



# **SIXTH FIVE YEAR PLAN**

## **FY2011-FY2015**

**Accelerating Growth and Reducing Poverty**

**Part-1**

**Strategic Directions and Policy Framework**

*Planning Commission*  
*Ministry of Planning*  
*Government of the People's Republic of Bangladesh*

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## ABBREVIATIONS

ABCN -	Area-Based Community Nutrition
ACC -	Anti-Corruption Commission
ADP -	Annual Development Programme
ADR -	Alternative Dispute Resolution
AMC -	Alternate Medical Care
ANC -	Antenatal Care
AQMP -	Air Quality Management Project
BAPA -	Bangladesh Paribesh Andolon
BARD -	Bangladesh Academy for Rural Development
BCAS -	Bangladesh Centre for Advanced Studies
BCCSAP -	Bangladesh Climate Change Strategy and Action Plan
BELA -	Bangladesh Environmental Lawyers' Association
BEMP -	Bangladesh Environment Management Project
BBS -	Bangladesh Bureau of Statistics
BBA-	Bangladesh Bridge Authority
BG –	Broad Gauge
BIFF -	Bangladesh Infrastructure Financing Facility
BMA -	Bangladesh Medical Association
BMD -	Bangladesh Meteorological Department
BMRC -	Bangladesh Medical Research Council
BNH -	Bangladesh National Herbarium
BPPA -	Bangladesh Private Practitioners Association
BPDB –	Bangladesh Power Development Board
BTEB -	Bangladesh Technical Education Board
CCA -	Climate Change Adaptation
CDM -	Clean Development Mechanism
CER -	Certified Emission Reduction
C-SBA –	(Community) Skilled Birth Attendants
CEDAW –	Committee on the Elimination of Discrimination against Women
CIP-	Country Investment Plan
CRC –	Convention on the Rights of the Child
CSD -	Centre for Sustainable Development
CFW -	Cash for Work
CGE -	Computable General Equilibrium
CHT -	Chittagong Hill Tract
CPR -	Contraceptive Prevalence Rate
DAE -	Department of Agricultural Extension
DG-	Dual Gauge
DMC -	Disaster Management Committees

DOE –	Department of Environment
DOF -	Department of Fisheries
DPP -	Development Project Proposal
DPEC -	Departmental Project Evaluation Committees
DRF-	Development Result Framework
DRR-	Disaster Risk Reduction
DTE -	Directorate of Technical Education
ECA -	Environment Conservation Act
ECNEC -	Executive Committee of the National Economic Council
ESP -	Essential Service Package
ETP –	Effluent Treatment Plant
FFW-	Food for Works
FFWC -	Flood Forecasting and Warning Centre
FDI -	Foreign Direct Investment
FWVTI -	Family Welfare Visitors Training Institutes
GED -	General Economics Division
GR -	Gratuitous Relief
GHG -	Green House Gas
HFA -	Hyogo Framework for Action
HIES –	Household Income and Expenditure Survey
HPN -	Health, Population and Nutrition
ICT -	Information and Communication Technology
ICOR-	Incremental Capital Output Ratio
IDCOL -	Infrastructure Development Company Limited
IMED -	Implementation Monitoring and Evaluation Department
IPCC -	Intergovernmental Panel on Climate Change
IPHN-	Institute of Public Health Nutrition
IT -	Information Technology
ITEC -	Independent Textbook Evaluation Committee
IWT -	Inland Water Transport
IUCN -	International Union for the Conservation of Nature
LAPM -	Long Acting Permanent Method
LFS -	Labor Force Survey
LGED -	Local Government Engineering Department
LNG –	Liquefied Natural Gas
LPI-	Logistics Performance Index
MDG -	Millennium Development Goal
MG-	Meter Gauge
M&E -	Monitoring and Evaluation
MOFL-	Ministry of Fisheries and Livestock
MOHFW -	Ministry of Health and Family Welfare
MTBF -	Medium Term Budgetary Framework

MIC -	Middle Income Country
MW –	Mega Watt
NASP -	National AIDS/STD Program
NCDs -	Non-Communicable Diseases
NCTB -	National Curriculum and Textbook Board
NCWD -	National Council for Women’s Development
NEC -	National Economic Council
NEG -	New Economic Geography
NFE –	Non Formal Education
NGO -	Non-Governmental Organization
NIPORT -	National Institute of Population Research and Training
NPDM -	National Plan for Disaster Management 2010-15
NPL-	Non-Performing Loan
NPWA -	National Policy for Women’s Advancement
NNP -	National Nutrition Program
NSDC -	National Skill Development Council
OMS -	Open Market Sales
PEP-	Partnership for Environment Protection
PESP –	Primary Education Stipend Programme
PKSF -	Palli Karma-Sahayak Foundation
POA-	Plan of Action
PPP-	Public-Private Partnerships
PPP -	Purchasing Power Parity
PSC -	Public Service Commission
REB -	Bangladesh Rural Electrification Board
R&D -	Research and Development
REDD -	Reducing Emission from Deforestation and Forest Degradation
RMG-	Ready-Made Garment
ROR-	Record of Rights
SAP -	Strategic Action Plans
SBA -	School Based Assessment/Skill Birth Attendant
SCBs -	State-owned Commercial Banks
SFYP –	Sixth Five Year Plan
SMEs -	Small and Medium Enterprises
SOD -	Standing Orders on Disasters
SPEMP -	Strengthening of Public Expenditure Management Program
SPARRSO -	Bangladesh Space Research and Remote Sensing Organization
SRF -	Sundarbans Reserve Forest
SSNP -	Social Safety Net Program
STD –	Sexually Transmitted Diseases
SWAp –	Sector Wide Approach
TIB -	Transparency International Bangladesh

TFR -	Total Fertility Rate
UNCAC -	UN Convention against Corruption
UPHC -	Urban Primary Health Care
UPR-	Universal Periodic Review
VAT -	Value Added Tax
VAW -	Violence against Women
VDP -	Village Development Party
VGD -	Vulnerable Group Development
VGf -	Vulnerable Group Feeding
VOIP –	Voice Over Internet Protocol
VTE -	Vocational and Technical Education
WARPO -	Water Resources Planning Organization
WID -	Women in Development
WTO-	World Trade Organization

## SUMMARY

Over the past 40 years since independence, Bangladesh has increased its real per capita income by more than 130 percent, cut poverty rate by sixty percent, and is well set to achieve most of the millennium development goals. Some of the underlying specific achievements include, reducing total fertility rate from 7.0 to 2.7; increasing life expectancy from 46.2 years to 66.6 ; increasing the rate of economic growth from an average rate of 4% in the 1970s to 6% in the 2000s; increasing the savings and investment rates from below 10 percent each in the 1970s to 24 percent (investment rate) and 30 percent (savings rate) in FY10; achieving gender parity in primary and secondary education; and more than tripling of the production of rice (from 10 million tonnes in FY73 to 32 million tonnes in FY10) thereby achieving near self-sufficiency in normal production years. The economy today is lot more flexible and resilient, as indicated by the ability to withstand the global financial crisis with minimum adverse effects. Bangladesh also is now much more capable of handling natural disasters with minimum loss of life. Bangladesh achieved this remarkable progress with development despite numerous internal and external constraints.

Notwithstanding this past progress, the Government recognizes that Bangladesh is still a low income country with substantial poverty, inequality and deprivation. An estimated 47 million people are living below the poverty line with a significant proportion living in households which are female headed, in remote areas, and consisting of socially excluded and other vulnerable people. Most of the labor force is engaged in informal low productivity and low income jobs. The access to secondary and tertiary education is limited and the quality of education at all levels is deficient. The poor group of the population is severely disadvantaged in terms of ownership of assets and has inadequate access to institutional finance as well as to basic services including quality education, healthcare, water and sanitation. These people, and among them especially women and children, are also disproportionately affected by natural disasters and the adverse effects of climate change. Despite expansion, publicly supported mitigating measures in the form of social protection programs are still inadequate.

In recognition of the long -term development challenges, the Government under the leadership of Prime Minister Sheikh Hasina adopted the Vision 2021. The Vision 2021 and the associated Perspective Plan 2010-2021 have set solid development targets for Bangladesh by the end of 2021. Those targets if achieved will transform socio-economic environment of Bangladesh from a low income economy to the first stages of a middle income economy. Along with higher per capita income, Vision 2021 lays down a development scenario where citizens will have a higher standard of living, will be better educated, will face better social justice, will have a more equitable socio-economic environment, and the sustainability of development will be ensured through better protection from climate change and natural disasters. The associated political environment will be based on democratic principles with emphasis on human rights, freedom of expression, rule of law, equality of citizens irrespective of race, religion and creed, and equality of opportunities. The Bangladesh economy will be managed within the

framework of a market economy with appropriate government interventions to correct market distortions, to ensure equality of opportunities, and to ensure equity and social justice for all.

The implementation of Vision 2021 will be done through two medium term development plans, with the first spanning FY11-15. This Five Year Plan is the sixth in the series of development plans in Bangladesh starting in 1973. The Government recognizes that in a market economy like Bangladesh where the bulk of the economy is privately owned and managed, the role of planning is essentially indicative and strategic in nature. A key focus of the plans will therefore be on strategies, policies and institutions to help guide the private sector in helping Bangladesh achieve the goals set in Vision 2021. Yet, the experiences of Bangladesh and elsewhere show that without proper government regulations and public spending in core areas, the social and economic results can be devastating and unsustainable. The experience of the global financial crisis is a good example of this. So, ensuring a proper balance between providing incentives to private sector and instituting regulatory policies for safeguarding public interests will be a major guiding principle of the policy and institutional framework of the Sixth and the Seventh plans. Similarly, the balance between private and public spending, especially in regard to the investment programs in the plans, will receive major attention.

At the operational level the fundamental task of the Sixth Five Year Plan is to develop strategies, policies and institutions that allow Bangladesh to accelerate growth and reduce poverty. An essential pre-requisite for rapid reduction of poverty is to attain high economic growth such that it provides the foundations for sustainable productive employment and incomes for the growing Bangladeshi labor force. As is evident from international experience, productive employment is the most potent means of reducing poverty on a sustained basis. But this is not easily achieved. This requires strategies and actions on the demand side of the labor market (driven primarily by economic growth) as well as strategies and policies on the supply side (labor force growth and quality). The employment challenge in Bangladesh is not just to create any job but to create high income jobs in the formal sectors. Presently some 78 percent of the labor force is engaged in low-income, low productivity jobs in the informal sectors. The employment target for the Sixth Plan will be to create adequate number of high productivity, high income jobs not only for new entrants but also to allow a substantial transfer of labor from the informal sector to the formal sector.

On the demand side, the rate of economic growth and its composition will both matter for job creation. Acceleration of the growth rate will require a substantial increase in the rate of investment from the present 24.4 percent of GDP level to 32.5 percent of GDP by the end of the plan period. Much of the higher investment will need to be deployed to reduce and eventually eliminate the infrastructure constraint (primarily power and transport) and to finance human development. A large part of the financing will come from the domestic public resource mobilization and from higher private savings, including from remittances. This is consistent with the expected growth of national savings. Yet some critical level of financing from foreign sources that are strategic in nature and allow transfer of technology will be

necessary. In addition to proper policies and institutions to provide incentives to private investment in priority areas of infrastructure and human development, strong efforts will be made to enter into Public Private Partnerships (PPP) to finance these investments.

In absolute terms, the total investment requirement under the Sixth Plan has been estimated at Bangladesh Taka (BDT) 13.5 trillion in FY2011 constant prices. Public investment would amount to BDT 3.1 trillion (22.8% of total Plan investment). Private Sector contribution has been estimated at BDT 10.4 trillion (77.2% of total Plan investment). Domestic financing is projected at BDT 9.7 trillion (90.7% of total Plan investment). External financing requirement has been estimated to be BDT 1.3 trillion (9.3% of the Plan investment) of which BDT 0.4 trillion is projected to come from FDI sources. These modest levels of foreign financing are realistic in relation to current trends and consistent with prudent external borrowing strategy of the Government.

Rapid economic growth, its composition, and absorption of labor in high productivity, high income jobs are inter-linked. Low income elasticity of basic food items, land constraint and difficulties of penetrating the world agricultural export markets limit the ability of agriculture to grow at the same pace as manufacturing or services. Presently, the average labor productivity and income in agriculture are also low. Similarly a large part of the labor force is occupied in informal services with low productivity and income. Accordingly, the economic growth process in the Sixth Plan needs to be appropriately balanced, thereby creating more employment opportunities in the manufacturing and organized service sectors and allowing a transfer of a large number of workers engaged in low productive employment in agriculture and informal services sector of the economy to these higher income jobs.

Therefore, much of the high productivity, high income jobs will need to come from a labor-intensive manufacturing sector based on domestic and export markets and from organized services. Both large and small enterprises need to contribute to this growth. Emphasis would be placed on sub-contracting system in manufacturing and diversification into products dependent on imported contents but employing large labor force. Examples of such activities include furniture, toys, foot-wear and consumer durables. The role of small enterprises is particularly important to provide the employment base. The promotion of small enterprises in rural areas needs to be a major strategic element for creating higher income and employment in the rural economy, which is critical for sustained poverty reduction.

The dynamism in manufacturing sector will benefit from greater outward orientation. Bangladesh has seen this from the highly positive experience of the Ready Made Garments (RMG) sector. Experiences from Korea, China, India, Thailand and Vietnam about the role of exports in manufacturing development are similarly positive. To increase the export potential as well as to diversify the export base, the Sixth Plan will seek to further reduce trade barriers within the context of the World Trade Organization (WTO) framework as well as to seek more effective cooperation with neighbors. Bangladesh will actively participate in concerned international and regional/sub-regional fora aimed at increasing access to international export

markets, easing and eventually eliminating any non-trade barriers to Bangladeshi exports, encourage investments, increase trade in services including energy, promote regional connectivity, and establish best possible economic relations with all strategic countries including neighbors.

The growth and employment re-balancing process must be accompanied by strategies to enhance the income-earning opportunities of workers remaining in agriculture by raising land productivity and increasing diversification of agriculture production. A strong agriculture remains fundamental to poverty reduction as well as for food security. With land becoming a binding constraint in view of growing population and urbanization pressures, enhancing the productivity of land is a top priority. The emphasis on productivity improvements will also be helpful in reconciling food security objectives with farmer incentives. Consistent with the need to ensure food security, emphasis will also be placed on agriculture diversification in both crop and non-crop sectors. This diversification will help promote commercialization of agriculture and raise farm incomes. The National Food Policy (NFP) and its Plan of Action 2008-2015 (NFP/POA) provides a set of guidelines regarding inter-ministerial coordination, sectoral planning and budgeting with a view to promoting food security. In May 2010 the Government approved the Bangladesh Country Investment Plan (CIP), which provides guidance on investments to increase and diversify food availability in a sustainable manner and to improve access to food and nutrition. The proper implementation of the CIP will help attain the MDG target on hunger. This is a major step forward towards harmonizing and aligning of Government and development partner objectives in line with the Paris Declaration and the five Rome Principles on food security.

Employment abroad and associated remittances have played a major development role in Bangladesh. This element of the employment strategy will be strengthened. In addition to the current strategy to export low skilled manpower, the effort would focus on the ability to export well trained skilled and semi-skilled manpower to existing as well as new destinations. Women being a significant contributor to the domestic and export oriented industries (e.g. Ready Made Garments) are still concentrated in the low income jobs. Therefore targeted programs will be undertaken to improve their skill base. Efforts will also be made to send more migrant workers to international markets from the lagging regions of the country.

Bangladesh is currently experiencing ‘demographic transition’ as a result of slower population growth. Even so entry of young population in the labor force will continue due to demographic factors. This demographic dividend will need to be properly harnessed. The quality of labor force is weak due to low access and low quality of education; women are especially lagging behind. The Sixth Plan will seek to address these by developing and implementing a well thought out education and training strategy and associated policies and institutions. The strategy needs to be particularly sensitive to reduce the access gap of the poor, especially in the under-developed or lagging regions of the country, and to improve the skill base of women. A significant part of the additional investment for higher growth will be deployed to the development of the labor force.

Although factor accumulation (i.e. growth of labor and capital) would be the main source of economic growth during the Sixth Plan, strong efforts will be made to increase the growth contribution of total factor productivity in all areas of production including manufacturing, agriculture and services. Among the contributing policies envisaged for the Sixth Plan is the introduction of appropriate information and communication technology (ICT) based on the implementation of the 'Digital Bangladesh' initiative championed by the Prime Minister, transfer of technology from abroad based on strategic partnerships with foreign investors, and strong emphasis on technical education and labor training.

Along with focus on economic growth and employment, substantial attention needs to be given to reduce the growth of population. Notwithstanding past progress with the reduction in the growth of population, Bangladesh is amongst the most densely populated country in the world. Land and other non-renewable natural resources are becoming increasingly scarce as population pressures in both rural and urban areas further intensify. Renewed efforts must be made to further slow down the growth of population. Building on the lessons of the past experience, the Sixth Plan population strategy will emphasize girl's education, female reproductive health, population control service delivery based on public-private partnership, and social mobilization.

Being one of the most densely populated countries in the world, land has become the scarcest factor of production in Bangladesh. This is reflected in galloping land prices throughout the country but especially in the metropolitan cities. Future growth strategy must take this binding constraint into account in order to ensure its sustainability. Efforts to reduce the growth of population will help, but better management of land is of paramount importance for sustaining rapid growth in Bangladesh. Sound land management also has a direct effect on people's welfare and poverty reduction. Landless farmers are amongst the poorest of the poor. Land is also essential for housing. The rapidly expanding slum population and rising land prices in urban areas are indications of increasing difficulties Bangladesh faces in providing people with proper shelter.

The main goal of the government's land use policy and management is to ensure best possible use of land resources and delivery of land related services to the people through modernized and efficient land administration for sustainable development including accelerated poverty reduction. The lack of coordination between different departments responsible for preparation and maintenance of Record of Rights often leads to confusion, conflicts and many instances of litigation causing suffering of the people especially the small and marginal farmers. To mitigate this problem, the Ministry of Land has already undertaken projects to conduct digital surveys and introduce e-governance. Land records will be computerized and land mutation will be made automatic. The Government intends to modify and simplify all land-related laws, which is expected to remove many of the land related disputes. A special committee will be set up to come up with recommendations in this regard. Planned use of land according to Land Zoning Maps prepared on the basis of present and potential land uses will be ensured through enforcement of the provisions of relevant laws. The provisions of the Town Improvement Act

of 1953 will also be more strictly enforced. The Government will take up projects for the development of rural townships where specific areas are to be earmarked for housing, marketplaces, industries and infrastructure. Land acquisition act and policy would be rationalized along with a system of fair and equitable compensation for acquired land.

