes, legal aspects, definition, classification of child labour, goals of national child labour policy; wages and working hours, education, health and nutrition aspects of child labour; work environment, special programmes for disabled, disadvantaged and street children; eradicating child labour – adopting realistic strategies; child labour unit and national child labour welfare council. Though the policy emphasizes eradicating worst form of child labour and uplift their life style by extending different facilities to fulfil basic needs, in reality the scenario is different. The child labour in Bangladesh is involved in different risky works and deprived of education, proper health services etc.

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
01.	Formulate and implement effective policy strategies to eradicate worst form of child labour within the proposed time frame (2008-2012).	01.		Yes	
02.	Ensuring free, mandatory and quality primary education for working children within the proposed time frame (2008-2015).			Yes	This will help increase human capital (MDG2).
03.	Implementation of the overall activities of health and nutrition programmes for working children under the umbrella of national health policy through adopting integrated work plan within the proposed time frame (2008-2015).			Yes	Improve health and nutrition status of working children.
04.	Raise social awareness about child labour among people of all stratum including guardians, employers/employers' forum, trade union, professional bodies etc. within the proposed time frame (2008-2012)			Yes	
05.	Create sufficient employment opportunities through technical and vocational training for children working in both formal and informal sectors and create an enabling environment so that they can survive in a competitive labour market within the proposed time frame (2008-2012).			Yes	
06.	Rehabilitate/create employment for children who migrate into cities due to poverty, river erosion, family decline, trafficking etc.			Yes	
07.	Arrangement for setting up rehabilitation centre, drop-in centre, help line, psychosocial counselling, necessary treatment, food and amusement in each upazila, district, division and also in union for the physically and mentally disabled children within the proposed time frame (2008-2012).			Yes	
08.	Arrangements for proper training for implementing activities in the grass root level and creating efficient researchers relating to child labour.			Yes	
09.	Identifying areas of reform in rules and regulations.				Status of child labour may improve.
10.	Arrangements for survey and data/information management for making assessment and creating reliable data base on child labour (continuing).				It will be easy to know the real situation and take the effective policies.

Policy 11: National Health Policy (Final Draft, 27 August 2008)

Sl No.	Policy Statement	Whether it promotes growth Yes/No	Whether it promotes Poverty Reduction Yes/No
01.	Making health service equitably affordable and accessible to all and ensuring an efficient and effective quality health service.	Yes Yes	
02.	Creating health related safety net to ensure supply of service, medicine, equipment, etc., for emergency relief to the disaster affected people.	Yes Yes	
03.	Creating and expanding various types of incentive mechanisms/facilities including in service training, career development planning, etc., for the health professionals.	No Yes	
04.	Developing capable, motivated and supportive health professionals and workers at all levels with appropriate skill-mix for overcoming bottlenecks to achieve national health goal.	No No	
05.	Expanding the scope of health service provision to include proven alternative health care system (e.g., Ayurvedic, Homeopathy and Unani).	No Yes	
06.	Establishing an effective linkage with global and regional information network for strengthening health sector's research and systems development.	No No	
07.	Viewing health as central to socio-economic development, public sector allocations to health will be increased gradually with due recognition to transparency, accountability and participation as the hallmarks of good governance for health at all levels.	No Yes	
08.	Quality Health Care Service: Tonsure affordable, attainable and acceptable quality health care service to the citizens by increasing health status, reducing health inequalities, expanding access to SSN and encouraging affordable service delivery systems for every households (strategy: 9.0).	Yes Yes	
09.	Nutrition: All issues related with nutrition will be guided by the action incorporated in to the NFP and NNP. NNP will be expanded and adjusted and nutrition activities will be reinforced. To decrease in malnutrition income security food fortification and proper knowledge about nutrition will be strengthened. Monitoring and surveillance system and gender equity also emphasized to improve nutrition of the poorer sections of the society (strategy: 9.02).	No Yes	
10.	Population Planning: All issues related with population control and reproductive health including family planning (FP) will be guided by the national population policy. Reproductive health service contributing to reduce the high rate of maternal mortality and fertility.	No Yes	
11.	Health Education and Promotion: A major strategy to ensure better health would be to promote public health through health education within MOHFW (Ministry of Health and Family Welfare) and channels outside it.	No	No
12.	Control of Emerging Threats: Existing counselling and treatment services for mental health, drug abuse, avian flu, STD and HIV/AIDS, arsenic diseases, injuries, trauma suffers, women and child victims of violence, road-railway-river accidents etc. would be improved and these facilities will be introduced where not available.	No Yes	
13.	Control of Communicable Diseases: To intensify prevention and control of communicable diseases, such as acute respiratory infection, diarrhoea, dengue, etc.	No Yes	
14.	Primary Health Care: To improve the quality of primary health care (PHC) and make it accessible and acceptable to the people, specially the poor and vulnerable. The government is committed to spent at least 60% of the total budgetary allocation of the health, nutrition and population sectors at upazila and below level.	No Yes	
15.	Food Safety and Quality: An institutional partnership will be developed with the LG division in collaboration with MOC, MOA, MOHA, MOF and other relevant ministries for ensuring safety and quality of food and water.	Yes Yes	
16.	The private sector will also be kept under constant review to ensure proper treatment of patients and make them more transparent and accountable to the citizens.	No No	
17.	Only Government financing is insufficient to ensure improved health care for all in Bangladesh. Expansion of private sector investment would help improve the services. The government will continue to provide incentive (e.g. land at a lower price, bank loan, tax exemption for import of electro-medical equipment, training to health professionals and workers, lump-sum grant etc.) to the private sector engaged in health care service provision.	Yes Yes	

Policy 12: National Youth Policy 2003

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
01.	To arrange skill training and appropriate practical livelihood-skill education for employment of youth by creating job opportunities and entrepreneurship for them.	Yes	Skilled youth can foster higher economic growth	Yes	Equip youths with practical skill and generate employment for them
02.	To encourage the youths (especially the unemployed youth) through mobilization of local resource and self-employment and extension of credit-facilities.	Yes	Vested interest is hampering utilization of local resources	Yes	Due to scarcity of resources, objectives cannot be achieved
03.	To create a conducive environment for the youth so that they can be involved in information technology.	Yes	Inadequate training facilities for IT	Yes	Limited access of poor youths to IT
04.	To implement productive activities for the rural youths.	Yes	Lack of easy communication to rural youths is hindering the implementation of productive youths.	Yes	Rural youths are vulnerable. Productive activities will improve their economic conditions
05.	To provide equal opportunities for male and female youths so that they can participate in decision making in all process of national development	Yes	Policy makers and implements are not gender sensitive	Yes	Promote gender equality and empower women (MDG3)
06.	To impart training for youths on youth health, human rights, social security for handicapped youth. To initiate training for building leadership qualities among the youth.	Yes	Human resource development is a precondition for economic growth	Yes	Human rights, social security and leadership quality will bring social development
07.	Opportunity should be created for the youth for wage and self employment in country and abroad.	Yes		Yes	
08.	Equal distribution of resources should be arranged for under privileged hard core poor unemployed youth.	Yes	Hard core unemployed youths are not getting their due share in resources	Yes	Lack of justice and political interference are obstacles
09.	To arrange micro credit for self-employment of youth on easy term and concessional rate.	Yes	Terms and conditions of Micro-credit are hard and complex	Yes	Hardcore and landless youths do not have access to micro-credit
10.	To arrange financial grant to registered youth organization for rendering youth activities.	Yes	1. MOY does not have the legal owner for registration of youths club/organization 2. Government youth organizations are dependent of financial grants	Yes	Poverty reduction is not possible under the existing circumstances
11.	To ensure the rights of female youth through arrangement of opportunity education, safe guard reproductive health recreational facilities.	Yes		Yes	Health poverty may be addressed by promoting gender equality and empower women (MDG3)
11.	To lease out "Khas Land and Water body among the youth for poverty reduction.	Yes	Khas land and water bodies are occupied by the grabbers	Yes	Proper utilization of land and water body will reduce poverty
12.	To set up youth training centre throughout the country with modern training equipment and facilities for training on entrepreneurship		Youth training centre should be well-equipped and updated for proper utilization	Yes	Innovation training for entrepreneurship is needed
13.	To provide facilities for marketing of the products of youth co-operation society, voluntary youth organization and self-employed youth.	No		Yes	1. No monitoring 2. Lack of supervision centre 3. No feedback after training

Policy 13: National Action Plan for Women 1998

Introduction: The role of the Ministry of Women and Children Affairs as the national machinery is presented as a support organization to facilitate government wide mainstreaming of a gender equality perspective in all policy areas; its role is mainly focused on advocacy, communication, and coordination and monitoring of implementation. The NAP envisages strengthening of MOWCA as well as other components of the national machinery of women's development, i.e. NCWD and WID Focal Points. Recognizing women's present socio-economic contribution in all spheres and gender discrimination in terms of programmes, resources and facilities, the National Action Plan sets the following goals:

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
01.	In order to develop comprehensive, integrated and sustainable institutions the NAP proposes for formulation and enactment of sectoral policies or revision of existing policies which will integrate and incorporate equity and equality measures for women taking into consideration their interest, needs and priorities.	Yes	It is related with social development	Yes	50% of the population is women. Development is not possible without ensuring gender equality
02.	The NAP of the Ministry of Home envisages a specific national policy on violence against women adopting the PFA definition.		Social safety net is indispensable		Social security of women is ensured in Beijing PFA
03.	The NAP also proposes development of professionally elaborated gender sensitive codes of conduct/ethics/self regulatory mechanism for such professions as medical and media professionals, especially to have greater respect for women and their rights and monitor internal disciplinary actions.		Social development		Related with human dignity
04.	NAP proposes adequate representation of women in all policy making bodies such as Governing Boards, Executive Committees, Local Government Bodies and project formulation, implementation and monitoring committees of the sectoral ministries and their agencies. In order to ensure effective and active participation of women members in various policy making bodies, the NAP suggests special orientation training of the women members on their roles and responsibilities and organizations' objectives and activities.		Empowerment of women is essential for social development	Yes	50% of the populations are women. Their participation in project formulation will enhance poverty reduction
05.	NAP stresses the importance of employment and promotion of increase number and percentage of women at entry, mid level and particularly at senior management positions. Provision for lateral entry at senior levels from within the government and on contract service from outside is emphasized. To enhance management role and capacity of women managers the NAP stresses the need for management training and retraining.			Yes	Employment generation of women will reduce poverty
06.	The NAP stresses the need for improving working condition of women in service to enable them better carry out their work responsibilities. Improved working condition consists of provision for maternity leave including leave during probation period, crèche and day care centres, adequate number of separate toilet facilities, better transport facilities especially for right work and accommodation facilities for out of station tours.		It will lead social development	Yes	Social safety net is individual pre-condition for conducive working ……

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
07.	NAP stresses the need for strengthening the capacity of WID Focal Points as an important component of the National Machinery.		Social development		
08.	The NAP proposes training of staff at all levels, both men and women to raise awareness about gender, women's empowerment and human rights including skills necessary to translate them into programmes and projects. Emphasis is given on the formation of internal gender integration teams and the integration of gender training in the training curriculum of the sectoral training institutions.		Empower-ment of women will lead to social development		
09.	Increased number and proportion of women in management position. The rationale behind this is that with increased and improved skill in management, women mangers will perform well and this will encourage the agencies to recruit more women.		Social development		
10.	The NAP emphasizes development and strengthening of the monitoring mechanisms of the sectoral ministries especially to incorporate gender specific indicators and sex-disaggregated data in order to assess the effects of the programmes and projects on men and women, make policy decisions and take corrective actions.	Yes	Social development		
11.	In order to address problems and issues related to women's development in a more comprehensive way, the NAP strongly emphasizes the need for development of institutional mechanisms to promote not only inter-ministerial collaboration but also to establish linkages and co-ordination with NGOs, Human Right Groups, Women's organizations, Legal Aid Agencies, Professional Associations, private sectors, and Local Government Bodies.		Social development		
12.	The NAP proposes for the sectoral ministries/ agencies having direct access to beneficiaries through grassroots organizations a number of activities such as training of the beneficiaries on leadership, management, skill, entrepreneurship development, access to information and inputs including institutional credit, marketing, advocacy programme etc.	Yes	Entrepreneurship development and marketing will enhance economic growth	Yes	Participation of women in entrepreneurship and marketing will bring poverty reduction

Policy 14: Housing Policy

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
01.	*5.1 Land* 5.1.1 - 5.1.8 Extension of land with infrastructure; make developed land easily available and cheap; occupy minimum amount of land; Encourage private entrepreneurs to develop land, infrastructure and house building; strategy for local development; For economic use in land multistoried housing will be encouraged; urban and rural land banks will be created; LIS will be introduced.	Yes	Development activities will bring economic growth	Yes	Involvement of more people will reduce poverty
02.	*5.2 Infrastructure* 5.2.1 - 5.2.9 National and local government bodies will increase their investment for increasing service facilities; Development small and medium scale towns so that thrust on large cities decreases and uncontrolled conversion of agri land and forest is combated; Invest for pure drinking water in rural and urban areas; Increase investment for public transportation; Encourage building technologies which are profitable, environment friendly and fit for improvement; Govt. will help infrastructural development run by NGOs CBOs private construction agencies; Govt. will help local level organization for infrastructural development, to ensure service facilities and improvement in work capabilities; At community level people's participation should be reorganized for service design, construction.	Yes	New work scopes and transportation increase economic activities and economic growth	Yes	
03.	*5.3 House building Materials and Technology* 5.3.1 - 5.3.8 Rural people will have to get building materials easily but forests must be preserved; cement, brick, rod production to be increased, small industries need to be established and steps will be taken to use local materials; local level creation of building materials will be encouraged; public or private building industries will be encouraged to develop new building materials and their uses will be encouraged; Tested technologies and building materials will be encouraged; Research institutions will be encouraged to develop new materials and their uses will be encouraged; For adaptable and new building materials development financial help and other support will be provided; Training, technology spread and skill-development will be obtained through public, private and NGO institutions; co-operations will be extended to private sectors and NGOs for establishing factories for quick construction.	Yes	Through training, research, production of new materials and their use and involvement of private sectors and NGO will strengthen economic activities and growth	Yes	New job opportunity will reduce poverty
04.	*5.4 Finance* 5.4.1 - 5.4.15 Soft term loan, resource creation and more loans to poor to be undertaken; national house loan plan to be taken up and housing fund will be generated. Newly created economic organizations, NGOs will take loans and consumers will receive loans from CBOs, COs, private organizations; Resources from insurance, unit trust, commercial banks, co-operative banks and special financial organizations will be spent on loan; Special savings project for provident fund holder will be made; BB will control public and private institutions for housing bill; Flexible tax package will be for those public and private organizations which act as complement for land development, housing and financing; Greehayan Tahbil to be adjoined with investment market through savings and loan certificates; To encourage investors second-term leasing is to introduced and housing finance is to be associated with overall national economic activities; To encompass all economic groups and housing loans on soft terns to be introduced; Housing finance and handover of constructed houses should be within easy reach of the poor;	Yes	Through training, research, production of new materials and their use and involve-ment of private sectors and NGO will strengthen economic activities and growth	Yes	New job opportunity will help reduce poverty

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
	To ensure finance to co-operative societies for house building of low and middle class people; Private sectors of house building is to established for collecting investment; Greehayan banks to be established through scrutiny of institutional infrastructure sources of finance and plan of activities; House building corporation has to be raised to a self-dependent organization so that needs of different economic classes are met; Both special and mixed institutions will be encouraged for housing finance and provident funds, insurance funds; family saving, development agencies and NGO funds to be channelized for housing finance; Private house building companies are to be provided with legal support, people are to be encouraged with rebates etc. for savings in these companies.				
05.	*5.5 Legal and Control Infrastructure* 5.5.1 - 5.5.10 Bring changes in legal frame work of land issues; Land use plan of the Govt. and local govt. will facilitate low cost housing and proper use of land; To ensure proper deliberation of emergency services, saving agriculture land and wastage of land, scattered construction of houses will be controlled; Existing laws and regulations regarding occupation of land in rural and urban areas will be modified to protect interest of land owners; Urbanization laws and rules will be consulted and modified for improved housing of low income groups; Appropriate laws for ownership of residential plots and flats will be formulated; House building codes for construction, quality and security will be maintained; Separate chapter/Regulate for co-operative housing will be added; To formulate regulations for easier loans, repayment and registration removing all obstacles; To motivate poor mass for house building and to reduce construction cost, laws and regulations regarding control over development and infrastructure will be modified.	No		Yes	Housing poverty will be less
06.	*5.6 Institutional Distribution and Taxation Policy* 5.6.1 - 5.6.12 From national housing council involving corporation mayors, MPs, BB Governor and other; Assess feasibility of housing department within the Ministry of housing; Convert Directorate of housing into "National housing corporation" so that housing activities are extended and expedited; Government and HBFC will look after increasing funds for middle and low income groups in urban areas; In order to increase investment for housing at private and individual levels, personal and family savings will be encouraged; Officials and staffs in industries and well organized sectors will be motivated to invest in house building; Encouragement will be provided to produce building materials from wastes of industries and agri and also create alternatives to woods, cement and steel which are dependent on fuels and electricity; To restructure stamp duty and registration fee in consultation with NBR and Ministry of finance; Govt. will encourage remittances to be invested in house building in big cities and towns; To increase land area and combat land laundering taxes on unused land and Municipality taxes will be imposed in residential, industrial and commercial areas; To fix up taxation adjustment of land prices put by different organization will be made; Form of purchase and handover of land will be restructured.	No		No	

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes economic reduction Yes/No	Remark
07.	*5.7 Role of and Support from Government* 5.7.1 - 5.7.15 Govt. will play role of mediator for poorest and homeless; To control tendency of land laundering and excess profiteering; Provide encouragement for activities concerning improved housing, basic services provisions, increased income and environmental promotion; Housing project will be decentralized by ensuring direct participation of beneficiaries in rural and urban areas; Public housing organizations will gradually play role as a helping hand for constructing infrastructure, adoptable technology expansion, housing building; Hire purchase system can be adopted for govt. employees; To bring necessary changes in taxes and import policies for providing easy and cheap building materials; Technological co-operation, provision of cheap materials, skill development and soft term finances need to be provided; For villages and towns where there is dearth of housing land, societies, voluntary organizations, CBOs will be given priority for land allocation and financial help; Private sectors, local and foreign investors will be provided with finance, quick services etc. so that they can provide low cost houses to the poor; Employment and increased income for the homeless can be ensured through adjusting house land with living loan; All projects must at maintaining eco-balance, preserving lakes, forests-haor, beel and traditional sculpture, architectures.	Yes	Economic activities will increase	No	
08.	*5.8 Human Resource Development and Skill Development* 5.8.1 - 5.8.6 Training for manpower like housing specialists, constructor, engineers, land and housing professionals, social scientists, administrators will be undertaken; To increase training and research facilities for housing in educational institutions; To organize training to building workers and technicians; Self-employed workers in building and housing will be trained up for skill develop and facilities for loan, works and marketing will be enlarged associating NGOs; Informal education means like booklets, ads. and posters will be provided to self construction approached of people; Financial assistance will be provided to research and development organization. Besides this, one percent of yearly expenditures of all private and public construction organizations will be earmarked for R&D.	No		Yes	Education poverty will be less
09.	*5.9 Rural Housing* 5.9.1 - 5.9.7 Attempts will be there for avoiding unnecessary acquiring of land and proper resettlement whenever necessary; Housing on cultivable land will be discouraged and "Ideal village" like activities will be undertaken; water, sanitation, electricity and roads etc will be collectively taken up; For development and extension of housing, loans and appropriate technologies will be provided; More employment and income earning projects will be taken up; District level and local level existing organizations will be strengthened so that rural housing planning, finance, implementation, supervision and monitoring are well ensured. Local level participation and special attention for destitute women and ultra poor will be given; Land development for housing and improvement in rural housing will be associated with activities of RDB and other functional bodies for rural resource & employment creation.	No		Yes	Health poverty will be reduced, more employment will reduce poverty

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
10.	*5.10. Slums and ownerless Residence* 5.10.1-5.10.5 Development, housing improvement and in some cases offering ownership as well as removal from slums are to be enacted; Drinking water supply, sanitation and other basic services have to be extended; to maintain social and infrastructural facilities are to be ensured in slums and other poor dominated areas; maternity, childcare and health services are to co-ordinate by local government bodies; to arrange night shelter to homeless and paying.	No		No	
11.	*5.11 Housing and Rehabilitation in Disaster prone Areas* 5.11.1 - 5.11.2 To take up construction of or repairs of dilapidated houses as well as provide house loans; To rehabilitate disaster affected families; To assist public projects for such purposes and also arrange provision of basic services.	No		No	
12.	*5.12 Housing for destitute women* Joint or single offer of landowners or house ownership loan offer, household level works, child and maternal health care, residence for working women as well as their service facilities & income earnings will be cared of	No		No	
13.	*5.13 Housing for old people separated from family.* Enough attention will be given to fulfil housing demand to old people who are detached from families.	No		Yes	Housing poverty will be less
14.	*5.14 Housing for Destitute* Priority for shelter to following categories of people will be ensured a) All people below poverty line in all areas b) Landless workers, technicians & building workers c) Families removed due to development projects & families affected by natural disasters d) Widows, unmarried and family head women who are below poverty line e) Physically disabled.	No		Yes	Housing poverty will be less