Growth experiences in Bangladesh and elsewhere demonstrates both a tendency towards urbanization as well as uneven regional growth. The urbanization problem has become particularly acute in Bangladesh owing to the primacy of Dhaka. The unbalanced growth of Dhaka shows both a large concentration of wealth and income as well as unsustainable pressure on Dhaka's already fragile infrastructure and available land. Concerning regional disparities, the divisions of Dhaka, Chittagong and Sylhet seem to do better in terms of both growth and poverty reduction as compared with Rangpur, Barisal, Khulna and Rajshahi, The Sixth Plan will make efforts to address both these spatial dimensions of growth.

On the urbanization front the strategy will emphasize a more balanced growth of urban centers across the entire country through proper institutional reforms that involves the establishment of locally elected and accountable municipalities and city corporations. Property tax base will be reformed to strengthen their financial autonomy along with block grants from the budget based on principles of equity and population. Special emphasis will be given to improving land administration and management to arrest the spiraling urban land prices that is becoming a binding constraint to the expansion of manufacturing and modern services as well as limiting the ability to provide affordable housing.

Regarding regional disparities, the Plan would strive to address the lagging regions problems, especially focused on Rangpur, Barisal, Khulna and Rajshahi Divisions, through a strategy that involves public expenditure in infrastructure and human development, by improving the access to financial services, by promoting international migration of workers from these divisions, and by facilitating more trade and investment in the border districts with neighbors including India. Particular attention will be given in the Sixth Plan to offset the geographical disadvantage of the coastal Division of Barisal, which has the second highest incidence of poverty partly owing to the adverse effects of natural disasters. Through programs in agriculture, environment, climate change and disaster management, the Sixth Plan will seek to reduce the vulnerabilities of Barisal and other coastal belt regions. Government of Bangladesh has undertaken a task to prepare a comprehensive ten year master plan to provide a road map for an integrated development effort in Bangladesh's coastal zone. For reducing regional disparities, especially the geographical disadvantage of Barisal Division, implementation of Padma Bridge at Mawa-Janjira will be a key instrument which will induce new income generating activities in the transportation, SME and agro business sub sector.

While rapid growth has helped lower poverty in Bangladesh, there is evidence of growing income inequality. Results show that the distribution of income is much more unequal than the distribution of consumption. Income inequality as measured by the gini coefficient for the distribution of income rose substantially during the 1980s and the 1990s. During 2000 and

2005 the income gini coefficient increased further from 0.451 to 0.467 due to an increase in rural income inequality. Thus, the rural income gini coefficient increased from 0.393 in 2000 to 0.428 in 2005. The urban income gini coefficient remained unchanged at 0.497. However, the latest data show that income gini coefficient at the national level declined slightly to 0.458 in 2010 though it was still higher than the level in 2000. The urban income gini coefficient also declined to 0.452 and it was lower than the level in 2000. On the whole, income inequality is a serious problem in Bangladesh and reversing the trend in a sustainable manner will be a major challenge for the Sixth Plan.

Inequality emerges from a combination of greatly unequal distribution of physical assets as well as human capital. Lack of factor endowment such as land, capital, credit and skills have been preventing the poor of Bangladesh to participate in productive economic activities and have compelled them to remain in a disadvantageous situation. There are also significant social barriers for women to participate more effectively in economic activities outside home. Opportunity to break the low factor endowment trap through better human capital based on utilizing essential public services (such as education, training, safe drinking water, sanitation and other health facilities) has not been fully effective due to poor people's, and among them women and girls', limited access to those provisions.

The strategy for enhancing the factor endowment of the poor including women in the Sixth Plan will be focused on ensuring their better access to irrigated water, fertilizer, electricity, rural roads and institutional finance. The government's public expenditure policies and programs and the financial sector strategies and policies will pay specific attention to reducing income inequality owing to unequal distribution of physical assets and access to means of production.

The access to essential services for enhancing human capital for the majority of the population depends not only on their income levels but also on the quality and efficiency of the service delivery through the publicly funded and operated systems. Accordingly, the Sixth Plan's strategy of poverty reduction will include substantial expansion as well as quality enhancement of the supply of these essential services. The strategy will also include developing a system of accountability and transparency in the delivery of these essential services to ensure availability of appropriate and adequate services for the poor. The human development strategy of the Sixth Plan will focus on these inclusive and holistic aspects in the design of strategies, policies and programs.

Even with higher growth, better jobs and better access to essential services, a part of the under-privileged population - among them poor women and people from ethnic groups and socially excluded groups - still will likely be left out. Additionally, substantial risks are posed by natural disasters and climate change for this vulnerable population. To address this challenge, the Sixth Plan aims at significantly strengthening the social protection programs. The strategy will be to design and implement a range of social protection programs that meets the needs of this under-privileged group. In this regard, existing programs will be reviewed

and reformed to establish better targeting with a view to ensuring that all under-privileged groups including the disabled, the elderly, the tribal population, and children and women at risk are given priority in the distribution of benefits. Particular attention will be given to strengthening the underlying institutions. In view of large financing needs for social protection programs, options will be explored to move towards contributory social protection schemes including participation by the private sector. Emphasis will also be given to design social protection programs that create assets and employment opportunities.

Establishing equal opportunities for women in all sections of the society with the objective of integrating them much better into social and economic sphere is a core strategic element underlying the Sixth Plan. It acknowledges the critical role of women in nation building and ensures that their needs, rights, entitlements and contributions are appropriately reflected in the Plan document. The human development and social protection strategies underlying the Plan will place particular emphasis on gender and social inclusion aspects of development. It is also recognized that women are a heterogeneous groups such that their situations, deprivations, and needs vary according to their locations within various communities, religions, and regions. Thus, along with promoting rights and entitlements of women, Sixth Plan envisages to cater to all these differential and specific requirements ensuring equal access of women to political, economic and social space.

Another key strategic element of the Sixth Plan is a firm commitment to pursue an environmentally sustainable development process. Natural resources like land and water are limited and their per capita availability is diminishing due to rising population on the one hand and also due to excessive use of common pool resources on the other hand. Excessive and indiscriminate use of our natural common pool resources has degraded them to an unusable state. The degradation of natural resources reduces the well-being of people; especially the poor and women suffer more, as they depend much more on natural common property resources for fuel and water. Thus, the focus of the Sixth Plan's environmental management strategy would be the conservation and maintenance of natural resources, reducing air and water pollution, and liberating encroached rivers, water bodies, forest areas and khas land.

Bangladesh is a victim of climate change caused by rapid urbanization, industrialization and economic development activities worldwide. The growing evidence on climate change suggests that Green House Gas (GHG) emissions, resulting from the cumulative action of developed and emerging economies, would have serious deleterious effects in near future, unless effectively contained. It is predicted by international agencies that Bangladesh will be adversely affected by climate change in the form of melting of Himalayan glaciers, global warming and rising sea level, intensified natural calamities, and greater water scarcity leading to loss of livelihood, rising unemployment and poverty. Furthermore, a rise in the sea level, leading to coastal submergence (i.e. 17 % of Bangladesh) would cause large-scale displacement of people. Therefore, effective steps must be explored and adopted in collaboration with the international community in the Sixth Plan period to help Bangladesh address the adverse consequences of climate change. An acceptable and workable

collaboration strategy must include fair and just burden sharing for mitigation as well as adaptation strategies across nations.

The challenge of ensuring good governance for sustaining development cannot be over-emphasized. Capacity constraints in public administration, occasional weaknesses in economic management, and corruption lie at the heart of overall shortcoming in national governance in Bangladesh. The Government recognizes that without fundamental reforms of core institutions, improvement in public administration capacity and a strong anti-corruption strategy, the ability to implement Vision 2021 and the underlying 5 year development plans will be seriously compromised. The Government also recognizes that these are long-term challenges and require long-term coordinated and sustained efforts.

Good governance and institutions are interlinked. Ensuring good governance requires establishing strong institutions. For the Sixth Plan the governance improvement strategy will focus on a number of key areas that require immediate attention. These include: continued efforts to ensuring equality of opportunity and full mobility for all with freedom and dignity, and without religious, social or political barriers; utmost attention will be given to the review of the national laws and their proper implementation by strengthening the law enforcement agencies and the judiciary; priority will be given to the implementation of E-governance through the 'Digital Bangladesh' initiative in all government offices and at all district levels to provide better and speedier service, and to improve the transparency and accountability of public service agencies; attention will be focused on developing and strengthening a number of core public institutions including the Central Bank, the Ministry of Finance, the Tax Department, the Planning Commission, Audits and Accounts, the parliamentary sub-committees, land administration, and the public utilities; emphasis will be given to improving service delivery in education, health, population, nutrition and water supply; emphasis will be placed on strengthening public administrative capacity; efforts will be made to implement the medium-term budgetary framework in all line ministries and to institute and implement an effective Monitoring and Evaluation (M&E) Framework for public programs; and finally all efforts will be made to reduce corruption in public services and take appropriate actions when corruption happens, ensuring a fair and transparent process as envisaged under the law.

The Sixth Plan's strategy for capacity development consists of four pillars: strengthening the civil service; promoting devolution to local governments; strengthening public-private partnerships; and reforming planning and budgetary processes. Regarding the civil service, the strategy is to develop a long term program for re-building the civil service that is grounded in the socio-political realities in Bangladesh. The basic features of the reform strategy for civil service includes merit-based recruitment and promotion; strong training; ensuring a proper incentive and work environment; establishing and enforcing clear rules of business and codes of conduct; and seeking feedback on performance through a citizen's charter.

Regarding the local government, the strategy will be to institute strong elected local governments that are vested with adequate financial autonomy and accountability for results.

The local governments will be strengthened and much of the responsibility for delivering basic services such as irrigation, district roads, education, health, population management, water and sanitation services will progressively be decentralized to local governments.

Partnership with the private sector for delivery of critical economic services such as electricity and roads through PPP arrangements will be further strengthened on the basis of a well defined policy and legal framework. The opportunities for PPP arrangements in social sectors will also be explored. Additionally, the Government will build on the existing positive track record of collaboration with NGOs in the delivery of health, education and micro-credit services to further enhance this collaboration.

In an environment of weak administrative capacity and limited budgetary resources, efficient planning and budgetary systems can play an important role in helping improve the efficiency of public spending. The Government has been taking a number of steps to improve planning and budgetary processes. One major initiative is the implementation of a Medium Term Budgetary Framework (MTBF) process as a replacement for incremental budgeting. A second initiative is to move away from the traditional public-investment focused plans to more strategic and indicative planning that puts emphasis on strategies, programs and policies for the entire economy. A third initiative is to link better the medium-term development plans to the MTBF process by making the plan a living document with annual review of performance.

The Sixth Plan will further improve the planning and budgetary processes by building on the above initiatives. Specifically, following actions will be taken: (i) Annual performance review will focus on implementation of strategies and policies and look at broad economy-wide and sectoral outcomes rather than simply at financial progress of publicly funded investment projects. The results of the annual reviews will be used to determine changes in plan goals, targets, strategies and policies as necessary in light of the changing global and local economy and the results of the plan implementation. (ii) Capacities of line ministries will be substantially strengthened to do proper planning and budgeting in the context of the implementation of the MTBF. Line ministries will need to ensure that proposed projects and programs are consistent with the objectives and framework of the Sixth Plan. (iii) The project approval process will be strengthened and streamlined to reduce delays and proliferation of tiny projects. The project approval process will be substantially strengthened. All projects that go to the Planning Commission must provide a proper appraisal report along with sound analysis that shows the consistency and relevance of the project to sectoral/economy-wide objectives, strategies and policies. (iv) Proliferation of projects and long implementation lags are a perennial problem. The Sixth Plan will seek to break this logjam by doing a proper review of all approved and active projects in the pipeline in cooperation with the line Ministries. The review of this portfolio will seek to clean out dormant or irrelevant projects and help line ministries close the projects that are facing implementation problems through restructuring or through other relevant interventions. (v) Technical capacities of the Ministry of Finance, the Planning Commission, IMED and BBS will be substantially strengthened

through proper staffing and training to ensure the timely implementation of the Sixth Plan and the MTBF.

The proper implementation of the Plan will require careful monitoring and evaluation of the underlying policies and programs. In the past the focus has been on monitoring public spending in terms of achieving financial targets. In the Sixth Plan the emphasis will shift to monitoring of results. To achieve this, the capacities of the Planning Commission and the line ministries to undertake results-based M&E will be strengthened. This will entail adopting proper M&E Frameworks, improving the database, and strengthening technical skills. This Framework will be monitored by GED under the guidance of the Planning Minister.

Being indicative in nature, the Sixth Plan should be considered as a living document. The implementation of the Plan will be reviewed on an annual basis. Development spending priorities and allocations will be reassessed on an annual cycle to ensure the consistency of these allocations in light of actual resources that are available, effectiveness of implementation and changing priorities in the context of a changing global environment.

The Sixth Five Year Plan document is organized into three parts. The first part (Part I) of the Sixth Five Year Plan provides the strategic directions and policy framework for implementing the main socio-economic targets of the Vision 2021. It focuses on the underlying strategies, policies and institutions for achieving the major targets for economic growth, employment, human development, poverty reduction, social protection and environmental management. The required macroeconomic framework and aggregate financing strategies and resource requirements are discussed here. Detailed sectoral strategies, plans and programs are presented in Part II of the Plan document. Indicative sectoral development resource allocations are provided on the basis of achieving sectoral plan targets. The sectoral allocations are made consistent with the overall resource envelope presented in Part I. These investment allocations are indicative in nature and will be reviewed and made consistent with the available resource envelope in the framework of the annual national budget cycle. Part III contains an annex on selected national data and a description of the general equilibrium model used for ensuring the consistency of national and sectoral targets with policies and resources underlying the Sixth Plan.

# CHAPTER 1: DEVELOPMENT CONTEXT, SIXTH PLAN TARGETS AND STRATEGY

## DEVELOPMENT CONTEXT

Over the past 40 years since independence, Bangladesh has increased its real per capita income by more than 130 percent, cut poverty by more than half, and is well set to achieve most of the Millennium Development Goals. Bangladesh's development experience is particularly remarkable in that it stands out as a positive example of a resilient young nation that has fought many natural and global disasters as well as internal political debacles and yet stayed firm on the development path. Notwithstanding many external and internal shocks, per capita income has risen continuously and steady progress has been made in lowering poverty. This positive development experience provides the basis for optimism, notwithstanding the many remaining policy and institutional constraints and the global uncertainties, that Bangladesh will continue to make inroads in improving the living standards of its citizens.

### Growth of Income

Bangladesh witnessed decades of slow economic growth until 1990. Growth rate started to rise since early 1990s. During the first decade of the 21<sup>st</sup> century, the average economic growth rate approached 6 percent per annum.

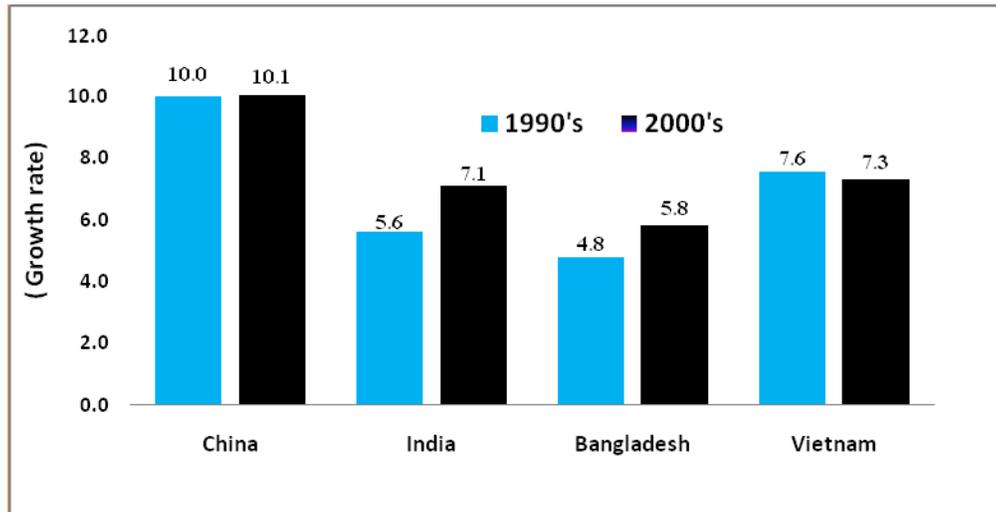
**Table 1.1: Growth performance in the Five Year Plans**

Plan period	Annual average growth (%)	
	Target	Actual
First five year plan (FY73-FY78)	5.5	4.0
Two year plan (FY78-FY80)	5.6	3.5
Second five year plan (FY80-FY85)	5.4	3.8
Third five year plan (FY85-FY90)	5.4	3.8
Fourth five year plan (FY90-FY95)	5.0	4.2
Fifth five year plan (FY97-FY02)	7.0	5.1
FY02-FY06		5.5
FY06-FY10		6.3

*Source: Bangladesh Bureau of Statistics*

Despite the progress in economic growth, Bangladesh is lagging behind some of its high performing comparators. Figure 1.1 provides a comparison of annual average GDP growth rates in Bangladesh, China, India and Vietnam during 1990s and 2000s. Even though the Bangladesh growth path is rising, the average growth rate for Bangladesh during the 2000s was much lower than that of the rates in China, India and Vietnam.

**Figure 1.1: Annual average GDP growth rate of comparators**



*Source: World Development Indicators*

### Poverty Reduction and Human Development

Poverty is the single most important socio-economic policy challenge for Bangladesh. It has been striving for a long time to reduce the incidence of poverty and to improve the living standards of its millions of impoverished citizens. Bangladesh has made substantial progress in reducing poverty, where the percent of population living below the poverty line went down from more than 80 percent in early 1970s to 31.5 percent in FY10 (Table 1.2).

**Table 1.2: Headcount Poverty Rate (%)**

Year	Rural	Urban	National
FY74	82.9	81.4	
FY82	73.8	66.0	
FY92	61.2	44.9	58.8
FY96	55.2	29.4	51.0
FY00	52.3	35.2	48.9
FY05	43.8	28.4	40.0
FY10	35.2	21.3	31.5

*Source: Different Household Expenditure Surveys, Household Income and Expenditure Surveys, Bangladesh Bureau of Statistics.*

The decline in poverty in Bangladesh stems in large part from strong economic growth over the past two decades. The economy's expansion during the 1990s – an average, annual GDP increase of almost 5 percent – meant a rise in real, per capita GDP of 36 percent or twice the average rate of other low-and middle-income countries in the same decade. This impressive performance was fueled by growth in real GDP in the manufacturing sector where the output of export-oriented, ready-made garment (RMG) enterprises grew by double-digit. Also, the remarkable growth in the inflow of remittances helped reduce poverty by supporting the expansion of construction and services GDP and by providing a strong safety net

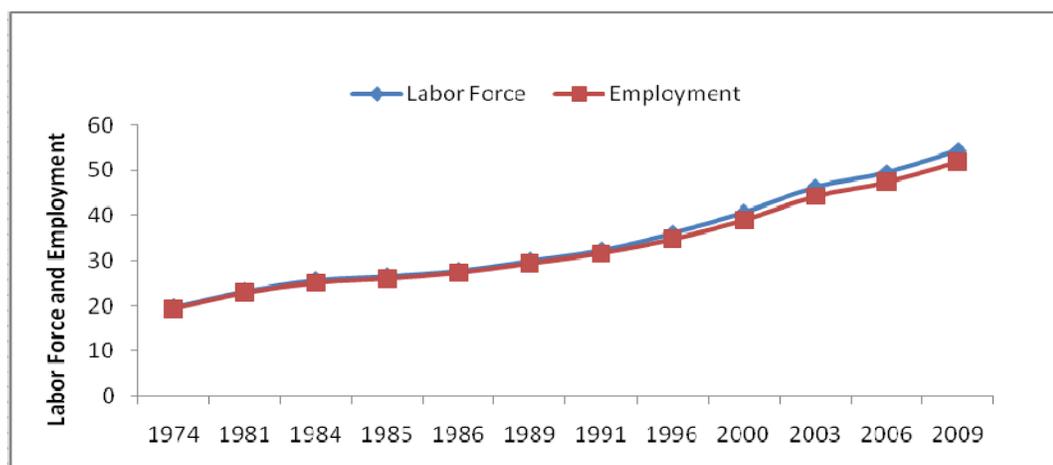
Bangladesh has also made significant strides in the area of human development, though the agenda remains far from complete. In the education sector, there is notable progress, especially in regard to increasing access and gender equity, both at primary and secondary levels. Net primary enrollment rates rose from 61 percent in FY91 to 91 percent in FY06, while a corresponding increase in enrollment rates at the secondary level rose to 41 percent from 28 percent. Gender parity in access to primary and secondary education has also been achieved. These achievements are particularly noteworthy when compared to countries in the South Asia region and other countries at similar levels of per-capita income.

Notable progress has also been achieved in health indicators over the last 40 years. The total fertility rate (TFR) declined from 7 live births per woman in the mid 1970s to about 2.7 children per woman in 2007, while the contraceptive use rate has increased from 7.7 per cent to 55.8 per cent during the same period. Life expectancy has increased from 46.2 years in 1974 to 66.6 years in 2007. Though remarkable improvements have been made in reducing infant and child mortality, Bangladesh is behind in meeting MDG targets on proportion of malnourished children.

## Employment

Employment provides the key link between economic growth and poverty making it the major instrument for poverty reduction in Bangladesh. Labor force (age 15 +) in Bangladesh increased from around 19.7 million in 1974 to 49.5 million in 2006, the latest available year for Labor Force Survey (LFS). That gives an annual long term trend growth rate of 2.9 percent (Figure 1.2). The labor force growth rate was more expansive in recent years owing to the changing demographic structure of higher share of population in the working age group as well as a rising female participation rate. Thus, the average annual growth of labor force between 2000 and 2006 was 3.3 percent.

**Figure 1.2: Trend in Labor Force and Employment 1974-2009, millions**



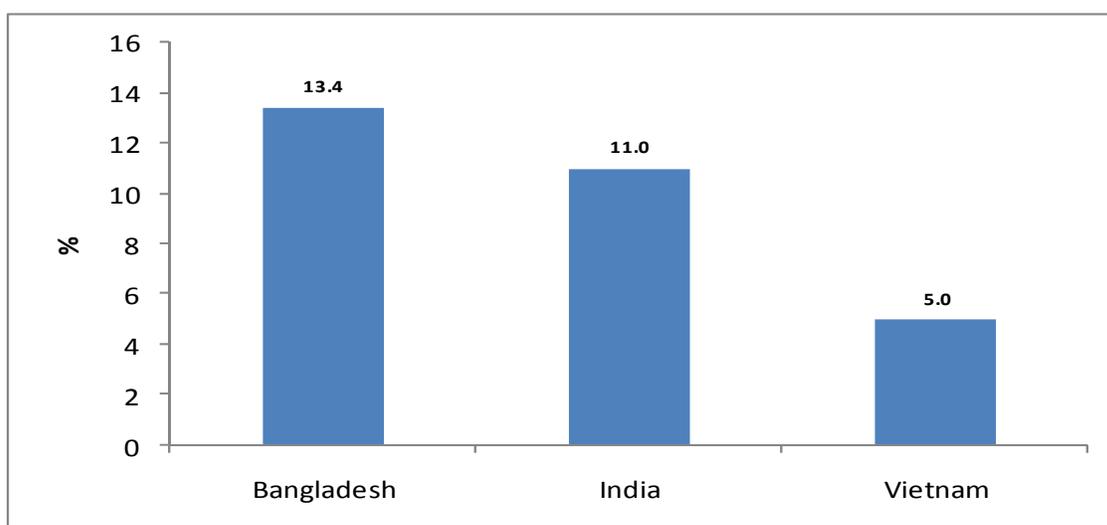
*Source: Bangladesh Bureau of Statistics*

As compared to labor force, employment grew at a slightly slower pace of 2.8 percent annually. As a result, the unemployment rate, traditionally defined, increased modestly,

reaching 2.1 million people, which is about 4 percent of the labor force. This relatively modest unemployment rate, however, hides the true employment challenge in Bangladesh. Like other poor agrarian economies, Bangladesh suffers from what is known as the problem of “disguised unemployment” that is characterized by the concentration of a large number of workers in low hours, low productivity, and low income jobs. These disguised unemployed are engaged in agriculture and informal services.

Although proper data on the magnitude of the disguised unemployed (or alternatively defined as under-employed) does not exist, this is well recognized as a serious challenge. Some illustrative examples convey the severity of the employment challenge. In Bangladesh some 78 percent of the labor force is engaged in informal sector activities (agriculture and informal services). Agriculture alone employs some 44 percent of labor force, even though its GDP share is only 19 percent. Another example is that the underemployment rate, calculated on the basis of number of hours worked per week, is high at 24.5 percent in 2006. A third example is that the unemployment rate among the young population in Bangladesh is higher than that in India and Vietnam (Figure 1.3). So, looking at numbers employed does not give a meaningful indication of the employment problem. The key issue is finding “good jobs” (defined as high productivity, high income jobs) for existing and new entrants to the labor force. This arguably is amongst the most important development challenge for Bangladesh moving forward. The employment issues are reviewed in greater detail in Chapter 2.

**Figure 1.3: Youth unemployment rate (percent of total labor forces ages 15-24)**



*Source: World Development Indicators*

### **Millennium Development Goals (MDGs)**

The MDGs reflect the actions and targets contained in the Millennium Declaration that was adopted by 189 nations during the UN Millennium Summit in September 2000. Bangladesh has made noteworthy progress in the attainment of MDGs during 2000s. Bangladesh's

advancement towards MDGs is evident in human development, for example attainment of gender parity in primary and secondary school enrolment.

The end of the Sixth Plan coincides with the terminal year for the MDGs (2015). This provides an opportunity to take stock of progress with MDGs so far and undertake corrective actions in areas where progress is lagging. A review of progress shows that Bangladesh has covered significant grounds and can safely be said to be on track in relation to most of the targets (Table 1.3). Bangladesh is making strides in reducing poverty, already brought down the poverty gap ratio to 6.5 against 2015 target of 8 with the rate of poverty reduction being 1.44 percent in relation to the required rate of 1.23 percent. With regard to targets such as expansion of primary and secondary education, infant and child mortality rate, containing the spread and fatality of malaria and tuberculosis, reforestation, access to safe drinking water and sanitation latrines especially in urban areas, Bangladesh has done remarkably and may well reach several of these targets before the stipulated time. The country has already achieved gender parity in primary and secondary education.

However, among the challenges that Bangladesh faces, improving maternal health is a major concern. Maternal mortality, although currently on track, should be monitored closely. The country is also struggling in terms of forest cover and maintaining protected areas, specially the wet lands, for bio-diversity. Access to safe drinking water and sanitary latrines particularly in the rural areas is another aspect where greater attention is required. Yet another challenge that Bangladesh faces is in addressing certain pockets of poverty that are lagging far behind with respect to the national averages and where the benefits of MDGs attainment need to be specifically reached. These areas include the urban slums, the hill tracts, coastal belts and other ecologically vulnerable areas.

**Table 1.3: Status of Millennium Development Goals in Bangladesh**

	Base year 1990-95	2000-02	Current 2005-10	Target 2015	Status
<b>Goal 1: Eradicate Extreme Poverty and Hunger</b>	<b>Goal will probably be met</b>				
<i>Target 1: Halve by 2015 the proportion of people living below the poverty line</i>					
Poverty headcount ratio (2010)	59	50	31.5	29	On Track
Poverty Gap Ratio (2010)	17	13	6.5	8	Goal met
<i>Target 2: Halve by 2015 the proportion of people who suffer from hunger</i>					
Prevalence of child malnutrition (percent of children under 5)	68	51	45	33	Off Track
Population below minimum level of dietary energy consumption (percent)	28	...	20	14	On Track
<b>Goal 2: Achieve Universal Primary Education</b>	<b>Goal will probably be met</b>				
<i>Target 3: Ensure that all boys and girls complete a full course of primary schooling</i>					
Net enrollment ratio in primary education	61	83	91	100	On Track
Percentage of cohort reaching grade 5 (percent)	43	...	55	100	Needs attention
Adult literacy rate	37	39	58	--	Needs attention
<b>Goal 3: Promote Gender Equality and Empower Women</b>	<b>Goal will probably be met</b>				
<i>Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and at all levels by 2015</i>					
Ratio of girls to boys in primary and secondary education (percent)	77	104	106	100	Achieved
Ratio of girls to boys in tertiary education (percent)	37	32	32	100	Needs attention
Ratio of literate females to males (percent of ages 20 -24)	65	77	85	100	Needs attention
Share of women employed in the non- agricultural sector (percent)	19	...	25	50	Needs attention

	Base year 1990-95	2000-02	Current 2005-10	Target 2015	Status
<b>Goal 4: Reduce child mortality</b>	<b>Goal will probably be met</b>				
<i>Target 5: Reduce by two thirds by 2015 the under 5 mortality rate</i>					
Under 5 Mortality Rate (per 1000)	146	82	54	50	On Track
Infant Mortality Rate (per 1000 live births)	92	56	41	31	On Track
Immunization, measles (percent of children under 12 months)	54	69	82	100	On Track
<b>Goal 5: Improve Maternal Health</b>	<b>Goal will probably be met</b>				
<i>Target 6: Reduce by three quarters, by 2015, the maternal mortality ratio</i>					
Maternal Mortality Ratio (per 100,000 live births)	574	400	194	143	On Track
Births attended by skilled health staff (percent of total)	5	12	24	50	Needs attention
<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>	<b>Goal will probably be met</b>				
<i>Target 7: Have halted by 2015 and begin to reverse the spread of HIV/AIDS</i>					
Contraceptive Prevalence Rate (percent of women ages 15-49)	40		60	72	Needs attention
<i>Target 8: Have halted by 2015 and begin to reverse the incidence of malaria and other major diseases</i>					
Deaths of malaria per 100,000 population	1.4	...	0.4	0.0	Needs attention
Incidence of tuberculosis (100,000 people)	264	233	225	Halving	Needs attention
Tuberculosis cases detected under DOTS (percent)	21	34	74	75	On Track
<b>Goal 7 : Ensure Environmental Sustainability</b>	<b>Goal will probably be met</b>				
<i>Target 9: Integrate the principles of sustainable development into country policies and reverse the loss of environmental resources</i>					
Productive forest area (%) (70 % tree density)	9	10	13	20	Needs attention
Consumption of ozone depleting CFCs (per capita tonnes)	195	0.0	128	0	Needs attention
Proportion of terrestrial and marine areas protected	1.6	--	1.7/0.5	5.0	Needs attention
CO2 emissions ( tonnes per capita)	0.1	0.2	0.3	...	Needs attention
<i>Target 10 : Halve, by 2015, the proportion of people without sustainable access to safe drinking water and sanitation</i>					
Proportion of urban population with access to safe drinking water	98.8	82.0	99.9	100	On Track
Proportion of rural population with access to safe drinking water	93.1	72.0	79	96.5	Needs attention
Proportion of urban population with access to sanitary latrines	56.2	56.0	88.0	85.5	On Track
Proportion of rural population with access to sanitary latrines	15.3	29.0	85.0	55.5	On Track
<i>Target 11: By 2020, have achieve a significant improvement in the lives of at least 100 million slum dwellers</i>					
Proportion of households with access to secure tenure	...	...	36.4	...	Insufficient data
<b>Goal 8: Develop a Global Partnership for Development</b>	<b>Goal will probably be met</b>				
<i>Target 12 : Develop and implement strategies for decent and productive work for youth</i>					
Youth unemployment rate (percent of total labor force ages 15 24)	2.9	8.0	13.4	...	Needs attention
<i>Target 13 : Make available the benefits of new technologies, especially information and communication</i>					
Fixed line and mobile telephones (per 100 people)	0.2	1.3	13.6	50	On Track
Internet users (per 100 people)		0.2	3.4	...	Insufficient data

*Source: UNDP 2009, Bangladesh Bureau of Statistics HIES 2010 and Bangladesh Planning Commission.*

## **Income Inequality and Regional Disparities**

While rapid growth has helped reduce poverty substantially, there are two negative developments associated with the growth process that need attention and better management. First, there is evidence of growth in income inequality. And second, evidence also suggests that there are significant regional disparities of growth and development outcomes.

There is considerable concern in Bangladesh about the growing income inequality. Results show that the distribution of income is much more unequal than the distribution of consumption. Income inequality as measured by the gini coefficient for the distribution of income rose substantially during the 1980s and the 1990s. During 2000 and 2005 the income

gini coefficient increased further from 0.451 to 0.467 due to an increase in rural income inequality. Thus, the rural income gini coefficient increased from 0.393 in 2000 to 0.428 in 2005. The urban income gini coefficient remained unchanged at 0.497. However, the latest data show that income gini coefficient at the national declined slightly to 0.458 in 2010 though it was still higher than the level in 2000. The urban income gini coefficient also declined to 0.452 and it was lower than the level in 2000. On the whole, income inequality is a serious problem in Bangladesh and reversing the trend in a sustainable manner will be a major challenge for the Sixth Plan.

Bangladesh development experience also shows considerable spatial differences. Broadly speaking, the Divisions of Barisal, Khulna and Rajshahi show higher poverty and lower income growth than the Divisions of Chittagong, Dhaka and Sylhet. Although international experiences suggest that divergences in spatial growth outcomes are inevitable in view of diverging initial conditions including human development, infrastructure, and geography, policy neglect has also contributed to spatial disparities in Bangladesh. Low growing regions also tend to have a higher incidence of poverty. So a meaningful poverty reduction strategy must also address the lagging regions problem.

#### **SIXTH PLAN CORE TARGETS IN THE CONTEXT OF VISION 2021**

Notwithstanding past progress with poverty reduction, the Government recognizes that Bangladesh is still a low income developing country. An estimated 47 million people are living below the poverty line. Most of the labor force is engaged in informal low productivity and low income jobs. The access to secondary and tertiary education is limited and the quality of education at all levels is deficient. The poor group in Bangladesh is severely disadvantaged in terms of ownership of assets and has inadequate access to institutional finance as well as to basic services including quality education, healthcare, water and sanitation. This group of people is also disproportionately affected by natural disasters and the adverse effects of climate change. Publicly supported mitigating measures in the form of social protection programs are inadequate.

In recognition of these substantial development challenges, recently the Government has embarked on a Perspective Plan covering 2010 to 2021 aimed at implementing Vision 2021. The key message of Vision 2021 and the associated Perspective Plan is summarized as follows. “The development perspective envisages to achieving, in the coming days, a prosperous progressive nation in which food and energy security shall prevail with drastic reduction of poverty and a low level of unemployment. The perspective also includes great strides in human development including health and nutrition, effective population control, progress in all levels of education, primary, secondary and tertiary in addition to commendable improvement in science and technology, along with great achievement in ICT. Infrastructure development will improve integrated multi-modal transport encompassing, railways, roads and inland water transport having connectivity with our neighbors. In other words, the development perspective implies the simultaneous fulfillment of economic and social rights of

the people alongside civil and political rights. For this to happen strong links between economic growth on the one hand, and expansion of employment opportunities, reduction of poverty, expansion of democracy and empowerment, consolidation of cultural identity and protection of environment with its freshness for the next generation on the other will be established” [page 1, Outline Perspective Plan of Bangladesh 2010 to 2021 (making vision 2021 a reality)].

The broad development goals underlying the Perspective Plan include:

- building a secular tolerant liberal progressive democratic state
- promoting good governance and curbing corruption
- promoting sustainable human development
- reducing the growth of population
- instituting a prudent macroeconomic policy mix
- promoting a favorable industrialization and trade policy regime
- addressing globalization and regional cooperation challenges
- ensuring adequate supply of electricity and fuel
- achieving food security
- making available adequate infrastructure
- pursuing environmental friendly development and
- building a digital Bangladesh

The Perspective Plan sets the strategic directions and provides a broad outline for the course of actions for making the Vision 2021 a reality. This broad framework leaves considerable latitude for the Sixth Five Year Plan (FY11-FY15) and the Seventh Five Year Plan (FY16-FY20) to work out operational details of how the country should move forward. Nevertheless, the objectives and targets of the two plans to be implemented [i.e. the Sixth Five Year Plan (FY11-FY15) and the Seventh Five Year Plan (FY16-FY20)] within the purview of the Perspective Plan period must be consistent with the visions, objectives, and targets contained in the Perspective Plan.

A number of core targets have been identified to monitor the progress of the Sixth Plan. These targets have been set according to the vision and objectives of the perspective plan as well as the goals of the Millennium Development Goals<sup>1</sup>. The achievement of these targets by the end of the Sixth Plan should likely put Bangladesh on course to realize most of the objectives of the Vision 2021 and MDG goals. These monitor able targets fall in seven broad categories: (i) Income and Poverty; (ii) Human Resource Development (iii) Water and Sanitation; (iv) Energy and Infrastructure, (v) Gender Equality and Empowerment; (vi) Environment Sustainability; and (vii) Information and Communications Technology (ICT). Brief descriptions of the targets under each of these broad categories are given below. Table 1.4 summarizes the targets for the Sixth Plan against targets of the ‘Vision 2021’ and the MDGs.