Policy 15: National Jute Policy 2002

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
1.	Emphasizing on activities related to jute product diversification and usages of jute products.	Yes	Export earnings will be increased. It will positively contribute to growth	Yes	The more the sector is diversified, the more people are employed (engaged) in the industries,
2.	For the production of raw jute based products/commodities, agricultural and industrial research need to be strengthened.	Yes	Jute sector development will be strengthened	Yes	In the long run
3.	15 projects have been identified by joint collaboration of jute ministry, Former/Ex International Jute Organization and EU. Commodities will be produced under these projects are: jute's blanket, thread for cloth, alternative commodities of wood to make doors and windows of houses, pulp for paper mills etc.	Yes	More effective for growth than poverty reduction		
4.	An institutional set-up has been developed named as Jute Diversification Promotion Centre (JDPC). Under JDPC, diversified projects will be identified and implemented; and marketing systems will be improved.	Yes	Jute sector will be fortified which will promote economic growth and poverty reduction	Yes	
5.	A project is being implemented in Sylhet Pulp and Paper Mill, financed by EU (then EC) in order to produce pulp using low quality jute.		Exports will be increased (exports will be competitive as costs of production will be declined), and growth will be increased accordingly. Investment will be encouraged and growth will be enhanced		
6.	Providing banking facilities to private sector investors to produce diversified jute products.	Yes		Yes	In the long run
7.	Bangladesh Jute Mill Corporation (BJMC) will establish jute purchasing centre in the jute producing border and remote areas to purchase jute directly.			Yes	Poverty Reduction will be accelerated
8.	Bangladesh Jute Mills Association (BJMA): At the beginning of the season BJMA can purchase raw jute (green jute) and can help the farmers to provide actual prices to them.			Yes	

Policy 16: National Policy on ICT

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
01.	*3.1 Training and Human Resource Development* 3.1.1 - 3.1.3 Introduce ICT training at all levels of education	Yes	Skilled ICT people will help economic growth through increasing economic activities	Yes	Contribute indirect poverty reduction through economic growth
02.	3.1.4 Establish Multimedia institutes	Yes	Increase skilled ICT people and will help economic growth	Yes	Contribute indirect poverty reduction through economic growth
03.	3.1.5 - 3.1.8 Plans to promote TOT	No		No	
04.	3.1.9 - 3.1.11 Develop quality ICT professionals to face global software market	Yes	Economic growth through international trade of human resource	Yes	Poverty reduction through increasing economic activities
05.	*3.2 ICT Infrastructure* 3.2.1 - 3.2.11 Plan for sustainable growth in ICT sector; infrastructural development in private & public sector; join Fibre-optic, Duty & Tax amendment; Involvement of BTTB, BTRC, PDB, Gas, Railway REB, Oil and Gas Co.	Yes	Economic growth through ICT-related activities and quick performance	Yes	Poverty reduction through more activities and services
06.	3.2.12 - 3.2.21 Encompass Rural-Urban areas, UZ & District HQs under network	Yes	Value added services, public access to information	Yes	Improvement in knowledge and awareness help poverty reduction in health and education
07.	3.2.22 - 3.2.27 Growth of Internet, ICT-Industry, E-commerce and E-Governance; Hi-tech zones, central depositing of collection of ICT info-z research findings; solar power use; use of volp and WLL will be reviewed.	Yes	Economic growth will be accelerated through increase in activities, participation of young generation, development of new products will have economic impact	Yes	Transformation in Bangla will involve more peoples so poverty reduction will be there
08.	*3.4 ICT Industry* 3.4.1 Software Industry 3.4.1.1- 3.4.1.6 Development local software Industry and price preference give; Development ICT Incubator; Non-resident Bangladesh and experts will be involved; organize dissemination of Ideas, knowledge and establish business contracts; Export of software security.	Yes	Will bring economic growth through EPB, knowledge transfer, export of soft ware business contacts	Yes	Increase in business contacts will help reduce poverty
09.	*3.4.2 Hardware Industry* 3.4.2.1 – 3.4.2.3 Incentives to multinational companies for employing local labour force; IT/ICT laboratories for producing skilled manpower; R & D by local initiatives	Yes	Economic growth through employment creation, exporting skilled labour force	Yes	Poverty reduction will take place through involvement of more people
10.	*3.4.3 Services Industry* 3.4.3.1 – 3.4.3.2 Expansion of ICT enable services & export	Yes	Economic growth through labour force participation and export	Yes	More earnings & poverty reduction

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
11.	*3.5 E-commerce* 3.5.1 - 3.5.4 G-2 G transaction in business; Authentication of identities for inter-bank transaction; Inter-bank payment and legal frame work	Yes	Economic growth due to easier transaction between G2G businesses.	Yes	Some effect
12.	*3.6 E-Governance* 3.6.1 - 3.6. Improved administration; spread in public services to remote areas; District and upazila headquarters to be netted; ICT cell in each Ministry, Division, Directorate, G2G, G2E, G2C services, ICT literate candidates will be encouraged and MIS will be introduced.	Yes	Economic growth through more economic activities	Yes	Indirect
13.	*3.7 Legal Issues* 3.7.1 - 3.7.7 Software copyright will be implemented; protect computer crimes; Data security and compatibility to be ensured; New laws and amendments to be ensured; ICT to be used for safety of life and property of citizens; police, NBR, BAC will use ICT for quick investigation of cases; Armed forces will use ICT for developing efficiency	No	No	No	
14.	*3.8 Health Care* 3.8.1 - 3.8.4 Deliver new capabilities for health care; Telemedicine system covering rural areas will be used for health education, training and awareness of disease prevention; International telemedicine will be introduced; Expert medical services throughout country will be introduced.	Yes	Improvement in health & prevention of diseases will invigorate economic work & growth	Yes	Economic benefits will reduce poverty
15.	*3.9 Poverty Alleviation* 3.9.1 Use of ICT system in agriculture will be utilized in agro-based industries, research, dissemination, agri-business and agri-data base	Yes	Agri activities will be enhanced, well informed, property managed and business will be extended & managed	Yes	More and proper agriculture activities will bring more earning to farmers, middlemen & business
16.	*3.10 Social Welfare* 3.10.1 - 3.10.3 Nation-wide ICT for rural dev. agri, horti., fisheries & livestock, rural enterprise, micro-level planning, public concerns will be incorporated in ICT system, NGOs will be encouraged to establish services, public will be informed about uses of ICT	Yes	Activities of various types of agri will encourage more people, create more scopes for business with better and up-to-date knowledge, more production will be there	Yes	More earning possibilities will reduce poverty
17.	*3.11 Transportation* 3.11.1 - 3.11.3 ICT-based integrated transport system, Dynamic route planning & management by commercial transport agencies, Online booking & ticketing system	Yes	Improvement in transport system will increase economic activities and bring economic growth	Yes	More economic activities will result in poverty reducation

Sl. No.	Policy Statement	Whether it promotes economic growth Yes/No	Remark	Whether it promotes poverty reduction Yes/No	Remark
18.	*3.12 Tourism* 3.12.1 -3.12.3 IT projection of tourists, requirements of tourists will be promptly satisfied, partnership with tourist agencies (local and foreign) for on-line reservation, accommodation, booking, ticketing etc.	Yes	Comfortable and convenient tourist services will attract more tourists resulting in more currency. This will lead to economic growth	Yes	More earnings and more jobs will reduce poverty.
19.	*3.13 Environment* 3.13.1 – 3.13.4 IT help to have up-to-date info. On environment problems & causes, complete listing of flora and fauna is easy, GIS & ICT system for crops estimation, economic balance bet. land use and conservation of nature; solving problem of environment hazards, emissions etc	Yes	Prompt knowledge and management of crops, economic system is beneficial for production and health which leads to economic activities & growth	Yes	More productive activities and less health hazards reduce poverty
20.	*3.14 Judiciary* 3.14.1 CMIS & WAN, LAN to be established to facilitate legislative activities	No		No	
21.	*3.15 Regional and International cooperation* 3.15.1 – 3.15.3 MS ICT & BCC will be the focal point for IT; Explore regional, sub-regional and International co-operation and collaborative agreements; reap economic benefit from participation in regional and International forum	Yes	Economic sources will be explored	Yes	More economic sources will reduce poverty
22.	*4.0 Implementation & Monitoring* 4.1.1 – 4.1.4, 4.2.1 – 4.2.5 2% of ADP for ICT; New budget provisions for ICT in all ministries; Autonomous sectors should be encouraged to introduce ICT in trade, production and services; Inceptives will be provided to ICT companies which can meet up 20% of its revenue expenditure from export; centralized fund for R&D and HRD will be created; For updating, standardizing Implementing and Monitoring National ICT Task force has been form to take necessary actions.	Yes	Economic activities and trades will flourish	Yes	Increased production and services will reduce poverty

ANNEX: B

INVENTORY OF POLICIES

(With growth score and poverty reduction score: 1= lowest, 5 = highest)

Policy	**1:**	**Export Policy 2006-09**
Policy	**2:**	**Import Policy Order 2006-09**
Policy	**3:**	**Monetary Policy (July-December 2008)**
Policy	**4:**	**Industrial Policy 2005**
Policy	**5:**	**National Agriculture Policy (2007 Final Draft)**
Policy	**6:**	**National Food Policy 2006**
Policy	**7:**	**Renewable Energy Policy 2002**
Policy	**8:**	**Environment Policy 1992**
Policy	**9:**	**Bangladesh Education Policy 2000**
Policy	**10:**	**National Child Labour Policy 2008**
Policy	**11:**	**National Health Policy (Final Draft, 27 August 2008)**
Policy	**12:**	**National Youth Policy 2004**
Policy	**13:**	**National Action Plan for Women 1998**
Policy	**14:**	**Housing Policy**
Policy	**15:**	**National Jute Policy 2002**
Policy	**16:**	**National Policy on ICT**