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<sup>1</sup> Unless otherwise indicated, all targets are for end of the Sixth Plan (2015).

## **I. Income and Poverty**

- Attaining average real GDP growth rate of 7.3% per year over the Plan period.
- Reduction in the head-count poverty ratio by about 10 percentage points.
- Creating good jobs for the large pool of under-employed and new labor force entrants by increasing the share of employment in the industrial sector from 17 percent to 25 percent.
- Increasing the contribution of factor productivity in economic growth to 10 percent.
- Overseas employment of skilled labour to be increased from 35% to 50%

## **II. Human Resource Development (Education, Health and Population)**

- Achieving 100 percent net enrollment rate for primary education.
- Increasing enrollment rate in 12th class to 60%.
- Percentage of cohort reaching grade 5 to be increased to 100 from current 55 percent.
- Under 5 mortality rate to be reduced to 50 per 1000 live birth.
- Infant Mortality Rate to be reduced to 31 per 1000 live birth.
- Maternal Mortality Ratio to be reduced to 143 per 100,000 live births.
- Immunization, measles (percent of children under 12 months) to be increased to 100 percent.
- Births attended by skilled health staff to be increased to 50 percent.
- Reduction of Total Fertility Rate to 2.2
- Increasing Contraceptive Prevalence Rate to 72 percent.

## **III. Water and Sanitation**

- Safe drinking water to be made available for all urban population.
- Proportion of rural population with access to safe drinking water to be increased to 96.5 percent.
- Proportion of urban population with access to sanitary latrines to be increased to 100 percent.
- Proportion of rural population with access to sanitary latrines to be raised to 90 percent.

## **IV. Energy and Infrastructure**

- Generation of electricity to be increased to 15,457 MW by FY15 such that the target of 20,000 MW electricity generated by FY21 is attained.

- Electricity coverage to be increased to 68 percent.
- To increase energy efficiency by 10%
- Improve railways and waterways as energy efficient multi-modal transport system to reduce carbon emission.
- Production of natural gas to reach about 4500 mmcf/d by December 2015
- Optimizing domestic production of primary energy resources including renewable energies.
- Expanding access of the poor to primary and secondary energy sources through affordable pricing and targeted distribution.
- Construction of 6.15km. long Padma Multipurpose Bridge at Mawa-Janjira;
- Construction of about 26 km. long Dhaka Elevated Expressway.

#### **V. Gender Equality and Empowerment**

- Female to male ratio in tertiary education to be raised from current 32 percent to 60 percent.
- The ratio of literate female to male for age group 20-24 to be raised to 100 percent from the current 85 percent.

#### **VI. Environmental Sustainability**

- Increase productive forest coverage by 2 percentage points.
- Improve air quality in Dhaka and other large cities and enacted Clean Air Act
- Treat all urban waste water by FY15 to clean river waters
- Promote Zero discharge of industrial effluents.
- Urban wetlands are restored and protected in line with Wetland Conservation Act
- At least 10% of the wetland in peak dry season is protected as aquatic sanctuary
- Jolmahal leasing system phased out in favour of pro-poor community based management
- Risk Atlas for at least 7 cities/towns developed by 2015.
- 500 meter wide permanent green belt established and protected along the coast
- Eco-tourism promoted at least in 15 protected areas and ECAs
- Comprehensive Marine Resources Management Plan developed
- Land zoning for sustainable land/water use completed.
- Environmental, Climate Change and disaster risk reduction considerations are integrated into project design, budgetary allocations and implementation process.
- Canals and natural water flows of Dhaka and other major cities restored.

## **VII. Information and Communications Technology (ICT)**

- Increase public spending on Research and Development to 1 percent of GDP by FY15 and 1.4 percent by FY 21.
- Establish compulsory ICT education at secondary level by FY13 and extend it to the primary level by FY21.
- Establish tele-centre /community e-centre with internet facilities at all union level.
- Establish computer laboratory at the primary government school with 5 computers per school.
- Introduce of E-governance at all executive levels of government and at all district level.
- Introduce electronic GD and FIR at all Police Stations in Dhaka.
- Raise telephone density to 70 percent.
- Expand Broad Band to 30 percent.
- Introduce Wireless Broad Band (Wi Max) across the country.
- Introduce digitalization of land records

These targets may appear ambitious but with concerted efforts they are achievable. The development experience of Bangladesh is a testimony to the dynamism and resilience of a young nation. Despite the massive development challenges and constraints that Bangladesh faced immediately after independence, the country has successfully pushed ahead with many aspects of the development agenda. Some of these remarkable achievements include:

- Reducing Total Fertility Rate from 7.0 in mid-1970s to 2.7 by 2007
- Increasing life expectancy from 46.2 years to 66.6 in 2007
- Increasing the rate of economic growth from an average rate of 4% in the 1970s to 6% in the 2000s
- Increasing the savings and investment rates from below 10 percent each in the 1970s to 24 percent (investment rate) and 30 percent (savings rate) in FY10
- Cutting the incidence of poverty by 60% between the mid 1970s and FY10
- Achieving gender parity in primary and secondary education
- More than tripling of the production of rice (from 10 million tonnes in FY73 to 32 million tonnes in FY10) thereby achieving near self-sufficiency in normal production years.

Admittedly, the future development challenges are more complex in terms of the governance and institutional development agenda. The extremely high population to land ratio is a major limiting factor. Additionally, the adverse effects of environmental degradation and climate change pose substantial downside risks. Similarly, the global recession and food and fuel price inflation present significant risks. Even so, with a dynamic population, strong political leadership and a commitment to addressing the underlying governance and institutional

development agenda, Bangladesh is well poised to push ahead with the implementation of Vision 2021.

## SIXTH FIVE YEAR PLAN STRATEGY

Table 1.4 summarizes the targets for the Sixth plan against targets of the ‘Vision 2021’ and the MDGs. At the operational level the fundamental task of the SFYP is to develop strategies, policies and institutions that allow Bangladesh to accelerate growth and reduce poverty. Poverty is still pervasive. In developing the strategy for higher growth, employment, and poverty reduction and the Sixth Plan will draw on the lessons of past experience. In particular it will draw on the experience of the Fifth Five Year Plan (FY97-FY02), where a number of initiatives were undertaken to raise the GDP growth rate, increase food production, initiate agriculture diversification and improve health and education service delivery (see Box 1.1)

**Acceleration of economic growth and employment:** An essential pre-requisite for rapid reduction of poverty is to attain high economic growth ensuring sustainable productive employment and incomes for large number of people of Bangladesh. Productive employment is the most potent means of reducing poverty. But this is not easily achieved. This requires strategies and actions on the demand side of the labor market (driven primarily by economic growth) as well as strategies and policies on the supply side (labor force growth and quality).

**Table 1.4: Sixth Five Year Plan (SFYP) Targets**

Targets	Current Situation (2005-2010)	Vision 2021	SFYP 2015	MDGs
<b>A. Production, Income Generation and Poverty</b>				
1. Real Income Growth (%)	6.1	10	8.0	
2. Head Count Poverty (%)	31.5	14	22	29
3. Industrial Sector Employment	17	30	25	
4. Contribution of Productivity to Economic Growth (%)	8	20	10	
5. Overseas employment of skilled labour (%)	35	20	50	
<b>B. Human Resource Development (Education, Health and Population)</b>				
6. Net Enrolment at Primary Level (%)	91		100	100
7. Enrollment Rate in 12 <sup>th</sup> Class (%)		100	60	
8. Percentage of cohort reaching grade 5 (%)	55		100	100
9. Total Fertility Rate Reduction	2.7	1.8	2.2	
10. Increase Contraceptive Prevalence Rate (%)	60	80	72	
11. Under 5 Mortality Rate (per 1000)	62		50	50
12. Immunization, measles (percent of children under 12 months)	87		100	100
13. Maternal Mortality Ratio (per 100,000 live births)	194		143	143
14. Births attended by skilled health staff (percent of total)	24		50	50
<b>C. Water and Sanitation</b>				
15. Proportion of urban population with access to safe drinking water	99.9	100	100	100
16. Proportion of rural population with access to safe drinking water	79	100	96.5	96.5
17. Proportion of urban population with access to sanitary latrines	88.0	100	100	85.5
18. Proportion of rural population with access to sanitary latrines	85.0	100	90	55.5
<b>D. Energy and Infrastructure</b>				
19. Electricity Generation (MW)	5803	20000	15457	
20. Electricity Coverage (%)	47	100	68	
<b>E. Gender Equality and Women Empowerment</b>				
21. Ratio of girls to boys in tertiary education (%)	32		60	100

Targets	Current Situation (2005-2010)	Vision 2021	SFYP 2015	MDGs
22. Ratio of literate females to males (percent of ages 20-24)	85		100	100
23. Female Overseas Employment Rate (%)	5%	20%	10%	
<b>F. Environment Sustainability</b>				
24. Productive Forest Coverage (%) (70% tree density)	13	20	15	20
<b>G. ICT</b>				
25. Research and Development Spending/GDP (%)	0.6	1.4	1	
26. Compulsory ICT Education (education level-class)		5	12	
27. Telecentre/Community e-centre with Inter-net facilities at unions (%)		100	100	
28. Computer laboratory at the primary government school		20	5	
29. Increase teledensity (%)		90	70	
30. Expansion of Broad Band Coverage (%)		40	30	

**Source:** Current situation data are obtained from various sources (i.e. *Perspective Plan, BBS, and the Planning Commission*). Targets for Vision 2021 are collected from the *Perspective Plan*. MDG Targets are provided by UNDP. Targets for Sixth Plan are estimates. The 10 percent GDP growth for 2021 refers to end of period.

### **Box 1.1: Achievements during Fifth Five Year Plan (1997-2002)**

The Fifth Five Year Plan combined sound economic management with solid social policies to secure good economic growth as well as important progress with broad-based participation and social justice. On the economic front emphasis was placed on sound macroeconomic management, trade liberalization, promotion of exports, incentives for private investment, agricultural diversification, water resource development, micro-credits and rural development. On the social front emphasis was placed on human development, disaster management and broad based participation.

The results were impressive. For the first time in the history of Bangladesh, the economy witnessed an average annual real GDP growth rate of 5 percent, which was higher than average GDP growth rates during any past plan period. Despite the devastating flood in 1998, the annual average growth in agriculture was 3.7 percent. The economy also experienced low inflation rate – annual average inflation rate was 4.5 percent. Formulation of an education policy was a significant achievement in the educational front. Emphasis was placed on bringing health care to the door steps of the citizens by making the Union Health and Family Welfare Centers (HFWC) as the focal points for mother and child health. One community clinic for every six thousand people was established at government initiative. Nuclear Medicine Centres (NMC) were established which are still providing low cost medical services to the poor and vulnerable patients. Withdrawal of taxes and duties on medical equipment encouraged setting up of clinics and hospitals in the private sector. By abolishing monopoly in the mobile telephone sector and making mobile phones available to everyone at low prices and increasing access to information technology by reducing import duties, the government made it possible for Bangladesh to enter the digital age. In power, a number of independent power producers were established under the private initiative. Most important among them were 360 MW Haripur power project and the Megnaghat 450 MW power plant constructed by the US Company AES and Pendekar Energy. Deregulation of transport sector contributed to the development of private sector led modern transportation system.

Important gains were made in putting Bangladesh on the global map. The treaty on the water sharing of the river Ganges, the peace accord in Chittagong Hill Tracts, recognition of 21st February as international mother language day, election to the UN Security Council, sub-regional cooperation through the formation of D-8, BIMSTEC and the Association for Asian Parliamentarian for Peace (AAPP) bestowed on Bangladesh a new position of prestige and importance in the global arena.

On the demand side, both the rate of economic growth and its composition will matter for job creation. Acceleration of the growth rate will require a substantial increase in the rate of investment from the present 24.4 percent of GDP level. Much of the higher investment will need to be deployed to reduce and eventually eliminate the infrastructure constraint (primarily power and transport) and to strengthen human development. A large part of the financing will come from the domestic public resource mobilization and from higher private savings,

including from remittances. Yet some critical level of financing from foreign sources that are strategic in nature and allow transfer of technology will be necessary.

Rapid economic growth, its composition and absorption of labor in high productivity, high income jobs are inter-linked. Low income elasticity of basic food items, land constraint and difficulties of penetrating the world agricultural export markets limit the ability of agriculture to grow at the same pace as manufacturing or services. Presently the average labor productivity and income in agriculture are also very low. Similarly a large part of the labor force is occupied in informal services with very low productivity and income. Accordingly, the economic growth process in the Sixth Plan needs to be appropriately balanced, thereby creating more employment opportunities in the manufacturing and organized service sectors and allowing a shifting of large number of workers engaged in low productive employment in agriculture and informal services to these higher productivity sectors of the economy.

Therefore, much of the high productivity, high income jobs will need to come from a labor-intensive manufacturing sector based on domestic and export markets and from organized services. Both large and small enterprises need to contribute to this growth. The role of small enterprises is particularly important to provide the employment base. The promotion of small enterprises in rural areas needs to be a major strategic element for creating higher income and employment in the rural economy, which is critical for sustained poverty reduction.

The dynamism in manufacturing sector will benefit from greater outward orientation. Bangladesh has witnessed this benefit from the highly positive experience of the ready-made garments (RMG) sector. Experiences from Korea, China, India, Thailand and Vietnam about the role of exports in manufacturing development are similarly positive. To increase the export potential as well as to diversify the export base, the Sixth Plan will seek to further reduce trade barriers within the context of the World Trade Organization (WTO) framework as well as seek more active cooperation with neighbors. Bangladesh will actively participate in concerned international and regional/sub-regional fora aimed at increasing Bangladesh's access to international export markets, easing and eventually eliminating any non-trade barriers to Bangladeshi exports, encourage investments, increase trade in services including energy, promote regional connectivity, and establish best possible economic relations with all strategic countries including neighbors.

The re-balancing of the growth and employment process must be accompanied by strategies to enhance the income-earning opportunities of workers remaining in agriculture by raising land productivity and increasing diversification of agriculture production. Agriculture diversification in both crop and non-crop sectors will help promote commercialization of agriculture and raise farm incomes. In sustaining this economic growth, pro-poor, environmental sustainable and climate change adaptive approach in whole of the development process must be considered.

Employment abroad and associated remittances have played a major development role in Bangladesh. This element of the employment strategy will be strengthened. In addition to pursuing the strategy to export low skilled manpower, the Sixth Plan would focus on export of well trained skilled and semi-skilled manpower to existing as well as new destinations.

**Benefiting from higher labor force growth (the demographic dividend) and ensuring labor quality:** Although Bangladesh is currently experiencing ‘demographic transition’ as a result of slower population growth, entry of young population in the labor force will continue due to demographic factors. This demographic dividend needs to be properly used through a well articulated human development strategy. The quality of labor force is weak due to low access and low quality of education. The Sixth Plan will seek to address these challenges by developing and implementing a well thought out education and training strategy. The strategy needs to be particularly sensitive to reduce the access gap of the poor, especially in the under-developed or lagging regions of the country. A significant part of the additional investment for higher growth will need to be deployed to the development of the labor force.

**Improving factor productivity through information technology:** Although factor accumulation (i.e. of labor and capital) would be the main source of economic growth in the Sixth Plan, strong efforts will be made to increase the contribution of total factor productivity in all areas of production including manufacturing, agriculture and services. Among the contributing policies is the introduction of appropriate information and communication technology (ICT). One of the central visions of the Perspective Plan is ‘Digital Bangladesh’ where it is conceived that through the successful implementation of the vision of the ICT policy and its principles it will be possible to build a ‘Digital Bangladesh’ by 2021.

**Reducing the growth of population:** In addition to the focus on economic growth and employment, strong attention needs to be given to reducing the growth of population. Notwithstanding past progress with the reduction of growth of population, Bangladesh is amongst the most densely populated country in the world. Renewed efforts must be placed to further slow down the growth of population. The population control strategy will emphasize girls’ education, female re-productive health, population control service delivery based on public-private partnership, and social mobilization.

**Ensuring food security:** The recent global food price inflation illustrates the critical importance of ensuring food security for a large poor country like Bangladesh. Past progress in rice production suggests that Bangladesh has the capacity to achieve food security efficiently through domestic production. Indeed, with proper incentives there is scope for food exports. The emphasis on productivity improvements will be particularly helpful in reconciling food security objectives with farmer incentives. In case of food production, climate change adaptation strategy in the agriculture sector will be prioritized to tackle the global food insecurity susceptibility due to climate change. The achievements of goals under the three dimensions of food security – availability, access and utilization, will be facilitated by the

implementation of the National Food Policy and its Plan of Action and the Country Investment Plan (CIP) 2010-2015.

**Addressing the land constraint:** Bangladesh is one of the most densely populated countries in the world. As a result, land has become the scarcest factor of production in Bangladesh. This is reflected in galloping land prices throughout the country but especially in the metropolitan cities. Future growth strategy must take this binding constraint into account in order to ensure its sustainability. Efforts to reduce the growth of population will help, but better management of land is of paramount importance for sustaining rapid GDP growth in Bangladesh. Sound land management also has a direct effect on people's welfare and poverty reduction. Landless farmers are amongst the poorest of the poor. Land is also essential for housing. The rapidly expanding slum population and rising land prices in urban areas are indications of increasing difficulties Bangladesh faces in providing people with proper shelter.

The main goal of the government's land use policy and management is to ensure best possible use of land resources and delivery of land related services to the people through modernized and efficient land administration for sustainable development with accelerated poverty reduction. The lack of coordination between different departments responsible for preparation and maintenance of Record of Rights often leads to confusion, conflicts and many instances of litigation causing suffering of the people especially the small and marginal farmers. To mitigate this problem, the Ministry of Land has already undertaken projects to conduct digital surveys and introduce e-governance. Land records will be computerized and land mutation will be made automatic. The Government intends to modify and simplify all land-related laws, which is expected to remove many of the land related disputes. A special committee will be set up to come up with recommendations in this regard. Planned use of land according to Land Zoning Maps prepared on the basis of present and potential land uses will be ensured through enforcement of the provisions of relevant laws. The provisions of the Town Improvement Act of 1953 will also be more strictly enforced. The Government will take up projects for the development of rural townships where specific areas are to be earmarked for housing, marketplaces, industries and infrastructure. Land acquisition act and policy would be rationalized along with a system of fair and equitable compensation for acquired land.

**Managing the spatial dimensions of growth:** Growth experiences in Bangladesh and elsewhere show both a tendency towards urbanization as well as uneven pattern of regional growth. The urbanization problem has become particularly acute in Bangladesh owing to the primacy of Dhaka. The unbalanced growth of Dhaka shows both a large concentration of wealth and income as well as unsustainable pressure on Dhaka's already fragile infrastructure. Concerning regional disparities, the divisions of Dhaka, Chittagong and Sylhet seem to do better in terms of both growth and poverty reduction as compared with Rajshahi, Khulna and Barisal. The Sixth Plan will make efforts to address both these spatial dimensions of growth. On the urbanization front the strategy will emphasize a more balanced growth of urban centers across the entire country through proper institutional reforms that involves the establishment of locally elected and accountable municipalities and city corporations. Property tax base will

be reformed to strengthen the financial autonomy of these entities along with block grants from the budget based on principles of equity and population. Special emphasis will be given to improving land administration and management to arrest the spiraling urban land prices that is becoming a binding constraint to the expansion of manufacturing and modern services as well as limiting the ability to provide affordable housing. Regarding regional disparities, the Plan would strive to address the lagging regions problems, especially focused on Khulna, Rajshahi, and Barisal Divisions, through a strategy that involves public expenditure in infrastructure and human development, by improving the access to financial services, by promoting international labor migration from these divisions, and by facilitating more trade and investment in the border districts with neighbors including India.

**Reducing income inequality:** Inequality emerges from a combination of greatly unequal distribution of physical assets as well as human capital. Lack of factor endowment such as land, capital, credit and skills has been preventing poor people in Bangladesh to participate in productive economic activities and has compelled them to remain in a disadvantageous situation. Opportunity to break the low factor endowment trap through utilizing essential public services (such as education, training, safe drinking water, sanitation and other health facilities) has not been effective due to poor people's limited access to those provisions. Access to these essential services for the majority of the population depends not only on their income levels but also on the quality and efficiency of the service delivery through the publicly funded and operated systems. Accordingly, the Sixth Plan's strategy to reduce income inequality will follow a two-prong strategy. First, it will include efforts to increase the access of the poor to assets and means of production. And second, it will strengthen the delivery of human development services to the poor.

The strategy for enhancing the poor group's factor endowment in the Sixth Plan will be focused on ensuring better access by the poor to irrigated water, fertilizer, electricity, rural roads and institutional finance. The government's public expenditure policies and programs and the financial sector strategies and policies will pay specific attention to implementing this strategy.

A substantial expansion as well as quality enhancement of the supply of essential human development services for the poor will be done over the Sixth Plan period. The strategy will include developing a system of accountability and transparency in the delivery of these essential services to ensure availability of appropriate staff and adequate services for the poor. The human development strategy of the Sixth Plan will focus on these aspects in the design of strategies, policies and programs.

**Ensuring social protection for the under-privileged population:** Even with higher growth, better jobs and better access to essential services, a part of the under-privileged population will likely be left out. Additionally, substantial risks are posed by natural disasters and climate change for this vulnerable population. To address this challenge, the Sixth Plan aims at significantly strengthening the social protection programs. The strategy will be to design and

implement a range of social protection programs that meets the needs of this under-privileged group. In this regard, existing programs will be reviewed and reformed to establish better targeting with a view to ensuring that all under-privileged groups including the disabled, the elderly, the tribal population, and children and women at risk are given priority in the distribution of benefits. Particular attention will be given to strengthening the underlying institutions.

**Ensuring Gender Parity:** The National Policy for Women's Advancement 2011 provides for the elimination of all forms of discrimination against women and ensure their rights and equal partnership in development. Accordingly, establishing equal opportunities for women in all sections of the society with an objective of integrating them into social and economic sphere is a major strategic element underlying the Sixth Plan. The Sixth Plan strategy embeds the critical role of women in nation building and thus ensures that their needs, rights, entitlements and contributions are appropriately reflected in the Plan document. The human development and social protection strategies underlying the Plan will place particular emphasis on gender aspects of development. It is also recognized that women are a heterogeneous groups such that their situations, deprivations, and needs vary according to their locations within various communities, religions, and regions. Thus, along with promoting rights and entitlements of women, Sixth plan envisages to cater to all these differential and specific requirements.

**Ensuring environmental sustainability:** A key element of the strategy of the Sixth Plan is a firm commitment to pursue an environmentally sustainable development process. Natural resources like land and water are limited and their per capita availability is diminishing due to rising population on the one hand and also due to excessive use of common pool resources on the other hand. Excessive and indiscriminate use of our natural common pool resources has degraded them to an unusable state. The degradation of natural resources reduces the well-being of people; especially the poor and women suffer more, as they depend much more on natural common property resources for fuel and water. Thus, the focus of the Sixth Plan's environmental protection strategy would be the conservation and maintenance of natural resources, reducing air and water pollution, and liberating encroached rivers, water bodies, forest areas and khas land.

Bangladesh is a victim of climate change caused by rapid urbanization, industrialization and economic development activities worldwide. The growing evidence on climate change suggests that Green House Gas (GHG) emissions, resulting from the cumulative action of developed and emerging economies would have serious deleterious effects in near future, unless effectively contained. It is predicted by international agencies that, Bangladesh will be adversely affected by climate change in the form of melting of Himalayan glaciers, global warming and rising sea level, intensified natural calamities, and greater water scarcity leading to loss of livelihood, rising unemployment and poverty. Furthermore, a rise in the sea level, leading to coastal submergence (i.e. 17 % of Bangladesh) would cause large-scale displacement of people. Therefore, effective steps must be explored and adopted in collaboration with the international community within the Sixth Plan period to mitigate the

adverse consequences of climate change. An acceptable and workable collaboration strategy must include fair and just burden sharing for mitigation as well as adaptation strategies across nations. All stakeholders' commitment for persistent improvement in pro-poor environmental resource management and climate change adaptation is a precondition for environmental sustainability.

**Improving governance:** Along with sound development strategy, good programs and good policies, the ability to implement the Plan and evaluate the results of the Plan are critical determinants of the success of the planning effort. Proper implementation of the Plan requires attention to good governance, public administration capacity and monitoring and evaluation. The challenge of ensuring good governance in Bangladesh is well known. Low public administration capacity, occasional weaknesses in economic management and persistent corruption lie at the heart of the overall shortcoming in national governance. As a result, the public sector has not been able to play as effective a role as could have been the case in providing services and creating an environment for growth.

The Government understands that without fundamental reforms of core institutions, improvement in public administration capacity and a strong anti-corruption strategy, the ability to implement Vision 2021 and the underlying five year development plans will be seriously compromised. Similarly, an effective Monitoring and Evaluation (M&E) system is essential to monitor the implementation of the plan and associated programs. Without a solid M&E capability, there is a risk that resources might get locked in over the medium-term into programs that are not working or relevant in the changing economic environment. A strong M&E capacity is therefore an urgent national priority. The Government also recognizes that these are long-term challenges and require long-term coordinated and sustained efforts.

Good governance and institutions are interlinked. Ensuring good governance requires establishing strong institutions. For the Sixth Plan the governance improvement strategy will consist of focus on a number of key areas that require immediate attention and strengthening of a number of core institutions.

- First, efforts will continue to ensuring equality of opportunity and full mobility for all with freedom and dignity, and without religious, social or political barriers. The equal opportunity vision should also be accompanied by vast improvements in the opportunities for economic and social advancement. More specifically, individuals belonging to disadvantaged groups such as minorities and women will be provided with special opportunities to develop their skills and integrate themselves in the growth process.
- Second, good governance requires not only rule of law but also harmony and consistency of the laws. Good laws are a sine qua non of the rule of law. Review of the laws and their proper implementation will be considered as a subject matter of priority. The capacities and efficiency of the law enforcing agencies and the judiciary will be strengthened.

- Third, to provide better and speedier service and to improve the transparency and accountability of public service agencies, priority will be given to the implementation of e-governance through the implementation of the Digital Bangladesh initiative.
- Attention will be focused on developing and strengthening a number of core public institutions including the Central Bank, the Ministry of Finance, the Tax Department, the Planning Commission, Audits and Accounts, the parliamentary sub-committees, land administration, and the public utilities.
- Emphasis will be given to improving service delivery in basic services such as education, health, nutrition and water supply.
- Steps will be taken to strengthen public administrative capacity by reforming the civil service.
- Emphasis will be placed in developing capacities of local governments to play their development role in terms of delivery of basic services.
- Efforts will be made to implement the medium-term budgetary framework in all line ministries and to institute and implement an effective results-based Monitoring and Evaluation (M&E) system for public programs.
- All efforts will be made to reduce corruption in public services and take appropriate actions when corruption happens in an open and transparent manner.

**Enhancing administrative capacity:** The Government recognizes that administrative capacity is a serious constraint to the efficient delivery of basic services. Accordingly, several areas of intervention will be made to enhance capacity and bring efficiency, transparency and accountability in public service management. The Sixth Plan's strategy for public administration capacity development and efficiency improvement consists of four pillars: strengthening the civil service; promoting devolution to local governments; strengthening public-private partnerships; and strengthening planning and budgetary processes.

**Strengthening the civil service:** The strategy is to develop a long-term program for rebuilding the civil service with emphasis on quality, performance and accountability. International experience suggests that one size fit all strategy for reforming the civil service does not work. The system must evolve from home grown experiences from within Bangladesh about what works and what does not. The basic features of the reform strategy includes merit-based recruitment and promotion; strong training; ensuring a proper incentive and work environment; establishing and enforcing clear rules of business and codes of conduct; and seeking feedback on performance through a citizen's charter.

**Establishing strong local governments:** The strengthening of local governments is a key institutional development challenge for Bangladesh. International evidence suggests that properly instituted and accountable local governments can play a major role in spreading the

benefits of development. While the lessons of experience from other countries can play an important role in helping the design and implementation of a proper system of local government, successful local governments must be based on the realities of the underlying political, social, administrative and economic realities of Bangladesh. The Government is committed to instituting an effective and accountable local government to help implement Vision 2021 and the programs of associated development plans.

**Strengthening Public Private Partnerships (PPP):** The Government recognizes that strong public private partnerships can play a catalytic role in mobilizing additional resources as well as creating additional capacity and help for implementing public programs. Accordingly, the Government has put emphasis on PPP to ensure expeditious development of infrastructure and utility services by attracting local and foreign investment and improving the expertise and technology. Through a well-defined policy framework, private initiatives would be encouraged to promote quality service delivery in the area of essential economic infrastructure. The Government is keen to encourage private investments in energy and power, roads, waterways, railways, ports, water and sanitation, telecommunications/ICT, housing and tourism. The Government will also consider expanding the scope of PPP further in the social sector. The positive experience of collaboration with NGOs in the delivery of basic education, health and population management services will be further enhanced.

**Improving the planning and budgetary processes:** In an environment of weak administrative capacity and limited budgetary resources, efficient planning and budgetary systems can play an important role in helping improve the efficiency of public spending. The Government has been taking a number of steps to improve planning and budgetary processes. One major initiative is the implementation of a move away from the traditional incremental budgeting towards a medium term budget framework (MTBF) process. The MTBF is intended to support the implementation of development plans by (i) ensuring that the government's fiscal management contributes to macroeconomic stability and supports an enabling environment for economic growth and poverty reduction; and (ii) adequate public resources are allocated through a more strategic and policy-led budget planning process directed towards priority programs identified in the context of the approved medium-term development plan. A second initiative is to move away from the traditional public-investment focused plans to more strategic and indicative planning that puts emphasis on strategies, programs and policies for the entire economy. A third initiative is to link better the medium-term development plans to the MTBF process by making the plan a living document with annual review of performance.

The Sixth Plan will further improve the planning and budgetary processes by building on the above initiatives. Specifically, following actions will be taken:

- The Sixth Five Year Plan already makes a fundamental shift in the planning process by moving towards an indicative plan and focusing much more deeply on growth, employment and poverty reduction strategies, policies and programs. This indicative plan

will serve as a living document through instituting a system of annual review of development performance and plan implementation. The performance review will focus on implementation of strategies and policies and look at broad economy-wide and sectoral outcomes rather than simply at financial progress of publicly funded investment projects. The results of the annual reviews will be shared with the cabinet and used to determine changes in plan goals, targets, strategies and policies as necessary in light of the changing global and local economy and the results of the plan implementation.

- The capacities of line ministries will be substantially strengthened to do proper planning and budgeting in the context of the implementation of the MTBF. Line ministries will need to ensure that proposed projects and programs are consistent with the objectives and framework of the Sixth Plan.
- Project approval process will be strengthened and streamlined to reduce delays and proliferation of tiny projects.
- Project approval at the Planning Commission level will be substantially strengthened. All projects that go to the Planning Commission must provide a proper appraisal report along with sound analysis that shows the consistency and relevance of the project to sectoral/economy-wide objectives, strategies and policies. The appraisal report will do proper economic and financial analysis of the proposed project, do gender and environmental analysis as relevant, and show an implementation plan while providing clear evidence of implementation capacity.
- Proliferation of projects and long implementation lags are a perennial problem. The Sixth Plan will seek to break this logjam by doing a proper review of all approved and active projects in the pipeline in cooperation with the line Ministries. The review of this portfolio stock will seek to clean out dormant or irrelevant projects and help line ministries close the projects that are facing implementation problems through restructuring or through other relevant interventions. The results of this exercise will be shared with the cabinet for endorsement and approval.
- The technical capacities of the Ministry of Finance and the Planning Commission will be substantially strengthened through proper staffing and training to ensure the timely implementation of the Sixth Plan and the MTBF. All efforts will be made to strengthen coordination between these two core ministries with a view to avoiding duplication, overlap and delays.

**Establishing a results-based Monitoring and Evaluation (M&E) system:** The proper implementation of the Plan will require careful monitoring and evaluation of the underlying policies and programs. In the past the focus has been on monitoring public spending in terms of achieving financial targets. In the Sixth Plan the emphasis will shift to the monitoring of results. To achieve this, the capacities of the Planning Commission and the line ministries to

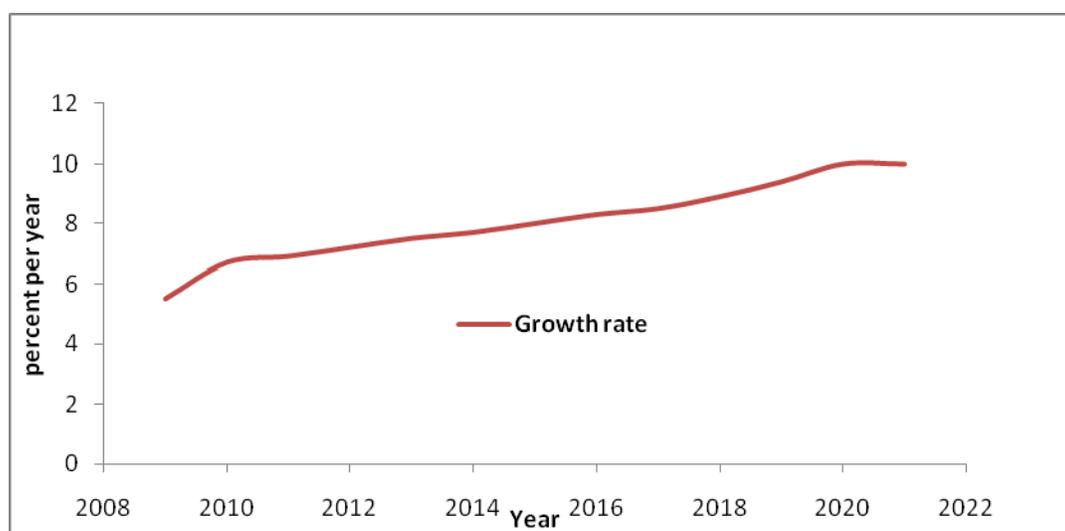
undertake results-based M&E will be strengthened. This will entail adopting proper M&E Frameworks, improving the database, and strengthening technical skills. This Framework will be monitored by GED under the guidance of the Minister for Planning. The findings will be properly disseminated to all stakeholders to ensure the usefulness of this endeavor.

# CHAPTER 2: GROWTH AND EMPLOYMENT STRATEGIES

## OVERVIEW

Vision 2021 aspires for Bangladesh to attain a Middle Income Country (MIC) status by FY21. To achieve this it sets a growth target that rises from 6.1 percent annual growth in FY10 to 8 percent per annum in FY15 and 10 percent in FY21. A possible growth trajectory that is consistent with this target is illustrated in Figure 2.1.

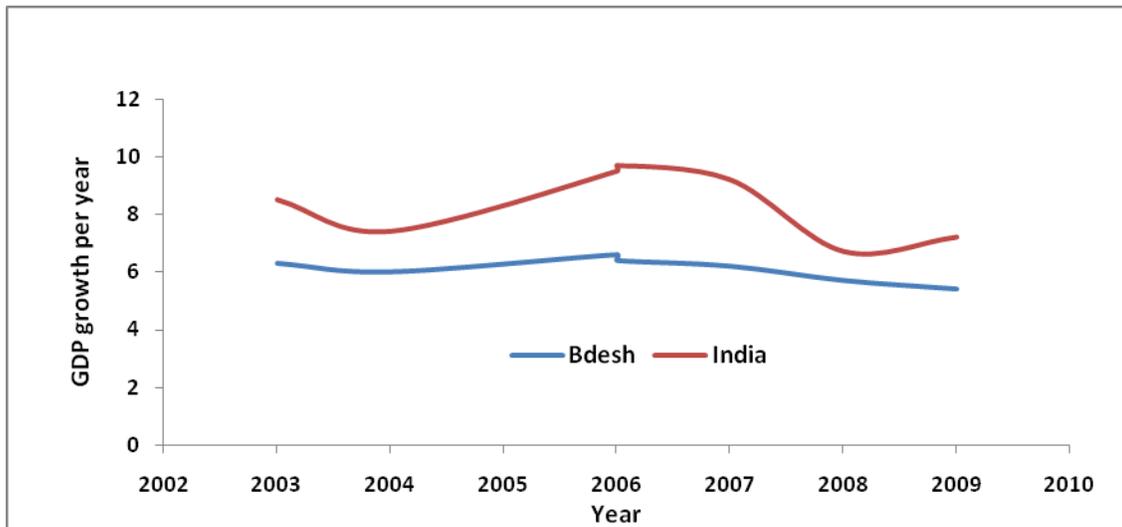
**Figure 2.1: Illustrative Growth Path for Vision 2021**



*Source: Sixth Plan Illustrative Projections*

Although international experience suggests that growth does not necessarily follow a smooth upward trajectory, this is consistent with the Bangladesh experience so far. Bangladesh experienced low volatility of growth over the 15 year period FY91-FY06. More recently the growth path in Bangladesh shows a remarkable degree of stability despite the onslaughts of the global food and fuel crisis and the global recession. Figure 2.2 demonstrates another major point. Aspiring to achieve a 10 percent growth target is not a pipe dream. India nearly reached that target for an average of 3 years (9.7 average rate of growth over FY06-FY08) only to be restrained briefly by the global recession. In the 1960s and the 1970s, slow growing India's 3 percent average growth rate was the subject of ridicule by its own professionals. Yet, with deft economic management and far-reaching market oriented reforms India came close to achieving the 10 percent growth target.