Policy 1: Export Policy 2006-09

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	All products other than export prohibited products and the products for which the export is contingent to certain conditions shall be freely exportable.	5	1	6
02.	Encouraging labour-intensive (especially female labour) export-oriented production.	5	5	10
03.	Assisting the development of a skilled labour- force through proper training to manage international trade.	5	5	10
04.	Strengthening and expanding the "Product Development Council" activities through joint initiatives of the governmental and non-governmental sectors so as to encourage the production and export of export potential products	5	1	6
05.	Creating training opportunities and establishing sector-specific training institutes for workers, staff and management people to increase productivity.	5	1	6
06.	Providing financial and tax subsidies or incentives, including low-interest loans, to exporters.	5	1	6
07.	Highest priority sectors are: agro-products and agro-processing products; light engineering products (including auto-parts and bicycles); footwear and leather products; software and ICT products; and home textile.	3	5	8
08.	Specific benefits and facilities will be provided to the highest priority sectors. These include project loans with reduced interest rates; income tax exemptions; subsidies which are compatible with WTO Agreement on Agriculture, and WTO Agreement on Subsidies and Countervailing Measures; possible financial benefits or subsidies for utility services such as electricity, water and gas, provided that they are compatible with WTO Agreement on Agriculture, and WTO Agreement on Subsidies and Countervailing Measures; export loans with soft terms and lesser interest rates; reduced air travel fares; duty draw back/bond facilities; privileges for the establishment of backward linkage industries including infrastructural development so as to reduce production cost; expansion of institutional and technical facilities to improve and control product quality; assistance in production and marketing; assistance in foreign market search; and taking necessary initiatives to attract foreign investments.	5	1	6
09.	Special development sectors will include the following sectors: finished leather production; frozen fish production and processing; handicraft products; electronic products; fresh flower and foliage; jute products; hand-woven textiles from hill areas (pahari taat bostro); uncut diamond; and herbal medicine and medicinal plants	1	5	6
10	Benefits and facilities similar to the highest priority sectors will also be rendered to the special priority sectors.	3	5	8
11	Export promotion fund that includes among others providing venture capital with lower interest rates and soft terms for production	5	1	6
12	Financial facilities including tax exemption and subsidy in service sectors will be provided	5	3	8
13	Special facilities that include providing fund for export, export loan, exemption in insurance premium, incentives for export of non-traditional industrial products and bond facilities for export oriented industries will be provided.	5	1	6
14	Venture capital facilities for small and medium enterprises.	3	5	8
15	Specific facilities will be provided to readymade garments industry.	5	5	10
16	Specific facilities will be provided to frozen fish industry.	3	5	8
17	Special steps will be taken to promote handicrafts made from bamboo, cane and coconut fibre	1	5	6
18	Special measures will be taken to develop tea industry, jute industry and leather industry	3	1	4
Total		72	56	128
Average		4	3	7

Policy 2: Import Policy Order 2006-09

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	The import must be made under the most competitive price and the importer would be under binding obligation to submit relevant documents to the authority	5	1	6
02.	The Bangladeshis living abroad can directly send permissible imports to Bangladeshis living in Bangladesh by making full payments there	5	1	6
03.	The importers can import jointly	3	1	4
04.	The professionals can import scientific appliances and instruments for their professional works from their earnings abroad	5	1	6
05.	Exporters of different categories will be entitled to import new design materials or to cater the needs of foreign buyers without any prior approval and permit.	3	1	4
06.	There is a long list of conditions that would apply in case of food imports for human beings.	3	1	4
07.	In the case of commodities whose commercial imports are prohibited and valid only for the industrial sector, approved industrial organizations can import those under normal conditions maximum three times	3	1	4
08.	In the case of commodities whose commercial imports are prohibited and valid only for the industrial sector, approved industrial organizations can import those under normal conditions maximum three times	3	1	4
09.	There are detailed rules for imports by the industrial organizations concerning beer and all types of wines, raw materials and wrapping materials for the pharmaceutical industries	1	1	2
10.	There are detailed rules for imports by the export oriented industries.	5	1	6
11.	There are detailed rules for imports by the commercial importers. The commercial imports are generally to be made by cash foreign exchange. The commercial importers can import industrial raw materials, wrapping materials and spare parts of the machineries outside the controlled list of imports. The registered foreign companies can make commercial imports without prior permission. The commercial importers can import new capital machinery and accessories at cash foreign exchange in unlimited amounts	4	1	5
12.	Selected importers with prior approval under certain conditions can import selected old clothing	1	2	3
13.	The importable cigarettes must have statutory warning in Bengali that smoking is injurious for health.	3	1	4
14.	The foreign commercial organizations can import their own computers or new computers and their spare parts and accessories either through LC or by making direct payments abroad.	1	1	2
15.	Old computers can be imported under certain conditions.	2	1	3
16.	Certain commodities can be imported subject to certification by Bangladesh Standard and Testing Institution (BSTI).	5	1	6
17.	The secondary quality tyre cord fabrics suitable for making fish net can be imported liberally.	1	2	3
18.	Refined edible oil can be imported under certain conditions.	1	2	3
19.	The machineries for telecommunications sector can be imported with the approval of the ministry and Bangladesh Telecommunications Regulatory Commission.	5	1	6
20.	The ministries and divisions of the government can import against definite sanctions without any license or permit	5	1	6
21.	All government agencies, corporations, universities, research organizations and industrial organizations can import against government sanctions without any license	5	1	6
22.	There is no need for import registration certificate for imports under the public sectors.	5	1	6
23.	The government agencies are to follow some rules to import.	5	1	6
24.	There is a pre-shipment inspection requirement though imports by the government agencies under certain circumstances can be done without it.	4	1	5
25.	The Trading Corporation of Bangladesh (TCB) can import any eligible imports, arms, ammunitions and with the prior approval of the ministry of commerce within specified time limits sanctioned amounts of forbidden or conditional products.	3	1	4
Total		86	28	114
Average		3.4	1.1	4.5

Policy 3: Monetary Policy (July-December 2008)

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	For supporting growth promoting policies, the policy stance would give priority to unhindered flow of private sector credit to the economy's productive sectors, with agriculture, SMEs, and the rural economy being the prime targets. BB would also undertake effective measures to encourage increased flow of credit to women entrepreneurs.	5	5	10
02.	Measures would be taken to divert increasing amount of remittances toward investment in productive sectors to ease the potential demand pressure and expand the economy's productive capacity. For facilitating more efficient import of essential goods, BB has made available forward hedging mechanism to importers. In this context, BB would ensure that the facility is used only for true hedging.	5	5	10
03.	Along with increasing the revenue earnings, the government needs to increasingly tap alternate sources of financing such as developing an active secondary market for government securities. Bringing appropriate changes in the government's debt management strategy would be important to improve the balance between short (e.g. T bills) and long term borrowing (e.g. through issuing bonds) since any shift in the borrowing pattern has implications for the conduct of the monetary policy.	5	4	9
04.	Bangladesh needs to remain alert regarding its competitiveness of exports especially in price-sensitive RMGs. For meeting such challenges, the policies need to build solid macroeconomic fundamentals supported by prudent monetary, fiscal, and exchange rate policies.	5	2	7
05.	The policy stance has been designed keeping in view a real GDP growth rate of 6.5 % and an average inflation rate of around 9.0 % in FY09. The annual monetary programme would be set accordingly providing a predictable relationship between various policy instruments (e.g., repo and reverse repo rates, bank rate, CRR, and SLR) and the monetary policy goals adopted for H1 FY09. Besides, the priority under the policy stance would be to pursue prudent policies that are supportive of supply-side and growth promoting measures.	4	2	6
06.	In order to gear up economic activities while maintaining inflation at tolerable limit, the monetary policy gave added priority to unhindered flow of credit to productive sectors, especially in the rural areas, along with measures to keep the demand side pressure under control. The policy also focused on pursuing an exchange rate stabilization policy through sale of USD to the authorized dealers to prevent any undue volatility in the exchange rate.	2	2	4
07.	In order to sustain and strengthen the positive gains of the monetary policy of FY08 and create greater scope for supporting growth promoting policies within the monetary policy framework, the policy stance would give added priority to unhindered flow of private sector credit to the economy's productive sectors, with agriculture, SMEs, and the rural economy being the prime targets.	2	2	4
08.	The existing refinance support for agriculture, SMEs, and housing loans would be continued; and new refinancing lines would be considered for socially desirable and emerging activities such as shipbuilding, renewable energy, effluent treatment in manufacturing establishments, and similar other areas. The growth in private sector credit would be watched carefully especially in view of the falling real interest rates due to recent increase in inflation.	2	2	4
09.	In the foreign exchange market, prudent measures would be taken to ensure desired exchange rate stability and facilitate the import of essential commodities to ease any shortage in the domestic market. The aim would also be to arrest undue volatility in the exchange rate in order to keep the pressure of imported inflation under control.	2	2	4
10.	The weekly auctions of Bangladesh Bank Bills were used in influencing the level of Reserve Money (RM)	2	2	4
11.	Scheduled banks' borrowings from the Bangladesh Bank declined by Taka 13.11 billion or 18.6% to Taka 57.35 billion at the end of June 2007, against 25.8% increase during FY06 due to cautions monetary policy stance of BB.	1	1	2
12.	The bank rate was reduced from 6% to 5.0% in FY07.	1	1	2

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
13.	Weighted average interest rates on deposits and advances were declining during FY03-FY05. Deposit and lending rates thereafter, moved upward and reached at 6.9% and 12.8% respectively in FY07, reflecting the tightened monetary policy stance of BB. The spread between advance and deposit rates declined in FY04 then it remained same at 5.3% in FY05. The spread again picked up in FY-06 until it reached to 5.7% in FY07.	1	1	2
14.	Strict compliance of policies issued by Bangladesh Bank for rescheduling of defaulted/classified loans is essential. It has been observed that, by submission of writ petition in the Honourable High Court and obtaining stay order of showing their names as loan defaulter with the Credit Information Bureau (CIB) of Bangladesh Bank, defaulters of different banks and financial institutions are availing further loans and other facilities. In these circumstances, banks have been advised to take legal steps to get stay order vacated by engaging senior and efficient lawyers as well as by taking other legal steps so that loan defaulters cannot avail further loans and other facilities by using stay order of the Honourable High Court.	2	2	4
15.	With a view to ensuring balanced and organized industrial development in the country through more institutional credit facility at easy terms and conditions, a decision has been taken to allocate minimum 10 % of total fund of Small and Medium Enterprises (SMEs) provided by Bangladesh Bank, to women entrepreneurs of Small and Medium Industries. Credit as term loan or working capital loans for single borrower from Taka 1.00 lakh to Taka 50.00 lakh, disbursed by banks/financial institutions will be provided with a maximum of 100 % refinance facility at bank rate, by Bangladesh Bank.	2	4	6
16.	Loans/lease which has been classified as bad/loss and 100 % provision against which has been preserved will be considered as eligible for write off. Approval of Board of Directors is required for writing off.	1	1	2
Total		42	38	80
Average		2.6	2.4	5.0