**Figure 2.2: Recent Growth Paths in Bangladesh and India, FY3–FY09**



*Source: Government of India, 2010 and Government of Bangladesh 2010*

## LESSONS OF PAST GROWTH EXPERIENCE

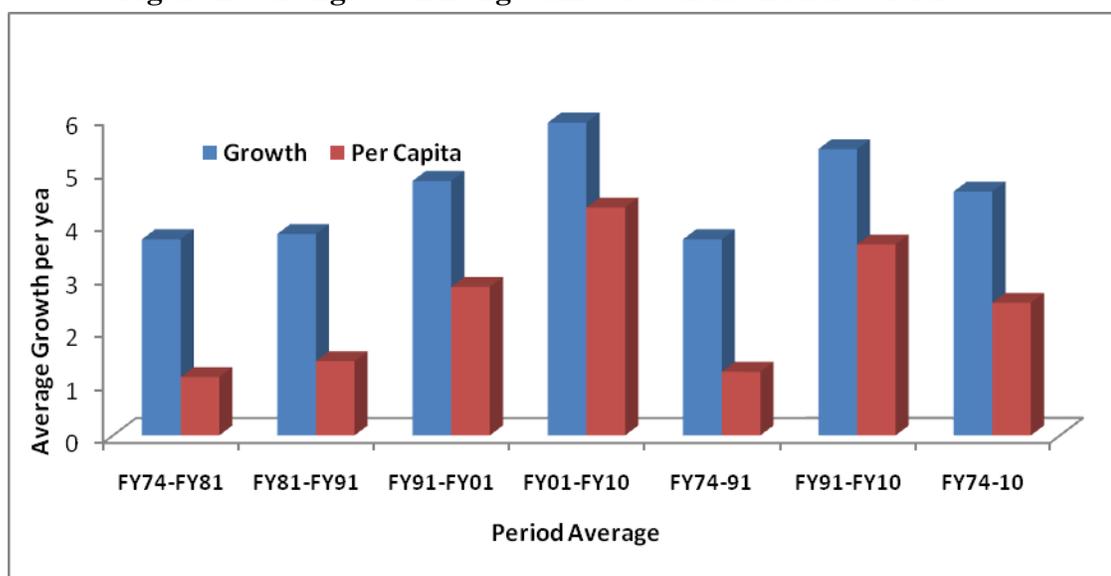
A review of Bangladesh's past growth experience tells a remarkably encouraging story. In 1972, in the aftermath of the devastation that happened during the war of liberation, the economy lay in shambles. Rough estimates put Bangladesh's per capita GDP at around US\$110. The physical infrastructure was all but destroyed. The economic and financial structure was similarly disarranged. Unfavorable external environment characterized by the first oil price shock, very high global commodity prices, and low external reserve cushion also accentuated greatly the already difficult economic situation. A sequence of floods and natural disasters in the early 1970s made matters worse.

At the close of the 1970s decade, widespread poverty and poor economic outcomes continued to haunt policymakers. Soon it became clear that the course of economic management based on state ownership and control during the 1970s was unsustainable and Bangladesh gradually changed gear to a market-oriented economy with proper government interventions to protect social interests and provide an equitable social environment. This basic change in philosophy has prevailed ever since, with various fine tuning in terms of growth orientation versus social justice. One remarkable feature is that no government has denied the importance of growth for poverty reduction, but differences have prevailed about the relative roles of public and private sectors and the relative emphasis between agriculture versus manufacturing.

The long-term trend in GDP and per capita growth rates by decades is shown in Figure 2.3. A few striking results stand out. First Bangladesh has continued to improve its rate of growth steadily over the past 40 years after independence. Second, one can discern two distinct growth phases. In phase 1 (FY74-FY91), the growth rate expansion was subdued, below 4 percent per annum in aggregate terms and only 1.2 percent in per capita terms. The growth rate

expanded significantly in Phase 2 (FY91-FY10), shooting up to over 5 percent per annum on a 10 year average, but importantly exceeding the 6 percent mark for a number of years during FY01-FY10. The expansion of growth did face a break in the wake of the global food, fuel and financial crisis of 2008-10, but this slowdown was fairly moderate by global standards and speaks well of the cautious macroeconomic management by policymakers over a long period. The rising trend of long-term growth gives comfort that even higher growth is possible provided policy reforms further strengthen the determinants of past growth.

**Figure 2.3: Bangladesh Long-term Growth Trend FY74-FY10**

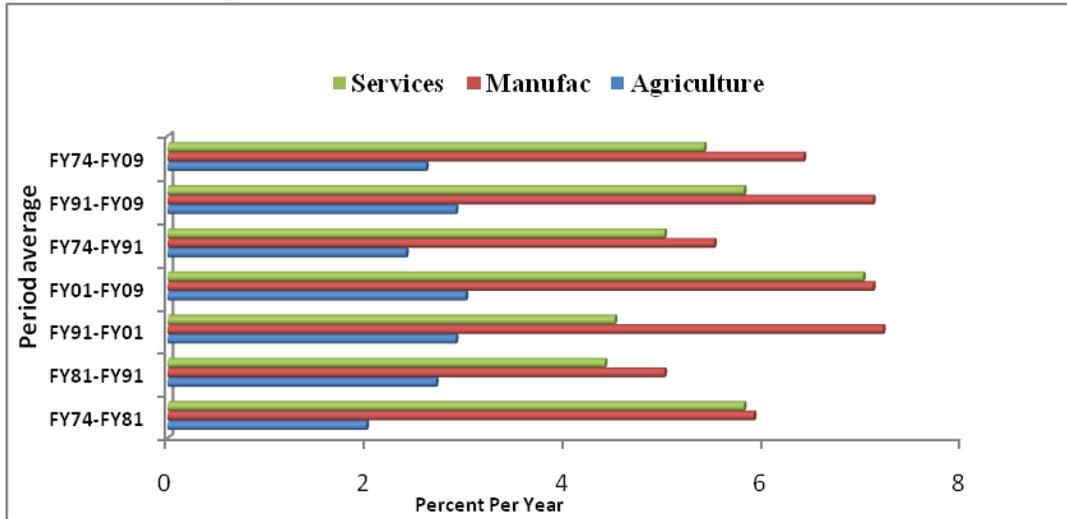


*Source: Bangladesh Bureau of Statistics.*

In order to understand the determinants of growth it is helpful to look at the sectoral composition of growth and ask how much structural change has happened in the Bangladeshi economy relative to international experience. It is now well recognized that the growth dynamism is largely provided by modern manufacturing and services sectors. This transformation of a peasant agrarian economy to an organized manufacturing and services economy also provides the employment base for absorbing a growing labor force into productive and well paid jobs (“good jobs”). Indeed much of the gain in average national productivity comes from the conversion of labor from low skills, low return employment in agriculture and informal services to modern manufacturing and organized services.

Figure 2.4 shows the relative growth rates of the three major sectors. Over the longer term agriculture grew below 3 percent on average. Manufacturing and services both grew faster than overall GDP. On the whole, manufacturing grew the fastest (6.4 percent per year) while services sector grew at (5.4 percent annually). These relative performance ranking did not change between Phase 1 and Phase 2. Instead all sectors including agriculture grew faster in Phase 2 relative to Phase 1.

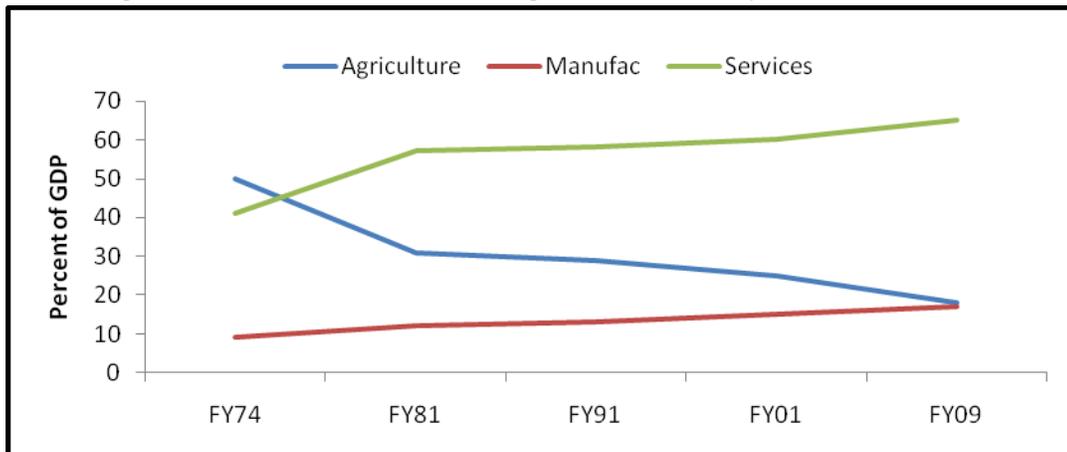
Figure 2.4: Sectoral Growth Rates FY74-FY09



Source: Bangladesh Bureau of Statistics and Worlds Bank World Development Reports

While the variable sectoral growth performance influenced the sectoral composition of GDP, the relative weights of the changes were heavily influenced by the initial starting point (Figure 2.5). So, despite the stronger growth performance of the manufacturing sector, the relative share of manufacturing in GDP did not improve substantially, mainly reflecting the low initial base. On the other hand, services sector gained share both due to a good growth performance but also because of higher initial weight in the composition of GDP.

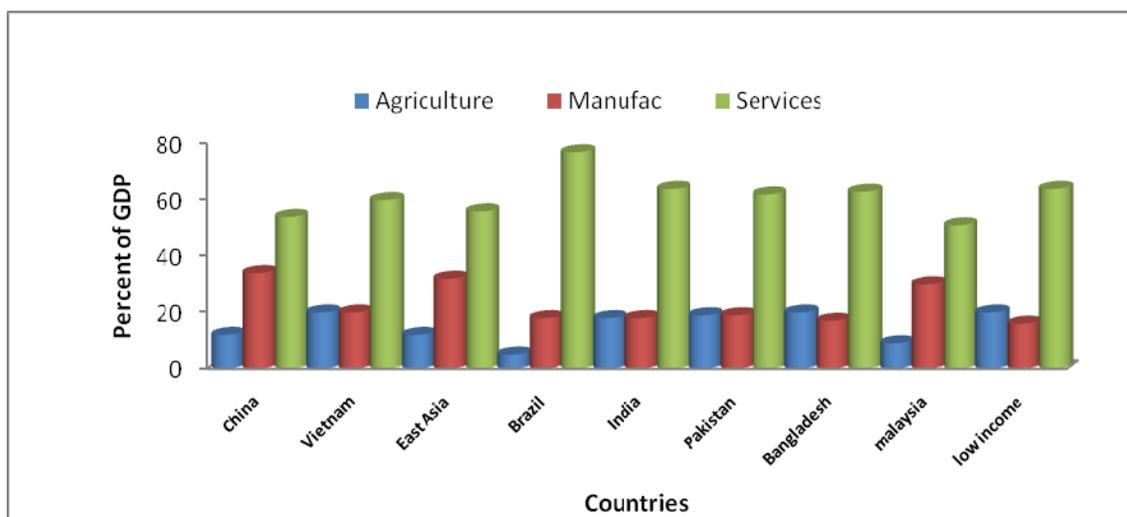
Figure 2.5: Structure of the Bangladesh Economy, FY74-FY09



Source: Bangladesh Bureau of Statistics

In contrast, the slow growing agriculture substantially lost ground due to low growth and also owing to its heavy initial weight. The resultant economic transformation however is much smaller than the transformation achieved by the dynamic East Asian economies (Figure 2.6).

**Figure 2.6: International Comparison Structure of Economy, 2006**



*Source: World Development Report 2008*

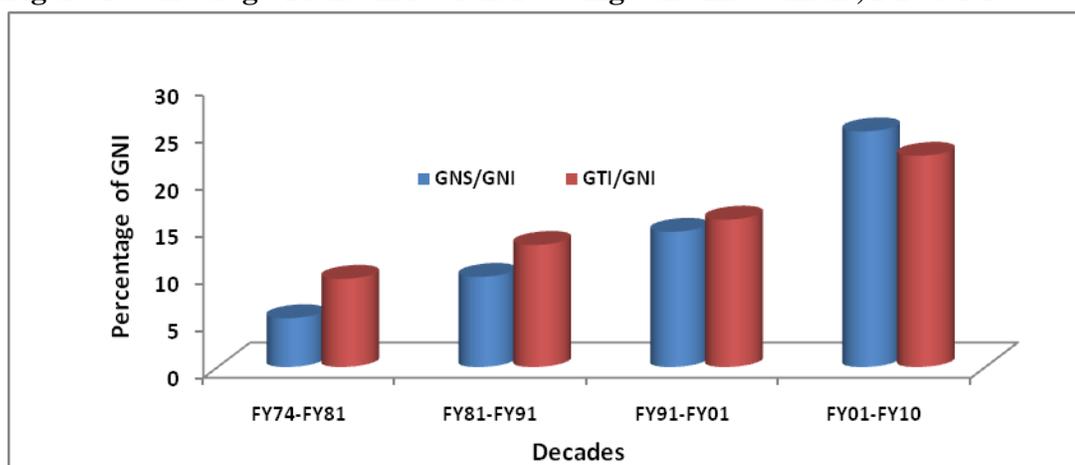
The results of Figure 2.6 need to be analyzed with some care. The services sector combines both formal and informal services. It is well known that in countries like Bangladesh and Pakistan, the share of informal services sector is very high. For example in Bangladesh, it accounts for some 88 percent of all services. The share of informal services in the economies of East Asia, China, Malaysia, Brazil and even India are far lower. The large share of informal services in Bangladesh suggests that the observed high growth in services needs to be interpreted with caution as this may reflect the effect of migration of low productivity agriculture workers to low productivity services. With this caveat, the structure of the Bangladeshi economy resembles strikingly with that of average lower income economies. This is hardly surprising. Bangladesh, like other low income economies is yet to make the transition to a modern manufacturing and services oriented economy. The manufacturing share of China, Malaysia and East Asia on average is over 30 percent as compared with a low 18 percent in Bangladesh. Pakistan's share is slightly higher at 19 percent, but like Bangladesh remains a low industrialized economy. The cases of India and Brazil, which also exhibit low share of manufacturing require a bit of explanation. Brazil, with a per capita income of \$ 4710 in 2009 is in a different league and is already fairly well industrialized with organized services providing the high income jobs and linked to serving the manufacturing sector. India similarly is fairly well industrialized and its lower share is a reflection of the much faster expansion of export oriented modern services such as Information Technology.

Despite these shortcomings of the transformation of the production structure, Bangladesh achieved a per capita income of \$750 in current prices in FY10 as compared with only \$80 in FY72. Importantly, Bangladesh is nearly self-sufficient in rice production, a seemingly impossible dream in 1972. In this regard, notwithstanding the low growth rate of value-added, the good performance of the rice economy has been a watermark of the Bangladeshi economy.

What are the factors that allowed Bangladesh to achieve this growth success? In the first phase, growth relied much more heavily on nationalized production, state interventions in

terms of licensing and price controls, heavy trade protection and subsidies. Reforms were partial and hesitant. In phase 2, since 1990, the incentive regime in Bangladesh changed rapidly. Private sector production and investment and exports supported by inflow of remittances were the main drivers of growth. Remittances in particular spurred the expansion of construction, especially housing, and other service-oriented commercial enterprises. Reforms of banking opened new opportunities for financing. A stream of trade liberalization and supply of mainly female low cost labor spurred investment in export enterprises, of which readymade garments is a shining example. About 80 per cent of workers employed in this industry are women who came mainly from the rural areas of Bangladesh.

**Figure 2.7: Average Trend in National Savings and Investment, FY74-FY09**



*Source: Bangladesh Bureau of Statistics and World Bank*

However, in both phases growth was largely fueled by the expansion of investment, mostly from the private sector, and financed by national saving (Figure 2.7) and by an expanding labor force, particularly expanding women labor force. Contribution of total factor productivity – usually spurred by combination of technology with labor and capital -- was very limited. This is in sharp contrast to the experience in India where total factor productivity played a major role in spurring rapid growth. While the domestic saving rate has been on a rising trend, the rapid growth in the national saving rate since 2000 has been fueled by the huge expansion in remittances. Indeed, this has posed a challenge and also an opportunity for macroeconomic management because the national saving rate is now higher than the national investment rate, which is something unusual for a low income economy like Bangladesh.

***Employment Effects of Growth: A less Comfortable Story***

While there is much to celebrate the growth experience, the employment results are not that great. It is unfortunate that good data on labor market and job creation are scarce. Limited data available from the Labor Force Surveys (LFS) and the Census data and reports compiled by the Bangladesh Bureau of Statistics are inadequate, and often inconsistent and non-comparable over time. Recent research that seeks to reconcile the various inconsistencies in data suggests

that the employment picture is rather discouraging. The main results are summarized in Tables 2.1-2.3.

On the positive side, the two encouraging results are first that Bangladesh is benefiting from a growing labor force owing to the demographic transition. Thus, the share of working population (ages 15-64) has been steadily rising from 40 percent in 1970 to 62 percent in 2009. Secondly, there is also a growing labor force participation rate, especially owing to the increased participation rate by female working population.

On the negative side, the first striking finding is that only 22 percent of the employed labor force is engaged in the formal sector (defined as manufacturing sector plus organized services). Thus, some 11 percent of employed labor is in manufacturing and another 11 percent is in organized services. The remaining bulk (78 percent) is still engaged in informal activities. A second striking result is that the responsiveness of employment to growth in manufacturing is rather low (measured by employment elasticity). Thus, between FY81 and FY10 value added in manufacturing grew by 6.4 percent annually whereas employment increased by 3.9 percent, suggesting a long term manufacturing employment elasticity of 0.61 which is rather low. While this is an improvement over the early 1970s, when only 15 percent of the labor force was in the formal sector (8 percent in manufacturing and 7 percent in formal services), the weak progress in transforming the labor market after about 40 years of independence is an indication of a major weakness in the Bangladesh development strategy that needs to be corrected.

Since informal activities mostly involve low levels of productivity and low earnings, these are not very good jobs. The average productivity in agriculture is much lower than in manufacturing or services. Agriculture's GDP share has fallen drastically since independence, from over 55 percent in FY76 to 32 percent in FY81 to 19 percent in FY10, but its employment share has not fallen by as much and it continues to employ some 48 percent of the labor force. As a result, the average labor productivity has not increased much--by only 0.9 percent between FY81 and FY10. As compared to this, average productivity in manufacturing has grown by 2.9 percent and in services it has expanded by 1.1 percent. Since the services category is an aggregation of both formal and informal services, the average productivity and its growth are constrained by the large share of informal activities as much as 82 percent.

**Table 2.1: Basic Labor Force and Employment (in millions)**

Period	Population	Labor Force <sup>2</sup>	Employment	Pop gr. rate (%)	LF gr. rate (%)	Employment gr. rate (%)
1974	71.5	19.7	19.4			
1981	87.1	23.3	23.0	2.35	2.4	2.5
1984	94.0	25.7	25.2		3.3	3.1
1985	96.4	26.6	26.1		3.5	3.6
1986	98.8	27.8	27.4		4.5	5.0
1989	106.4	30.0	29.5		2.6	2.5
1991	111.5	32.3	31.7	2.17	3.8	3.7
1996	122.1	36.1	34.8		2.2	1.9
2000	128.3	40.7	39.0		3.0	2.9
2001	130.5			1.59		
2003	134.8	46.3	44.3		4.3	4.3
2006	140.6	49.5	47.4		2.3	2.3
2009 <sup>3</sup>	146.7	54.4	51.9		3.2	3.1

Source: Bangladesh Bureau of Statistics, Labor Force Surveys

**Table 2.2: Labor Force Participation Rate by Gender (%)**

Period	National	Male	Female
1974	43.8	80.4	4.1
1981	44.3		4.3
1984	43.9	78.5	8.0
1985	43.9	78.2	8.2
1986	46.5	81.4	9.9
1989	47.0		
1991	48.8		
1996	52.0	87.0	15.8
2000	54.9	84.0	23.9
2001			
2003	57.3	87.4	26.1
2006	58.5	86.8	29.2

Source: Bangladesh Bureau of Statistics, Labor Force Surveys

<sup>2</sup> Labor force defined as 15+ age group.

<sup>3</sup> Data for 2009 are projected.

**Table 2.3: Sectoral Distribution of Employment (%)**

Period	Agriculture <sup>4</sup>	Industry <sup>5</sup>	Services	Total
1974	78.0	8.0	14.0	100.0
1981	61.0	8.7	30.3	100.0
1984	58.7	9.0	32.3	100.0
1985	57.8	9.4	32.8	100.0
1986	57.2	10.1	32.7	100.0
1989	56.6	10.1	33.3	100.0
1991	53.0	10.0	37.0	100.0
1996	48.8	10.1	41.1	100.0
2000	50.8	9.9	39.3	100.0
2001	51.0	10.0	39.0	100.0
2003	51.8	10.0	38.2	100.0
2006	48.1	11.1	40.8	100.0

*Source: Bangladesh Bureau of Statistics, Labor Force Surveys.*

Low initial average labor productivity in agriculture, estimated at about only 48 percent (FY06) of the average productivity in manufacturing in FY81, combined with sharply lower productivity growth in agriculture has further widened the productivity gap between agriculture and manufacturing. Thus in FY10, the average labor productivity in agriculture fell to only 27 percent of that in manufacturing. Agriculture's productivity gap with services is similarly large, despite the dominance of the informal services component.

Wages data show the differences in sectoral productivity. Agricultural real wages grew by only 0.3 percent annually between 1980 and 2009 as compared with 2.6 percent in manufacturing and 0.6 percent in services. The gap between the average real wages in manufacturing and agriculture also reflects the productivity gap.

The weak employment experience is linked with the growth experience and sectoral transformation illustrated in Figures 3.4-3.6 above. The main reason why good jobs have not grown much in Bangladesh is because of the low shares of manufacturing and organized services in GDP. Furthermore, even the limited growth of manufacturing has not yielded commensurate opportunities for the creation of good jobs. A range of policy and institutional constraints restrained the faster expansion of manufacturing sector and job creation. These include weak infrastructure, lack of long-term institutional financing, protective trade policies that create an anti-export bias, tax policies that bias private investment in favor of real estate and speculative stock market activities as opposed to investment in manufacturing and infrastructure, weak technological progress due to lack of foreign investment as well as inadequate information technology (IT sector) and inadequate labor skills.

Combining the growth experience with the employment experience provides a simple but powerful answer to addressing Bangladesh's growth and employment challenges. A faster rate

<sup>4</sup> 1974, 1981 and 1991 data are from Bangladesh Bureau of Statistics, Census. Other data are from Bangladesh Bureau of Statistics Labor Force Surveys.

<sup>5</sup> Includes mining and quarrying, utilities and construction.

of GDP growth will require commensurate increases in the average labor productivity. Finding more productive and better paying job will require a faster expansion in high productivity, high earning sectors. The two can be reconciled by finding ways to create more jobs in manufacturing and organized services. International experience shows that high paying jobs are best created in manufacturing and formal services. Bangladesh is no exception. Other South Asian countries are striving to go through a similar transformation with varying degrees of success. However, India, Pakistan, and Sri Lanka have done better in increasing both the share of manufacturing in GDP as well as its share of employment. They also are higher per capita income countries.

## **SFYP STRATEGY FOR HIGHER GROWTH AND CREATING GOOD JOBS**

### **Sixth Five Year Plan (SFYP) Targets**

As noted earlier, Vision 2021 seeks to help Bangladesh attain middle income status by 2021. It accordingly sets targets of reaching 8% growth by FY15 (end of the SFYP) and 10% by FY21. The associated structural change targets are to increase the industrial sector's GDP share from 30 percent in FY10 to 40 percent by FY21 and its employment share to expand from 14 percent to 25 percent over the same period<sup>6</sup>. The implied targets for the SFYP are:

- Achieve an average GDP growth of 7.3 percent per year over the Plan period
- Raise the share of manufacturing sector in GDP to over 20 percent by FY15
- Increase the employment share of manufacturing sector to 15 percent by FY15

The annual growth and employment projections and their sectoral composition are discussed in detail in Chapter 3 dealing with the macroeconomic framework of the Sixth Plan. The main strategic implications of these targets are that much of the additional growth will come from the manufacturing sector (which is the dominant industrial activity) along with commensurate productivity increases in agriculture, manufacturing and services. Within services, the structure will change with an increase in the share of formal services. As noted earlier, the employment challenge in Bangladesh is to create high productivity, high earnings good jobs. This calls for changing the structure of employment by withdrawing labor from low productivity agriculture and informal jobs (also known as disguised unemployment) to higher productivity jobs in manufacturing and formal services. This is admittedly a long-term process, but the SFYP will make concerted efforts to bring about this change in the structure of growth and employment.

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<sup>6</sup>The industrial sector is defined by the Bangladesh Bureau of Statistics to include construction. Under this definition manufacturing accounts for 70 percent of industrial GDP and 80 percent of employment.

## **SFYP Growth and Employment Strategy**

The growth and employment experience of Bangladesh and related international experiences have a number of important lessons that would guide the formulation of these strategies to realize the targets for vision 2021 and the Sixth Plan. The important lessons are:

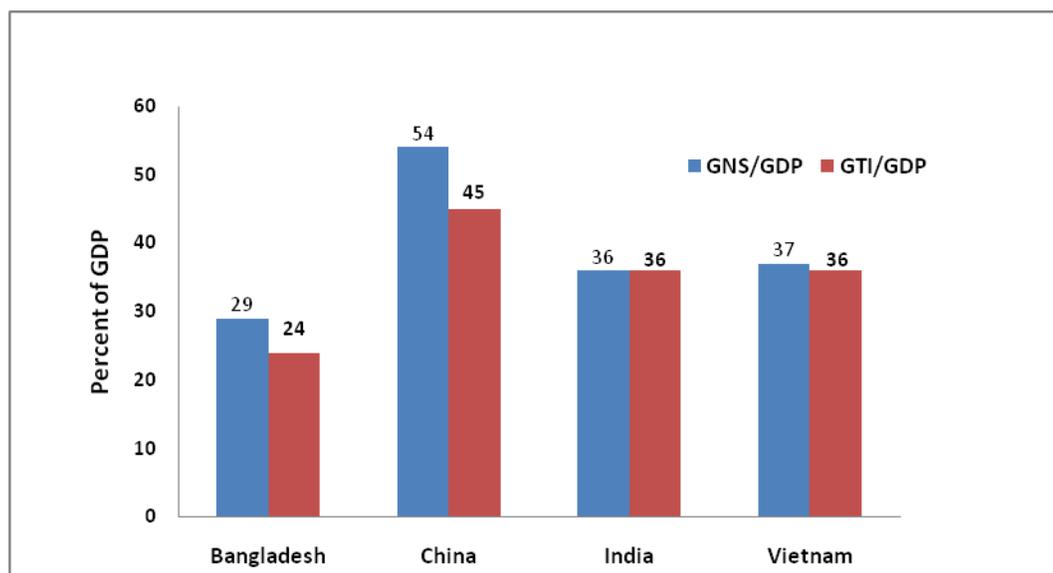
- The rising growth rate in Bangladesh has been underpinned by growing rates of national savings and investment. Further increases in the pace of growth will require additional investment and savings.
- Higher growth in Bangladesh has benefitted from a rising labor force both due to the demographic transition of a higher share of working population and an increasing labor force participation rate of the female labor. Encouraging higher female participation in labor force and enabling them to undertake gainful jobs and stay in the labor market will contribute to higher growth.
- While higher growth rate will require higher rates of investment, growth could also benefit from improvements in total factor productivity. The productivity of both labor and capital can be raised through a proper mix of policy and institutional reforms.
- The sectoral composition of growth has to change in favor of a much higher share of modern manufacturing and organized services to create a more rapid expansion of good jobs.
- The employment responsiveness of growth in manufacturing needs to increase to absorb more labor.
- The average productivity of all sectors, but especially agriculture, has to grow to provide better returns to labor.
- Economic growth, employment and investment respond to policy and institutional reforms. Many good policies have helped increase private saving and investment rates and supported growth. Yet, there are many other reforms that remain to be implemented in the areas of infrastructure, business deregulation, trade reforms, financial sector reforms, tax policies, information technology, education and training which all have a bearing for growth and employment by improving incentives, reducing cost, and raising productivity.

## **Savings and Investment**

Despite the good performance in increasing the saving and investment rates, these rates are much below those found in the faster growing economies of East Asia and in India (Figure 2.8). While it is debatable whether a country really needs to emulate China's rates of saving and investment rates and should there be a better balance between factor accumulation and productivity, there is no question that Bangladesh needs much faster rate of investment to achieve the 8-10 percent GDP growth rate. A simple rule of thumb is to look at the overall

incremental-capital output ratio (ICOR). Presently, Bangladesh’s 6 percent growth is underpinned by an investment rate of 24 percent, implying an ICOR of 4. Assuming no increase in productivity over the present level, an 8 percent GDP growth will require some 32 percent investment rate while a 10 percent GDP rate will require a 40 percent investment rate.

**Figure 2.8: Average Savings and Investment Rates, FY06-FY09**



*Source: World Bank Development Indicators*

Even with some gains in long-term productivity the investment rates will remain large in the foreseeable future for at least two reasons. First, infrastructure in Bangladesh is quite underdeveloped and will require huge amount of investment, and second, long-term productivity growth itself will require initial investments and the gains will emerge with a lag. For example investments in labor skills, better technology including in IT, and research and development (R&D) are all necessary to raise productivity. Many of the gains in productivity from these investments will come in the medium term.

On the savings front, Bangladesh is well placed. The domestic saving rate has been rising as a share of GDP, benefiting from a supportive demographic transition where the share of working population has been steadily rising. The expansion of financial saving opportunities associated with the growth of the financial sector has also helped. With improved business environment, corporate saving is also on a rising trend. Further improvement in the business environment will help increase the corporate saving rate further. Perhaps the biggest scope for raising domestic saving rate is through the public sector by increasing public revenues which are remarkably low, even by low-income country standards. The domestic resource mobilization strategy is discussed further in chapters 3 and 4 dealing with the macroeconomic framework and the SFYP financing issues.

Concerning the national saving rate, as noted earlier, since 2000 the rapid growth of remittances have fueled a tremendous inflow of private transfers and rapidly raised the

national saving rate. This expansion has outstripped the investment effort. The outlook for remittances looks robust. Despite the global financial crisis, Bangladesh continued to show sizeable gains in remittance inflows although the rate of expansion slowed. As the impact of the financial crisis stabilizes, Bangladesh can expect to have a steady flow of remittance income over the medium term.

Increasing the rate of investment is a bigger challenge. Following steady increases, the investment rate as a share of GDP seems to have stabilized at around 24 percent of GDP. The policy challenge is to increase this rate to 32-33 percent over the SFYP period and to 38-40 percent by FY21. The policy reform efforts to accelerate the investment rate in both the public and private sectors will be strengthened during the Sixth Plan. In addition, emphasis will be placed on the quality and composition of investment. Among the major policy reforms that will be undertaken include:

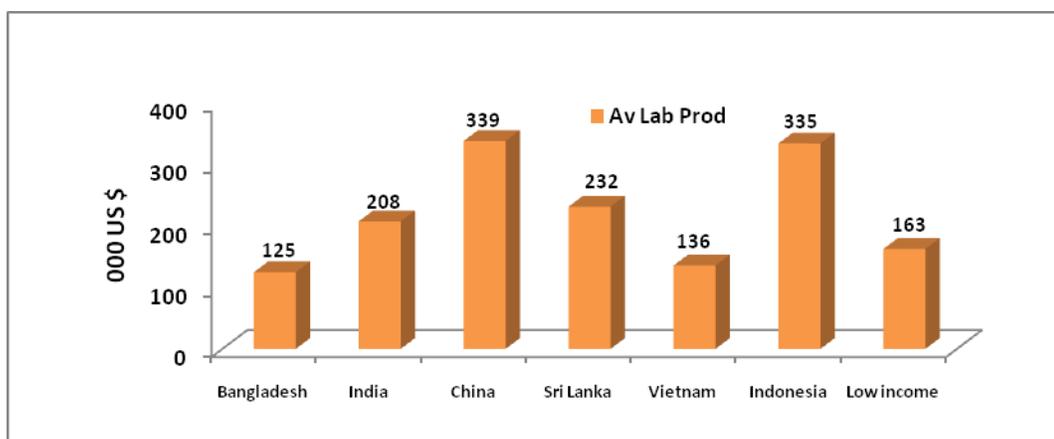
- Strengthening the domestic tax effort through reform of income and value-added taxes and improvements in tax administration.
- Emphasizing public expenditure on infrastructure.
- Reforming the state-owned enterprises to cut losses and improve efficiency.
- Improving incentives for private investment: through further business deregulation; through public-private partnerships in the financing of infrastructure; by reforming taxes to penalize speculative investments in real estate and stock markets and support investments in manufacturing and infrastructure; and by further improving the efficiency of the financial sector to lower intermediation costs and provide long-term financing options through an efficiently managed stock and bonds markets.

**Taking Advantage of a Growing Labor Force:** As noted, as a result of the demographic transition the share of working population in the labor force has increased. This, combined with the increasing participation of female labor force is a positive factor for growth prospects. However, at 24 percent (Table 3.3 above) the female participation rate is still very low by international standards and there is much scope for increasing the growth of labor force. Higher female labor participation has largely benefitted from girls education. Continued efforts to push female education at secondary and tertiary levels will be made in SFYP. To increase women's participation in the labor force further efforts will also be made in SFYP for social mobilization to facilitate women's access to employment and computer literacy which enable them to enter into the IT sector and utilize ICT.

**Increasing Factor Productivity:** Along with more rapid growth, the average labor productivity has increased since independence but from a very low base. Consequently, the average labor productivity in Bangladesh is very low by international standards (See Figure 2.9). With higher investment, especially in human development, the average labor productivity will rise but the challenge for raising total factor productivity will remain. Policies that might

contribute to higher total factor productivity include technological change brought through direct foreign investment, investment in research and development, and investment in IT. Indeed, the “digital Bangladesh” idea popularized by the Bangladesh Prime Minister if implemented well can contribute to increasing the contribution of total factor productivity to the growth rate. These policies will be pursued at the aggregate level and complemented by sector specific policies.

**Figure 2.9: Average Labor productivity, FY07**



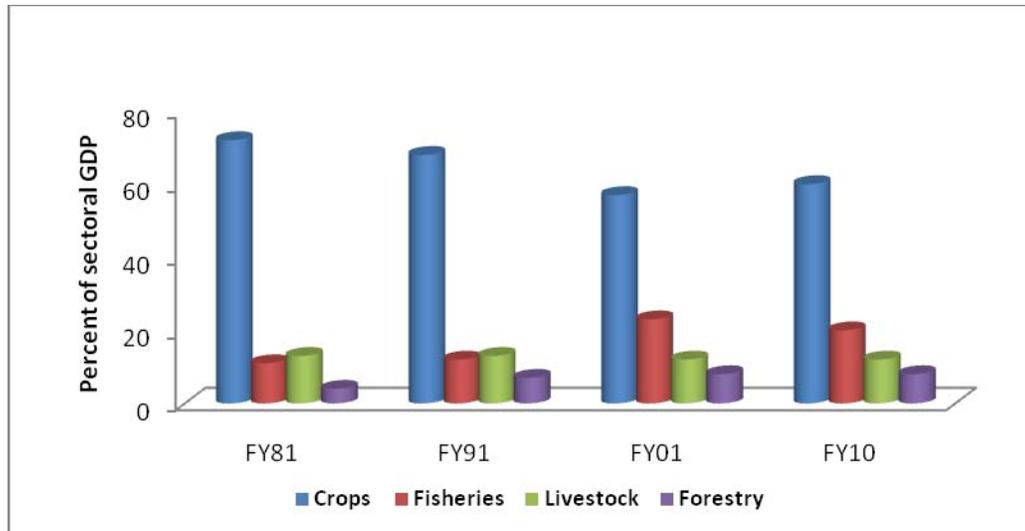
*Source: Bangladesh employment data, BBS and World Bank Development Indicators*

**Transforming Bangladesh’s Agrarian Economy:** Transforming Bangladesh’s agrarian economy into a modern manufacturing and service based economy is a long-term challenge. Yet this is needed to achieve a faster pace of growth and good job creation. The focus on manufacturing does not mean neglect of agriculture. It is simply recognition of two important points. First, the rapid expansion of agriculture is limited by the availability of land, which is a fixed factor, and by demand (food tends to have low income elasticity), and second, the increase in average labor productivity will require a strategy to withdraw labor from low productivity agriculture to higher productivity activities in manufacturing and modern services. Within agriculture there is substantial scope to raise the farm produce yields per hectare and to diversify agriculture from lower valued-added production to higher value-added production. These improvements will allow farm incomes to rise while also stabilizing food prices for urban consumers. The strategies and policies to raise productivity in agriculture and manufacturing while also enabling the required economic transformation are discussed below in greater detail.