Policy 4: Industrial Policy 2005

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	Ensure full utilization of current production capacity in the industrial sector, providing that it is not hampered because of infrastructural deficiency	4	2	6
02.	Provide special facilities as well as infrastructural support to Cottage and Small and Medium Enterprises (SME) located in different parts of the country.	3	4	7
03.	Provide financial, technical, technological and infrastructural facilities in order to inspire setting up and developing agro-based industries.	3	3	6
04.	Assist backward linkage industries on a priority basis. The objective is to diversify and produce goods of world standard and value added items so that they help to diversify our exports.	3	2	5
05.	Provide necessary assistance to value added linkage industries and sub-contracting industries so that they are developed.	3	2	5
06.	Provide assistance to waste management development in order to ensure proper waste minimization and waste removal and produce pollution-free goods.	2	2	4
07.	Strengthen and ensure efficiency in import substitution industries so that the gradually increasing demand for goods in the local market can be met.	2	3	5
08.	Inspire well-proportioned industrialization across the country by providing incentives, wherever necessary.	2	3	5
09.	Provide incentive to various institutions that are concerned with technological and technical efficiency enhancement, side by side with human resourced development, in order to improve efficiency in the industrial sector.	3	2	5
10.	Remove policy discrimination, if any, between domestic and foreign investments, and enhance regional and sub-regional cooperation.	2	2	4
11.	Privatize non-profitable industries in the state sector quickly and in phases. Restrict state investment and administration only to those industries in the public sector which the government think are not safe for investment in the private sector.	1	1	2
12.	Give preference to infrastructural development including ports, power, transport and communications, and human resources development. Specifically promote private investments along the principles of construction, administration and BOO, and construction, administration and BOT in these sectors.	3	2	5
13.	Provide further structural and other facilities to establish and develop compact industrial areas. Develop planned industrial areas by establishing Special Economic Zones in areas with vast economic potentials, and utilizing local resources.	2	3	5
14.	Consider highly developed technology-based seed breeding, production and development, and agricultural goods processing activities as industries. At the same time, take strong steps regarding the diverse use of jute.	3	3	6
15.	Promote foreign direct investments in order to bring about technology transfer, efficiency and management development and enhance marketing skills.	2	1	3
16.	Create a long-term credit fund to generate industrial production capacity and also a venture capital fund to support in the commercial production and marketing of creative industries.	2	2	4
17.	Collect information on industrial development and arrange for technology dissemination through the Technology Dissemination Cell, set up at the Ministry of Science and Technology, Industry and Business Association, and the Bangladesh missions abroad.	3	2	5
18.	Ensure the availability of the working capital from financial institutions after the establishment of an industry so that working capital can be obtained in time.	2	2	4
19.	Ensure the availability of assistance of the capital market so that industrial entrepreneurs can overcome the lack of capital and mobilize the necessary capital from the capital market in order to establish or administer industrial enterprises.	2	1	3
20.	Consider other industry related policies such as the Textiles Policy, Jute Policy, and Silk Policy as supplementary to the Industrial Policy.	2	2	4
Total		48	45	93
Average		2.4	2.3	4.7

Policy 5: National Agriculture Policy (2007 Final Draft)

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	The Government will continuously seek measures to strengthen coordination, planning, priority-setting, and monitoring and evaluation mechanisms in the NARS.	1	2	3
02.	The Government will promote public, private and voluntary extension initiatives to achieve diverse agricultural goals and to address needs of target populations.	2	3	5
03.	Access to Breeder Seed and Foundation Seed will be facilitated by public, private agencies and farmers.	2	3	5
04.	Procurement and distribution of fertilizers both in the private and the public sector will continue.	2	3	5
05.	The Government will facilitate availability of quality fertilizers at farmers' level.	3	4	7
06.	The Government will encourage use of organic manure, compost and bio-fertilizer at farmers' level.	3	2	5
07.	The Government will facilitate dissemination of water management technology to enhance irrigation efficiency and water productivity through optimal use of available water resources.	2	3	7
08.	The Government will encourage production and manufacturing of agricultural machinery locally. Manufacturing workshops and industries engaged in agricultural mechanization activities will be provided with appropriate support.	2	4	6
09.	The Government will facilitate smooth flow of agricultural produces from the production point to the consumption point by setting up village market and improving distribution to main markets.	2	3	5
10.	The Government will facilitate increased women participation in management decision making and their advancement in agriculture.	3	2	5
11.	Extension services will be provided to all categories of farmers: landless, marginal, small, medium, large with special emphasis on women and youths.	3	2	5
12.	Government will decentralize extension activities at the grass-roots level to deliver efficient and coordinated services.	1	2	3
13.	The Government will make a shift from the top-down, hierarchical approach to bottom-up participatory approach in which farmers, researchers and extension workers will serve as peers.	1	2	3
14.	Traditional and advanced media and ICT will be employed to disseminate extension services.	1	1	2
15.	Efforts will be taken to provide micro-credit support at preferential rate for selective crops.	2	3	5
16.	The Government will pursue programme for hilly area, char land, monga-prone area, haor-baor and coastal belt with appropriate technological support.	3	4	7
17.	To facilitate multiple approaches during and after crises the Government will combine immediate assistance, and short, mid and long term development programme for the affected farmers to enhance productivity and to create employment involving the private bodies, NGOs, philanthropic organizations and private individuals.	2	3	5
18.	The Government will undertake agricultural rehabilitation programme after the occurrence of natural calamities to overcome crop damage through DAE and other extension service providing agencies.	3	4	7
19.	Government will promote poverty reduction through creation of employment opportunities in rural non-farm sectors.	3	5	8
20.	The Government will fully discourage engagement of child labour in hazardous agricultural activities	1	1	2
21.	The Government and relevant agencies will organize awareness-building programmes to prevent child labour in agriculture.	1	1	2
22.	Care must be taken so that children's opportunities for food, education and life skills are not blocked.	1	2	3
23.	The private sector will be encouraged to build necessary facilities for seed production, processing, preservation and marketing.	3	2	5
24.	Seed certification and enforcement of seed regulations will be strengthened for increasing availability of quality seeds.	2	1	3
25.	Quality assurance of seed will be enforced at all stages of seed system from production to marketing including seed import and export.	2	1	3

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
26.	Steps will be taken to maintain a fertiliser buffer stock at the regional, district and upazila level.	3	1	4
27.	Production, importation, marketing, distribution and use of any kinds of fertilizer that are harmful or detrimental to plant, soil, flora and fauna will be banned.	3	2	5
28.	The Government will monitor supply, storage, price and quality of fertiliser at various levels.	4	3	7
29.	Modern irrigation, drainage and water application systems will be introduced for expanding irrigation coverage including difficult or disadvantaged areas i.e. in char, hilly, drought and saline areas.	1	2	3
30.	The Government will encourage and train private entrepreneurs and unemployed youths on operation, repair and maintenance of irrigation equipment	1	2	3
31.	Preferential access will be given to power-source for irrigation through intimate inter-agency collaboration.	2	3	5
32.	Efforts will be made to rationalise import duties on raw materials of agricultural machinery to encourage local manufacturers and to keep the price of local machineries competitive with the imported ones.	4	3	7
33.	Training will be imparted to operators, farmers, rural youths on repair and maintenance of agri-machinery at rural level.	3	4	7
34.	Both the private and the public sectors will be encouraged in the initiatives in market improvement of agricultural products.	3	3	6
35.	The Government will encourage private sector investment in establishing ware houses and cold facilities for agricultural produces'.	3	4	7
36.	The Government will take steps to diversify products and to explore new and potential markets abroad.	4	5	9
37.	The Government will encourage the public-private partnership and coordination for efficient market operation.	3	2	5
38.	Necessary support will be provided for capacity building of women in promoting household food and nutrition security.	1	2	3
39.	Efforts will be made to ensure women's equal access to agricultural inputs (e.g. seed, fertiliser, credit, education & training, information etc.).	2	2	4
40.	The government will provide micro-credit support to women for small-scale agro processing, storage and preservation.	3	4	7
Total		91	105	198
Average		2.3	2.6	5.0

Policy 6: National Food Policy 2006

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	Proper allocation of available cultivable land and improved agricultural technologies along with appropriate research and agricultural loan. Other aspects of long term food security include investment in roads, canals, irrigation, rural electrification and market infrastructure.	5	4	9
02.	To ensure the delivery and sufficient use of water government is trying to encourage the farmers of irrigation by private and public sector. Another stream of this policy is to address and present drought situation in rain-dependent areas (like very-north of the country) through preserve of water by improved irrigation technologies. Assurance uninterrupted power supply irrigation for pumas during helps to increase production of agricultural goods.	3	2	5
03.	Ensure adequate, balanced and timely supplies fertilizer and other inputs in crop and fish Production to input shortages and sharp increases in input prices. Development of a consistent fertilizer price policy support poor farmers. Arranging training for all types of farmers and creating an environment friendly agriculture and conservation system through to be some of the most effective policies.	2	3	5

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
04.	Increase production of non-cereal crops by increasing the use of modern technologies at the field level.	3	4	7
05.	Emphasis on research of biotechnology for the development of new varieties of crops and improved varieties and poultry birds.	2	3	5
06.	Government will pursue some initiative for rapid expansion of both productivity and production growth and to stabilize the price levels of non-cereal crops	2	3	5
07.	Improvement of quality and productivity of fishers and livestock by strengthening research, training and extension services.	3	4	7
08.	Support development and expansion of technologies for the resource less and poor by involving no-governmental organizations at a larger scale.	1	3	4
09.	Ensure improved access to credit to all agricultural farmers (including landless, marginal and small farmers) by bringing in poor farmers in agricultural production related micro-credit schemes.	3	4	7
10.	Distribute non-discriminatory credit, development and enforcement of quality standards, trade supportive legal and regulatory environment and selective non-distortionary public food market intervention for price stabilization.	1	1	2
11.	Build up a public stock of 1. Million tons of food grain at the beginning of fiscal year, considering the dynamics of seasonal variation in public procurement and distribution.	1	2	3
12.	Operate open market sales (OMS) programme, distribute food grain at low price or free of cost.	1	2	3
13.	Supplementary irrigation, during drought to avoid severe reduction of yield and crop failures.	2	3	5
14.	Homestead gardening, including fruits and vegetables farming, social factory, livestock and backyard poultry in the homestead areas in the flood-free years.	1	3	4
15.	Ensure quick distribution of food in affected household in times of disaster.	1	2	3
16.	Hold enough food grain stock to cover at least 3 months of emerging distribution need in addition to its normal working stocks needed for the regular food-based programmes.	1	1	2
17.	Distribution of food grain as wages in Food-For-Work (FFE) programmes managed by the local government Engineering Dept. the ministry of Disaster Management and others.	1	3	4
18.	Direct distribution of food to poor households participating in training and development activities	1	2	3
19.	Support to women and the disable in income generating activities.	2	3	5
20.	Promote investment in employment enhancing technology.	3	4	7
21.	Special assistance for expansion of rural industries.	3	4	7
22.	Initiate more women responsive projects and programmes with view to increase their participation in economic activities.	2	3	5
23.	Prepare diet charts on the basis of local means at low. cost yet attaining balanced nutrition.	1	1	2
24.	Take steps to increase availability through local production of low cost item for balanced nutrition.	1	2	3
25.	The importance of safe drinking water and sanitary practices for prevention of diseases. Expansion of the existing public facilities for testing water quality (particularly the arsenic content)	1	3	4
26.	Training for concerned officials and institutions of protecting the grades and standards of food products.	1	2	3
Total		48	71	119
Average		1.8	2.7	4.5

Policy 7: Renewable Energy Policy 2002

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	Renewable Energy Development Agency (REDA) is to be established as a public limited company for the development and diffusion of different types of renewable energy technologies (RETs).	5	1	6
02.	Establish a Renewable Energy Trust Fund to finance renewable energy projects and Research and Development activities.	5	1	6
03.	To collect concessional funds (like GEF, CDM, PCF) from bilateral or multilateral lenders for renewable energy projects which will be implemented through CBOs, NGOs and rural energy entrepreneurs.	4	1	5
04.	Board of Investment to promote and facilitate foreign and local investment in this sector.	4	1	5
05.	Improve access to basic health care for poor people in the un-electrified areas through the provision of renewable energy systems in health clinics.	2	4	6
06.	Improve the quality of education in the un-electrified areas through the provision of renewable energy systems in schools.	2	4	6
07.	Promote the use of renewable energy to facilitate access to safe drinking water.	1	4	5
08.	Establish renewable energy powered Information and Communication Technology centres in the off grid areas.	3	2	5
09.	Provision of energy in different infrastructure projects including rural markets, cyclone shelters, schools, health clinics, government offices and training centres.	2	3	5
10.	Arrange required training programmes for capacity building and technology transfer needed to support commercialization of renewable energy technologies (RETs).	3	1	4
11.	Project sponsors shall be exempt from corporate income tax for a period of 15 years.	4	1	5
12.	100% depreciation in the first year for photovoltaic, solar thermal projects and 100% depreciation in five years for wind, biomass, geothermal, tidal and small hydro projects.	4	1	5
13.	Import plant and equipment without payment of customs duties, VAT and any other surcharges as well as import permit fee.	4	1	5
14.	Exemption from income tax in Bangladesh for foreign lenders.	4	1	5
15.	Foreign investors will be free to enter into joint ventures.	4	1	5
16.	The private parties may raise local and foreign finance in accordance with regulations applicable to industrial projects as defined by the Board of Investment.	4	1	5
17.	Tax exemptions on royalties, technical know how and technical assistance fees and facilities for their repatriation.	4	1	5
18.	Tax exemption on interest on foreign loans.	4	1	5
19.	Tax exemption on capital gains from transfer of shares by the investing company.	4	1	5
20.	Avoidance of double taxation in case of foreign investors on the basis of bilateral agreements.	3	1	4
21.	Exemptions of income tax for up to three years for the expatriate personnel employed under the approved industry.	3	1	4
22.	Remittance of up to 50% of salary of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return.	3	1	4
23.	Facilities for repatriation of invested capital, profits and dividends.	3	1	4
Total		79	35	114
Average		3.4	1.5	4.9

Policy 8: Environment Policy 1992

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
1.	Ensure supply of pure water and cheap sanitary latrines both in rural and urban areas.	1	2	3
2.	Encourage usages of natural gas and insecticides and discourage usages of agro chemicals	2	1	3
3.	Support environment friendly development with a view to preserving environment and ensuring sustainable development	2	1	3
4.	Invent modern technology, encourage and extend their usages to save fuel.	2	1	3
5.	Increase usages of natural fibre like jute and jute products by decreasing synthetic fibre	2	3	5
6.	Take steps to control environmental pollutions in different industries identified by Environment Department	1	2	3
7.	Introduce area based environment friendly substitutes of agricultural cereals and products to meet the additional demand	2	3	5
	Total	12	13	25
	Average	1.7	1.9	3.6

Policy 9: Bangladesh Education Policy 2000

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	Teacher-student ratio in primary and secondary schools should be 1:40.	2	4	6
02.	Literacy drive conducted through distance education in radio and television.	1	3	4
03.	Turn our unskilled manpower into a skilled labour force through vocational and technical education.	3	3	6
04.	More skilled manpower should be created for the international market.	3	2	5
05.	Increase the number of polytechnic institutes.	2	2	4
06.	Teacher-student ratio in vocational and technical institutes should be 1:12.	2	4	6
07.	Provision for technical and vocational education in madrasah education system.	2	4	6
08.	Take necessary steps to strengthen the Textile College and the College of Leather Technology.	3	2	5
09.	Steps should be taken to increase the number of engineering universities, technological universities and BITs.	3	2	5
10.	Scientific research should be encouraged and assisted by providing funding for research work and facilities for the researchers.	5	3	8
11.	Information and Technology education sector is to be identified as a thrust sector and IT courses are to be included in the secondary education programme and taught in all government and non-government educational institutes.	5	3	8
12.	Special fund should be created and non-government initiatives encouraged for increasing the rate of women education.	2	4	6
13.	More polytechnic institutes for girls need to be set up.	3	4	7
14.	Special scholarships and bank loans on low interest should be made available to the poor and meritorious students for higher education and research.	3	4	7
15.	Supply necessary education materials for the handicapped learners free of cost or at a low price.	1	5	6
16.	Provide nutritious tiffin for the primary and secondary level students.	2	4	6
17.	Distribution of textbooks free of cost at primary level should continue and provision should be made for distributing secondary textbooks at a low price.	2	4	6
Total		44	57	101
Average		2.6	3.4	6.0

Policy 10: National Child Labour Policy 2008

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	Formulate and implement effective policy strategies to eradicate worst form of child labour within the proposed time frame (2008-2012)	1	2	3
02.	Ensuring free, mandatory and quality primary education for working children within the proposed time frame (2008-2015)	1	3	4
03.	Implementation of the overall activities of health and nutrition programmes for working children under the umbrella of national health policy through adopting integrated work plan within the proposed time frame (2008-2015)	1	3	4
04.	Raise social awareness about child labour among people of all stratum including guardians, employers/employers' forum, trade union, professional bodies etc. within the proposed time frame (2008-2012)	1	2	3
05.	Create sufficient employment opportunities through technical and vocational training for children working in both formal and informal sectors and create an enabling environment so that they can survive in a competitive labour market within the proposed time frame (2008-2012)	1	5	6
06.	Rehabilitate/create employment for children who migrate into cities due to poverty, river erosion, family decline, trafficking etc	1	4	5
07.	Arrangement for setting up rehabilitation centre, drop-in centre, helpline, psychosocial counselling, necessary treatment, food and amusement in each upazila, district, division and also in union for the physically and mentally disabled children within the proposed time frame (2008-2012).	1	3	4
08.	Arrangements for proper training for implementing activities in the grass root level and creating efficient researchers relating to child labour.	1	2	3
09.	Identifying areas of reform in rules and regulations	1	1	2
10.	Arrangements for survey and data/information management for making assessment and creating reliable data base on child labour (continuing)	1	1	2
Total		10	26	36
Average		1.0	2.6	3.6

Policy 11: National Health Policy (Final Draft, 27 August 2008)

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	Making health service equitably affordable and accessible to all and ensuring an efficient and effective quality health service.	2	3	5
02.	Creating health related safety net to ensure supply of service, medicine, equipment, etc., for emergency relief to the disaster affected people.	2	3	5
03.	Creating and expanding various types of incentive mechanisms/facilities including in service training, career development planning, etc., for the health professionals.	1	3	4
04.	Developing capable, motivated and supportive health professionals and workers at all levels with appropriate skill-mix for overcoming bottlenecks to achieve national health goal.	1	1	2
05.	Expanding the scope of health service provision to include proven alternative health care system (e.g., Ayurvedic, Homeopathy and Unani).	1	2	3
06.	Establishing an effective linkage with global and regional information network for strengthening health sector's research and systems development.	1	1	2
07.	Viewing health as central to socio-economic development, public sector allocations to health will be increased gradually with due recognition to transparency, accountability and participation as the hallmarks of good governance for health at all levels.	1	2	3
08.	Quality Health Care Service: To ensure affordable, attainable and acceptable quality health care service to the citizens by increasing health status, reducing health inequalities, expanding access to SSN and encouraging affordable service delivery systems for every households (strategy: 9.0)	2	3	5
09.	Nutrition: All issues related with nutrition will be guided by the action incorporated in to the NFP and NNP. NNP will be expanded and adjusted and nutrition activities will be reinforced. To decline in malnutrition income security food fortification and proper knowledge about nutrition will be strengthened. Monitoring and surveillance system and gender equity also emphasized to improve nutrition of the poorer sections of the society (strategy: 9.02).	1	2	3

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
10.	*Population Planning:* All issues related with population control and reproductive health including family planning (FP) will be guided by the national population policy. Reproductive health service contributing to reduce the high rate of maternal mortality and fertility.	1	3	4
11.	Health Education and Promotion: A major strategy to ensure better health would be to promote public health through health education within MOHFW (Ministry of Health and Family Welfare) and channels outside it.	1	1	2
12.	*Control of Emerging Threats:* Existing counselling and treatment services for mental health, drug abuse, avian flu, STD and HIV/AIDS, arsenic diseases, injuries, trauma suffers, women and child victims of violence, road-railway-river accidents etc. would be improve and these facilities will be introduced where not available.	1	3	4
13.	*Control of Communicable Diseases:* To intensify prevention and control of communicable diseases, such as acute respiratory infection, diarrhoea, dengue, etc.	1	2	3
14.	*Primary Health Care:* To improve the quality of primary health care (PHC) and make it accessible and acceptable to the people, specially the poor and vulnerable. The government is committed to spend at least 60% of the total budgetary allocation of the health, nutrition and population sectors at upazila and below level.	1	2	3
15.	*Food Safety and Quality:* An institutional partnership will be developed with the LG division in collaboration with MOC, MOA, MOHA, MOF and other relevant ministries for ensuring safety and quality of food and water.	2	2	4
16.	The private sector will also keep under constant review to ensure proper treatment of patients and make them more transparent and accountable to the citizens.	1	1	2
17.	Only Government financing in insufficient to ensure improved health care for all in Bangladesh. Expansion of private sector investment would help to extent and improve the services. The government will continue to provide incentive (e.g. land at a lower price, bank loan, tax exemption for import of electro-medical equipment, training to health professionals and workers, lump-sum grant etc.) to the private sector engaged in health care service provision.	2	3	5
Total		22	37	59
Average		1.3	2.2	3.5

Policy 12: National Youth Policy 2004

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	To arrange skill training and appropriate practical livelihood-skill education for employment of youth by creating job opportunities and entrepreneurship for them.	3	4	7
02.	To encourage the youths (especially the unemployed youth) through mobilization of local resource and self-employment and extension of credit-facilities.	3	4	7
03.	To create a conducive environment for the youth so that they can be involved in information technology.	2	4	6
04.	To implement productive activities for the rural youths.	1	2	3
05.	To equal opportunities for male and female youths so that they can participate in decision making in all process of national development	4	3	7
06.	To impart training for youths on youth health, human rights, social security for handicapped youth. To initiate training for building leadership qualities among the youth.	1	1	2
07.	Opportunity should be created for the youth for wage and self employment in country and abroad.	4	4	8
08.	Equal distribution of resources should be arranged for under privileged hard core poor unemployed youth.	2	4	6
09.	To arrange micro credit for self-employment of youth on easy term and concessional rate.	3	4	7
10.	To arrange financial grant to registered youth organization for rendering youth activities.	2	2	4
11.	To ensure the rights of female youth through arrangement of opportunity education, safe guard reproductive health recreational facilities.	2	3	5
12.	To lease out "Khas Land and Water body among the youth for poverty reduction.	5	5	10
13.	To set up youth training centre throughout the country with modern training equipment and facilities for training on entrepreneurship	4	5	9
14.	To provide facilities for marketing of the products of youth co-operation society, voluntary youth organization and self-employed youth.	4	5	9
Total		40	50	90
Average		2.9	3.6	6.5

Policy 13: National Action Plan for Women 1998

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	In order to develop comprehensive, integrated and sustainable institutions the NAP proposes for formulation and enactment of sectoral policies or revision of existing policies which will integrate and incorporate equity and equality measures for women taking into consideration their interest, needs and priorities.	1	1	2
02.	The NAP of the Ministry of Home envisages a specific national policy on violence against women adopting the PFA definition	1	1	2
03.	The NAP also proposes development of professionally elaborated gender sensitive codes of conduct/ethics/self regulatory mechanism for such professions as medical and media professionals, especially to have greater respect for women and their rights and monitor internal disciplinary actions.	1	1	2
04.	NAP proposes adequate representation of women in all policy making bodies such as Governing Boards, Executive Committees, Local Government Bodies and project formulation, implementation and monitoring committees of the sectoral ministries and their agencies. In order to ensure effective and active participation of women members in various policy making bodies, the NAP suggests special orientation training of the women members on their roles and responsibilities and organizations' objectives and activities.	1	1	2

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
05.	NAP stresses the importance of employment and promotion of increase number and percentage of women at entry, mid level and particularly at senior management positions. Provision for lateral entry at senior levels from within the government and on contract service from outside is emphasized. To enhance management role and capacity of women managers the NAP stresses the need for management training and retraining.	3	3	6
06.	The NAP stresses the need for improving working condition of women in service to enable them better carry out their work responsibilities. Improved working condition consists of provision for maternity leave including leave during probation period, crèche and day care centres, adequate number of separate toilet facilities, better transport facilities especially for right work and accommodation facilities for out of station tours.	1	1	2
07.	NAP stresses the need for strengthening the capacity of WID Focal Points as an important component of the National Machinery.	1	1	2
08.	The NAP proposes training of staff at all levels, both men and women to raise awareness about gender, women's empowerment and human rights including skills necessary to translate them into programmes and projects. Emphasis is given on the formation of internal gender integration teams and the integration of gender training in the training curriculum of the sectoral training institutions.	3	3	6
09.	Increased number and proportion of women in management position. The rationale behind this is that with increased and improved skill in management, women mangers will perform well and this will encourage the agencies to recruit more women.	3	3	6
10.	The NAP emphasizes development and strengthening of the monitoring mechanisms of the sectoral ministries especially to incorporate gender specific indicators and sex-disaggregated data in order to assess the effects of the programmes and projects on men and women, make policy decisions and take corrective actions.	1	3	4
11.	In order to address problems and issues related to women's development in a more comprehensive way, the NAP strongly emphasizes the need for development of institutional mechanisms to promote not only inter-ministerial collaboration but also to establish linkages and coordination with NGOs, Human Right Groups, Women's organizations, Legal Aid Agencies, Professional Associations, private sectors, and Local Government Bodies.	3	3	6
12.	The NAP proposes for the sectoral ministries/ agencies having direct access to beneficiaries through grassroots organizations a number of activities such as training of the beneficiaries on leadership, management, skill, entrepreneurship development, access to information and inputs including institutional credit, marketing, advocacy programme etc.	3	3	6
Total		22	24	46
Average		1.8	2.0	3.8

Policy 14: Housing Policy

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	*5.1 Land* 5.1.1 - 5.1.8 Extension of land with infrastructure; make developed land easily available & cheap; occupy minimum amount of land; Encourage private entrepreneurs to develop land, infrastructure & house building; strategy for local development; For economic use in land multi-storied housing will be encouraged; urban & rural land banks will be created; LIS will be introduced	3	4	7
02.	*5.2 Infrastructure* 5.2.1 - 5.2.9 National & local government bodies will increase their inv. for increasing service facilities; Dev. small and medium scale towns so that thrust on large cities decreases & uncontrolled conversion of agri land & forest is combated; Invest for pure drinking water in rural & urban areas; Increase inv. for public transportation; Encourage building technologies which are profitable, environment friendly and fit for improvement; Govt. will help infrastructural dev. run by NGOs CBOs private construction agencies; Govt. will help local level organization for infrastructural dev., to ensure service facilities and improvement in work capabilities; At community level people's participation should be reorganized for service design, construction	4	4	8
03.	*5.3 House building Materials and Technology* 5.3.1 - 5.3.8 Rural people will have to get building materials easily but forests must be preserved; cement, brick, rod production to be increased, small industries need to be established and steps will be taken to use local materials; local level creation of building materials will be encouraged; public or private building industries will be encouraged to develop new building materials & their uses will be encouraged; Tested technologies and building materials will be encouraged; Research institutions will be encouraged to develop new materials and their uses will be encouraged; For adaptable and new building materials development financial help and other support will be provided; Training, technology spread and skill-development will be obtained through public, private & NGO institutions; co-operations will be extended to private sectors and NGOs for establishing factories for quick construction	4	4	8
04.	*5.4 Finance* 5.4.1 - 5.4.15 Soft term loan, resource creation and more loans to poor to be undertaken; national house loan plan to be taken up and housing fund will be generated. Newly created economic organizations, NGOs will take loans and consumers will receive loans from CBOs, COs, private organizations; Resources from insurance, unit trust, commercial banks, co-operative banks and special financial organizations will be spent on loan; Special savings project for provident fund holder will be made; BB will control public & private institutions for housing bill; Flexible tax package will be for those public and private organizations which act as complement for land development, housing and financing; Greehayan Tahbil to be adjoined with investment market through savings & loan certificates; To encourage investors second-term leasing is to introduced & housing finance is to be associated with overall national economic activities; To encompass all economic groups and housing loans on soft terns to be introduced; Housing finance and handover of constructed houses should be within easy reach of the poor; To ensure finance to co-operative societies for house building of low & middle class people; Private sectors of house building is to established for collecting investment; Greehayan banks to be established through scrutiny of institutional infrastructure sources of finance and plan of activities; House building corporation has to be raised to a self-dependent organization so that needs of different economic classes are met; Both special and mixed institutions will be encouraged for housing finance and provident funds, insurance funds; family saving, development agencies and NGO funds to be channelized for housing finance; Private house building companies are to be provided with legal support, people are to be encouraged with rebates etc. for savings in these companies.	4	4	8

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
05.	*5.5 Legal & Control Infrastructure* 5.5.1 - 5.5.10 Bring changes in legal frame work of land issues; Land use plan of the Govt. & local govt. will facilitate low cost housing & proper use of land; To ensure proper deliberation of emergency services, saving agri land and wastage of land, scattered construction of houses will be controlled; Existing laws & regulations regarding occupation of land in rural and urban areas will be modified to protect interest of land owners; Urbanization laws & rules will be consulted & modified for improved housing of low income groups; Appropriate laws for ownership of residential plots & flats will be formulated; House building codes for construction, quality & security will be maintained; Separate chapter/Regulate for co-operative housing will be added; To formulate regulations for easier loans, repayment and registration removing all obstacles; To motivate poor mass for house building and to reduce construction cost, laws &regulations regarding control over development and infrastructure will be modified.	1	3	4
06.	*5.6 Institutional Distribution and Taxation Policy* 5.6.1 - 5.6.12 From national housing council involving corporation mayors, MPs, BB Governor & other; Assess feasibility of housing department within the Ministry of housing; Convert Directorate of housing into "National housing corporation" so that housing activities are extended and expedited; Government and HBFC will look after increasing funds for middle and low income groups in urban areas; In order to increase investment for housing at private and individual levels, personal & family savings will be encouraged; Officials and staffs in industries and well organized sectors will be motivated to invest in house building; Encouragement will be provided to produce building materials from wastes of industries & agriculture and also create alternatives to woods, cement and steel which are dependent on fuels and electricity; To restructure stamp duty and registration fee in consultation with NBR & Ministry of finance; Govt. will encourage remittances to be invested in house building in big cities & towns; To increase land area and combat land laundering taxes on unused land & Municipality taxes will be imposed in residential industrial and commercial areas; To fix up taxation adjustment of land prices put by different organization will be made; Form of purchase and handover of land will be restructured.	1	1	2
07.	*5.7 Role of and Support from Government* 5.7.1 - 5.7.15 Govt. will play role of mediator for poorest and homeless; To control tendency of land laundering and excess profiteering; Provide encouragement for activities concerning improved housing, basic services provisions, increased income and environmental promotion; Housing project will be decentralized by ensuring direct participation of beneficiaries in rural and urban areas; Public housing organizations will gradually play role as a helping hand for constructing infrastructure, adoptable technology expansion, housing building; Hire purchase system can be adopted for govt. employees; To bring necessary changes in taxes and import policies for providing easy and cheap building materials; Technological co-operation, provision of cheap materials, skill development and soft term finances need to provided; For villages and towns where there is dearth of housing land, societies, voluntary organizations, CBOs will be given priority for land allocation and financial help; Private sectors, local and foreign investors will be provided with finance, quick services etc. so that they can provide low cost houses to the poor; Employment and increased income for the homeless can be ensured through adjusting house land with living loan; All projects must at maintaining eco-balance, preserving lakes, forests-haor, beel and traditional sculpture, architectures	3	3	6

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
08.	*5.8 Human Resource Development & Skill Development* 5.8.1 - 5.8.6 Training for manpower like housing specialists, constructor, engineers, land & housing professionals, social scientists, administrators will be undertaken; To increase training & research facilities for housing in educational institutions; To organize training to building workers & technicians; Self-employed workers in building & housing will be trained up for skill develop and facilities for loan, works and marketing will be enlarged associating NGOs; Informal education means like booklets, ads. & posters will be provided to self construction approached of people; Financial assistances will be provided to research and development organization. Besides this, one percent of yearly expenditures of all private and public construction organizations will be earmarked for R&D;	1	3	4
09.	*5.9 Rural Housing* 5.9.1-5.9.7 Attempts will be there for avoiding unnecessary acquiring of land and proper resettlement whenever necessary; Housing on cultivable land will be discouraged and "Ideal village" like activities will be undertaken; water, sanitation, electricity and roads etc will be collectively taken up; For development & extension of housing, loans and appropriate technologies will be provided; More employment and income earning projects will be taken up; District level and local level existing organizations will be strengthened so that rural housing planning, finance, implementation, supervision and monitoring are well ensured. Local level participation and special attention for destitute women and ultra poor will be given; Land development for housing and improvement in rural housing will associated with activities of RDB and other functional bodies for rural resource & employment creation	1	4	5
10.	*5.10. Slums and ownerless Residence* 5.10.1-5.10.5 Development, housing improvement and in some cases offering ownership as well as removal from slums are to be enacted; Drinking water supply, sanitation and other basic services have to be extended; to maintain social and infrastructural facilities are to be ensured in slums and other poor dominated areas; maternity, childcare and health services are to co-ordinate by local government bodies; to arrange night shelter to homeless and paying	1	1	2
11.	*5.11 Housing and Rehabilitation in Disaster prone Areas* 5.11.1 - 5.11.2 To take up construction of or repairs of dilapidated houses as well as provide house loans; To rehabilitate disaster affected families; To assist public projects for such purposes and also arrange provision of basic services.	1	1	2
12.	*5.12 Housing for destitute women* Joint or single offer of landowners or house ownership loan offer, household level works, child and maternal health care, residence for working women as well as their service facilities & income earnings will be cared of	1	1	2
13.	*5.13 Housing for old people separated from family.* Enough attention will be given to fulfil housing demand to old people who are detached from families.	1	3	4
14.	*5.14 Housing for Destitute* Priority for shelter to following categories of people will be ensured f) All people below poverty line in all areas g) Landless workers, technicians & building workers h) Families removed due to development projects & families affected by natural disasters i) Widows, unmarried and family head women who are below poverty line j) Physically disabled.	1	3	4
Total		27	39	66
Average		1.9	2.8	4.7

Policy 15: National Jute Policy 2002

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
1.	Emphasizing on activities related to jute product diversification and usages of jute products	4	5	9
2.	For the production of raw jute based products/commodities, agricultural and industrial research need to be strengthened.	3	1	4
3.	15 projects have been identified by joint collaboration of jute ministry, Former/Ex International Jute Organization and EU. commodities will be produced under these projects are: jute's blanket, thread for cloth, alternative commodities of wood to make doors and windows of houses, pulp for paper mills etc.	3	2	5
4.	An institutional set-up has been developed named as Jute Diversification Promotion Centre (JDPC). Under JDPC, diversified projects will be identified and implemented; and marketing systems will be improved	3	2	5
5.	A project is being implemented in Sylhet Pulp and Paper Mill, financed by EU (then EC) in order to produce pulp using low quality jute.	2	1	3
6.	Providing banking facilities to private sector investors to produce diversified jute products	3	1	4
7.	Bangladesh Jute Mill Corporation (BJMC) will establish jute purchasing centre in the jute producing border and remote areas to purchase jute directly.	1	3	4
8.	Bangladesh Jute Mills Association (BJMA): At the beginning of the season BJMA can purchase raw jute (green jute) and can help the farmers to provide actual prices to them	1	2	3
Total		20	17	37
Average		2.5	2.1	4.6

Policy 16: National Policy on ICT

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
01.	*3.1 Training and Human Resource Development* 3.1.1 - 3.1.3 Introduce ICT training at all levels of education	2	3	5
02.	3.1.4 Establish Multimedia institutes	2	3	5
03.	3.1.5 - 3.1.8 Plans to promote TOT	1	1	2
04.	3.1.9 - 3.1.11 Develop quality ICT professionals to face global software market	3	4	7
05.	*3.2 ICT Infrastructure* 3.2.1 - 3.2.11 Plan for sustainable growth in ICT sector; infrastructural dev. in private & public sector; join Fibre-optic, Duty & Tax amendment; Involvement of BTTB, BTRC, PDB, Gas, Railway REB, Oil & Gas Co.	3	3	6
06.	3.2.12 - 3.2.21 Encompass Rural-Urban areas, UZ & District HQs under network	3	3	6
07.	3.2.22 - 3.2.27 Growth of Internet, ICT-Industry, E-commerce & E-Governance; Hi-tech zones, central depositing of collection of ICT info-z research findings; solar power use; use of volt & WLL will be reviewed.	4	4	8
08.	*3.4 ICT Industry* 3.4.1 Software Industry 3.4.1.1- 3.4.1.6 Dev. local software Indus. & price preference give; Dev. ICT Incubator; Non-resident Bangladesh & experts will be involved; organize dissemination of Ideas, knowledge & establish business contracts; Export of software security.	4	4	8
09.	*3.4.2 Hardware Industry* 3.4.2.1 - 3.4.2.3 Incentives to multinational companies for employing local labour force; IT/ICT laboratories for producing skilled manpower; R & D by local initiatives	4	4	8
10.	*3.4.3 Services Industry* 3.4.3.1 - 3.4.3.2 Expansion of ICT enable services & export	3	3	6

Sl No	Policy Statement	Growth Score	Poverty Reduction Score	Total Score
11.	*3.5 E-commerce* 3.5.1 - 3.5.4 G-2 G transaction in business; Authentication of identities for inter-bank transaction; Inter-bank payment & legal frame work	3	3	6
12.	*3.6 E-Governance* 3.6.1 - 3.6. Improved administration; spread in public services to remote areas; District and upazila headquarters to be netted; ICT cell in each Ministry, Division, Directorate, G2G, G2E, G2C services, ICT literate candidates will be encouraged & MIS will be introduced.	3	3	6
13.	*3.7 Legal Issues* 3.7.1 - 3.7.7 Software copyright will be implemented; protect computer crimes; Data security & compatibility to be ensured; New laws & amendments to be ensured; ICT to be used for safety of life & property of citizens; police, NBR, BAC will use ICT for quick investigation of cases; Armed forces will use ICT for developing efficiency	1	1	2
14.	*3.8 Health Care* 3.8.1-3.8.4 Deliver new capabilities for health care; Telemedicine system covering rural areas will be used for health education, training and aware less of disease prevention; International telemedicine will be introduced; Expert medical services throughout country will be introduced.	3	3	6
15.	*3.9 Poverty Alleviation* 3.9.1 Use of ICT system in agri will be utilized in agro-based industries, research, dissemination, agri-business and agri-data base	4	4	8
16.	*3.10 Social Welfare* 3.10.1 - 3.10.3 Nation-wide ICT for rural dev. agri, horti., fisheries & livestock, rural enterprise, micro-level planning, public concerns will be incorporated in ICT system, NGOs will be encouraged to establish services, public will be informed about uses of ICT	3	3	6
17.	*3.11 Transportation* 3.11.1 - 3.11.3 ICT-based integrated transport system, Dynamic route planning & management by commercial transport agencies, Online booking & ticketing system	3	3	6
18.	*3.12 Tourism* 3.12.1 -3.12.3 IT projection of tourists, requirements of tourists will be promptly satisfied, partnership with tourist agencies (local & foreign) for on-line reservation, accommodation, booking, ticketing etc.	3	4	7
19.	*3.13 Environment* 3.13.1 - 3.13.4 IT help to have up-to-date info. On environment problems & causes, complete listing of flora & fauna is easy, GIS & ICT system for crops estimation, economic balance bet. land use & conservation of nature; solving problem of environment hazards, emissions etc.	3	3	6
20.	*3.14 Judiciary* 3.14.1 CMIS & WAN, LAN to be established to facilitate legislative activities	1	1	2
21.	*3.15 Regional & International cooperation* 3.15.1 - 3.15.3 MS ICT & BCC will be the focal point for IT; Explore regional, sub-regional & International co-operation & collaborative agreements; reap economic benefit from participation in regional & International forum	3	3	6
22.	*4.0 Implementation & Monitoring* 4.1.1 - 4.1.4, 4.2.1 - 4.2.5 2% of ADP for ICT; New budget provisions for ICT in all ministries; Autonomous sectors should be encouraged to introduce ICT in trade, production & services; Inceptives will be provided to ICT companies which can meet up 20% of its revenue expenditure from export; centralized fund for R&D & HRD will be created; For updating, standardizing Implementing & Monitoring National ICT Task force has been form to take necessary actions.	4	4	8
Total		63	67	130
Average		2.8	3.0	5.8





Support to Monitoring PRS and MDGs in Bangladesh

General Economics Division, Planning Commission,
Government of the People's Republic of Bangladesh &
UNDP Bangladesh