**(a) Raising Agricultural Productivity:** Bangladesh agriculture is dominated by crop production that presently accounts for some 60 percent of the sectoral value-added. Within crop production, rice is dominant (around 60 percent of crop sector value-added). In many ways Bangladesh can still be regarded as a rice economy and its production and prices play a major role in domestic policy making. Despite the dominance of rice, the structure of agriculture has changed slowly with some gains mainly for fisheries (Figure 2.10). Livestock has remained virtually stagnant, while forestry products registered a small gain.

The intense policy focus on rice has paid off well in terms of a rapid growth in rice production since independence. Absence natural disasters and other weather related mishaps, Bangladesh today is nearly self-sufficient in rice production. This is indeed a remarkable achievement and has made a major contribution towards securing food security. Many policies contributed to this progress including adoption of the seed-fertilizer technology, provision of irrigation, farm extension, research and development and public subsidies on fertilizer and water.

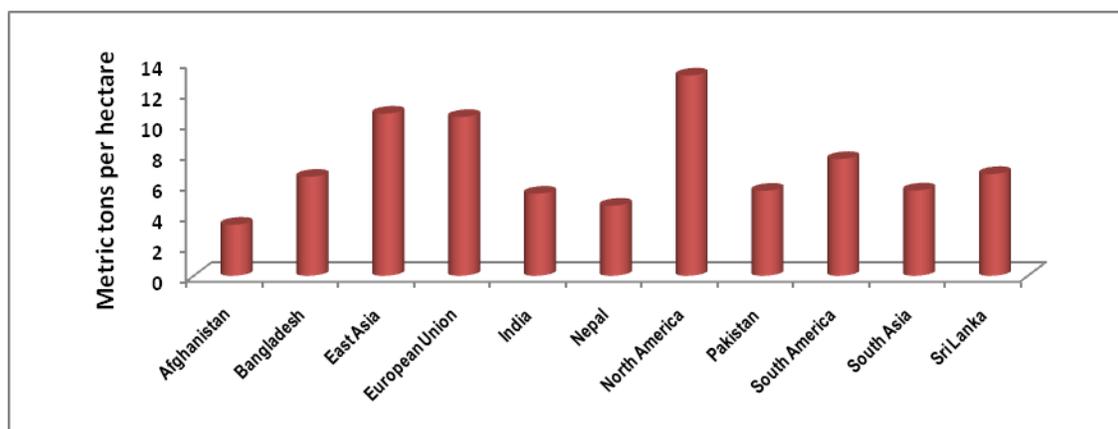
**Figure 2.10: Bangladesh: Structure of Agriculture, FY81-FY10**



*Source: Bangladesh Bureau of Statistics. Sectoral shares are in current prices.*

Productivity gains in rice production have been substantial, registering almost a three-fold increase in paddy yields per hectare between 1970 and 2009. Nevertheless, there is substantial scope for raising rice productivity as illustrated by productivity gap with the more productive rice producing economies (Figure 2.11). So, a key policy focus for the rice sub-sector during the SFYP is how to gain improvements in productivity.

**Figure 2.11: International Comparison of Rice Productivity, FY10**



*Source: United States Department of Agriculture Database*

The recent global food price inflation illustrates the critical importance of ensuring food security for a large poor country like Bangladesh. Past progress in rice production suggests that Bangladesh has the capacity to achieve food security efficiently through domestic production. Indeed, with proper incentives there is scope for food exports. The emphasis on productivity improvements will be particularly helpful in reconciling food security objectives with farmer incentives.

The limited diversification in agriculture, both within crop production and outside, is in part a reflection of the limited gains in productivity in other areas. A faster pace of diversification is needed to raise farm incomes. The demand for higher value-added crops like fruit, vegetables, oil seeds, and legumes is much more income elastic than rice. Additionally, these products have export potential. Outside crop, the good performance of fisheries is partly a reflection of higher export prices, especially for shrimps. However, its declining income share in sectoral value added suggests the need to rethink the production and marketing. The weak contribution of livestock is quite disappointing in the face of galloping domestic prices. The demand for livestock is highly income elastic and even in the absence of export prospects, in view of tough quality standards and much higher productivity in competing countries, the growing domestic demand and rising prices is an indication of domestic supply constraints that need to be addressed.

Much of agriculture is in the private sector and private sector investors including farmers respond to incentives. The key policies that affect incentives include prices of output, prices of inputs, taxes, subsidies, and public spending on rural infrastructure. Output prices are market based for most agricultural products except rice. Given the strategic importance of rice, the price of rice is regulated primarily through an export ban but also through buffer stock operations. The present policy regime provides incentives to rice farmers through input subsidies on fertilizer and water (diesel for irrigation). For all agriculture, public expenditure supports the availability of water through various irrigation schemes, through research and extension, by building rural roads, and providing electricity to rural areas.

The public spending priorities in terms of focus on rural infrastructure has served agriculture well and this focus will continue. Input subsidies on fertilizer and water have also contributed to the expansion of rice and this policy will be maintained. The SFYP will seek to provide a more flexible approach to rice pricing by better balancing the need for farmer incentive with price stability for the consumers. The objectives of providing incentives to farmers while keeping the price of rice affordable for consumers will also be reconciled by increasing rice productivity.

Private investments in non-rice agricultural activities are constrained by a number of factors including rural roads, availability of power, and rural finance. A more rapid progress in improving farm-to-market roads and the increased availability of rural power will be achieved by re-focusing agriculture spending away from subsidies to these areas. Regarding rural finance, despite many initiatives of the past including the substantial progress with micro-

credits, the quantity and pricing of rural finance remains a matter of serious concern. Productivity growth in these activities will require producing to scale, focus on quality and standards for export markets, and improvement in private trade logistics such as cold storage facilities. These are relatively more capital and skill intensive endeavors and without adequate institutional finance at affordable rates, this transformation of agriculture will be heavily constrained. Higher productivity will also benefit from partnership with foreign producers that are present market leaders. Such foreign direct investment (FDI) partnerships are the best source of technology transfer and productivity gains. Many of the policies that support private sector development in manufacturing broadly are also relevant for private investment in non-farm rural enterprises. These are discussed in greater detail below.

**b) Boosting the Manufacturing Sector Performance:** The evolution of the manufacturing sector in Bangladesh is indicated in Table 2.4. In the 1970s and the 1980s the performance of the manufacturing sector was lack luster, growing below the average growth of the economy. Following the initial debacle, the manufacturing sector growth performance improved during the 1990s. The faster pace of expansion of manufacturing relative to total GDP since FY91 caused its share to increase gradually, rising from its low level 12 percent in FY91 to 17.2 percent in FY10. In the 1970s and 1980s, manufacturing sector performance was constrained by the dominance of poor performing nationalized enterprises, inward looking trade policies and inadequate private investment due to poor incentives.

**Table 2.4: The Structure of Bangladesh Manufacturing Sector, FY81-FY10**

	<b>FY81</b>	<b>FY91</b>	<b>FY01</b>	<b>FY10</b>
<b>Size</b>				
Total (% of GDP) <sup>7</sup>	13.7	13.4	15.6	17.9
Of which				
- Large and Medium Scale	9.7	9.4	11.1	12.7
- Small Scale	4.0	4.0	4.5	5.2
<b>Growth Rate (% annual average over the decade ending )<sup>8</sup></b>				
Total	2.0	5.0	6.9	7.6
- Large and Medium Scale	2.9	4.9	7.0	7.5
- Small Scale	1.0	5.1	5.8	7.9
<b>Employment</b>				
Share of total employment	8.7	10.1	9.9	12.0
<b>Exports</b>				
Percent of GDP	4.1	6.8	10.6	17.2
Percent of Total Exports	65.5	78.9	92.1	90.9
RMG (% of Total Exports)	0.1	38.9	56.1	77.1

*Source: Bangladesh Bureau of Statistics*

<sup>7</sup> Shares are calculated in current prices.

<sup>8</sup> These are average growth rate over the preceding decade except for FY1981 that is calculated over FY1975

The policy regime for manufacturing improved significantly in the 1990s, based on investment deregulation, trade liberalization, better exchange rate management and improved financial sector performance. The emergence of the private sector led, export-oriented ready-made garments (RMG) sector as a dominant economic activity considerably altered the structure of the manufacturing sector. Along with a growing share of GDP, the manufacturing sector quickly dominated the export market and contributed to an expanding GDP share of exports. Together with remittances, the RMG sector has emerged as an economic power house in Bangladesh.

Despite this improved performance, overall the manufacturing sector does not show the dynamism that is witnessed in the East Asian economies. The average growth rate is still in the single digit and the employment share of manufacturing has increased modestly to 12 percent. Manufactured exports are heavily concentrated in RMG and a few other commodities. To achieve the Sixth Plan's targets of increasing the manufacturing sector's GDP share to 25 percent and employment share to 16 percent by FY15, its growth rate needs to be boosted to double digit levels. Both large and small enterprises need to contribute to this growth. The role of small enterprises is particularly important to provide the employment base. The promotion of small enterprises in rural areas needs to be a major strategic element for creating higher income and employment in the rural economy, which is critical for sustained poverty reduction.

How can manufacturing grow faster than in the past? How can it absorb labor at a faster pace? One can draw from the lessons of experience as well as from economic theory. Rapidly growing East Asian countries have relied on exports to develop their manufacturing sector with a great deal of success. From theory (the Heckscher-Ohlin model of trade) one can argue that Bangladesh can concentrate its development efforts on promoting labor intensive manufacturing exports based on the rationale that it has a relatively abundant labor endowment that gives it a cost advantage in labor intensive products. The experience with the ready-made-garments (RMG) sector seems to support both points.

One debatable aspect is can Bangladesh emulate the experience of East Asian economies in terms of successfully launching its large scale manufacturing sector or should it concentrate instead on medium and small enterprises? This debate partly germinates from the New Economic Geography (NEG) that suggests that the large scale manufacturing faces increasing returns and as such agglomeration benefits of freer trade and lower transport costs tend to accrue to existing firms making new entries difficult until such time that factor costs (typically labor costs) more than offset the agglomeration advantages. This debate requires additional research. But there is no reason for Bangladesh not to focus on the policy framework for implementing an export-oriented manufacturing strategy. The structure of manufacturing in terms of size (large, medium and small) and product composition will emerge from market conditions relating to demand, cost competitiveness, quality of products, and marketing efforts.

On the demand side the recent experience suggests that the world demand is not a major constraint for Bangladesh despite the recent global downturn. This is because Bangladesh is a very small player in the world market (exporting \$12 billion of RMG products in a global market of \$600 billion) and the experience of the RMG sector during the recent global crisis shows that a small country like Bangladesh that is producing low-cost, mass-consumption products (low end of the RMG market) can not only survive but even expand its market share with attention to market trends. Nevertheless, trade policies of partner countries can reduce access to Bangladeshi exports. These constraints to market access will be analyzed and resolved through proper dialogue with the authorities of concerned countries at multilateral, regional and bilateral levels. However, much of the policy attention will focus on production incentives, quality and cost competitiveness, and diversification of our export basket.

Regarding production incentives, investment deregulation, tax policies and labor market policies are important. There is also plenty of empirical evidence that the exchange rate and trade protection both matter for exports. The deregulation of investment policies has happened steadily since the 1980s, gathering momentum in the 1990s. Some progress has also been made to improve the tax structure but the inadequacies in the tax system resulting from virtual exemption of resources invested in land and stock markets including capital gains provide a natural bias against investments in risky and taxable ventures as in manufacturing. By and large, the labor markets in Bangladesh are flexible and manageable and wage costs are not a major constraint to manufacturing expansion.

By and large, Bangladesh has well managed its exchange rate policy although the appreciation of the real exchange rate since 2006 needs careful monitoring. On the trade protection front, unfortunately, Bangladesh has moved hesitantly. While trade protection has come down sharply from its very high levels in the early 1990s, Bangladesh remains amongst the most heavily protected countries in the world. Trade reform has also stagnated over the past few years. A rapidly expanding and diversified export-oriented manufacturing sector requires a much faster pace of trade liberalization and commensurate measures to minimize if not eliminate anti-export bias of the existing trade regime.

Regarding quality much will depend upon the quality of labor and adoption of better technology. The Labor Force Survey data show that some progress has been made in upgrading labor skills through improvements in education and training, but there is a long-long way to go. Indeed, the 78 percent informal labor force cannot be overnight converted into quality labor for manufacturing and formal services without a long-term massive enhancement effort in education and training. This is a huge challenge and requires a long-term strategy for public investment in human development and improvement in service delivery. Concerning technology, the experience of the RMG sector clearly demonstrates the importance of diffusion of technology through partnership with foreign investors. The adoption and successful implementation of the Digital Bangladesh program will also help raise labor productivity, reduce transaction costs, and improve market access as well as customer responsiveness.

Concerning cost, the most obvious place to look for improvement is in infrastructure. Both power and transport are key determinants of cost competitiveness. In electricity, the inadequacy of supply is well known. While efforts are underway to mobilize new investments in power, innovative ways must be found to address the power crisis. Among the solutions include better demand management, more aggressive efforts for energy trade with neighbors, ensuring the efficiency of electricity production and distribution, and ensuring the financial viability of the electricity industry. In transport, Bangladesh faces trade logistics costs that are much higher than in East Asian countries or in India. Trade logistic cost has to be brought down substantially through new investment in transport network including sea-ports, improvements in performance of existing facilities, and much better traffic management.

*c) Strengthening the Services Sector and Others:* The services sector has performed relatively better than agriculture and manufacturing and has been most important contributor to growth acceleration in Bangladesh (Table 2.5). Services such as professional services, finance, transport and public administration have been the leaders in spurring growth in this sector. Growing domestic demand and flow of remittances have been key determinants of the expansion of the services sector. The rapid growth of professional and financial services since 2000 is also indicative of a qualitative shift in the composition of the services sector.

**Table 2.5: GDP Contribution of the Services Sector and Others FY81-FY10**

<b>(Share of GDP %)</b>	<b>FY81</b>	<b>FY91</b>	<b>FY01</b>	<b>FY10</b>
<b>Services</b>	<b>47.4</b>	<b>47.9</b>	<b>50.0</b>	<b>52.9</b>
Of which:				
Wholesale and Retail Trade	12.9	12.4	12.2	14.8
Transport, Storage and Communication	10.7	9.7	9.0	10.7
Housing Services	8.1	8.6	8.7	6.8
Public Administration and Defense	1.5	2.1	2.3	2.8
Other Services (professional services, finance, etc)	14.2	15.1	15.0	17.8
<b>Others (Construction, Public utilities, Mining)</b>	<b>7.2</b>	<b>8.3</b>	<b>10.4</b>	<b>10.6</b>
Of which: Construction	6.0	5.9	8.0	8.4
<b>Growth Rate (% annual average over the decade)</b>				
<b>Services (annual average )</b>	<b>4.0</b>	<b>3.7</b>	<b>5.8</b>	<b>7.3</b>
Of which:				
Wholesale and Retail Trade	5.0	3.6	5.0	6.9
Transport, Storage and Communication	4.0	4.3	4.4	7.5
Housing Services	3.0	3.2	3.4	3.7
Public Administration and Defense	4.6	6.7	7.1	7.3
Other Services (professional services, finance, etc)	6.3	4.8	6.5	7.0
<b>Others (Construction, Public utilities, Mining) (annual average)</b>	<b>6.5</b>	<b>5.4</b>	<b>7.2</b>	<b>7.2</b>
Of which: Construction	6.5	5.4	8.3	6.0

*Source: Bangladesh Bureau of Statistics*

This may suggest the onset of a structural change in the services sector which augurs well for future growth. Nevertheless, the employment data shows that the large bulk of services

employment is still informal in nature. Promoting the expansion of organized services remains a major challenge for creating more productive and higher return jobs in Bangladesh.

Services sector is typically demand driven. So, the growth in manufacturing and agriculture and their transformation to more export-oriented and commercial production (of agriculture) and continued inflow of remittances will support the growth and transformation of the services sector. At the same time, the focus of public investment on infrastructure, reforms in financial sector, and better human development will also improve the quality and productivity of the services sector. An area where Bangladesh is lagging behind concerns exports of services. India's great success in breaking through this market, especially based on Information Technology (IT) is an example of how the services sector can be modernized to boost exports and income. The implementation of Digital Bangladesh is a key positive step in this regard. Facilitating women's access to computer literacy can play an important role in improving domestic capacities for services exports. Better trade in services with the neighbors, especially India, can also play an important role in improving domestic capacities for services exports.

Regarding other activities which comprises of construction, public utilities and mining, construction is the dominant activity. This has been a dynamic source of growth in Bangladesh since the early 1990s, fueled by growing income, remittances, private investment and urbanization. Construction related to housing and commercial enterprises have both flourished. As a result, the value added of construction has grown faster than overall GDP. The construction industry also has been a significant source of job creation for skilled and semi-skilled labor. Over time, the quality of construction activities in urban areas has also increased. This will remain a source of higher growth and employment in the medium term.

*d) Managing the Cross-cutting Sectoral Linkages:* The strategic review of policies for transforming the Bangladesh economy, especially the manufacturing sector, raises a number of cross-cutting sectoral linkages that need reform. These include trade policy reforms to reduce the anti-export bias of production, reforms of the financial sector to improve access and reduce cost of finance, improvement in infrastructure, and development of skills.

**Trade Policy Reforms:** Bangladesh made significant progress in reforming the foreign trade regime and reducing protection since the early 1990s. This is reflected in the simplification of trade licensing, removal of quantitative restrictions, reduction in custom duties, and the implementation of a flexible exchange rate policy. As a result the trade to GDP ratio has more than doubled since FY91, reaching 40 percent of GDP in FY10. This progress with trade liberalization has served Bangladesh well in terms of growth and poverty reduction. Nevertheless, the average tariff protection in Bangladesh is still very high (Table 2.6) as compared to most other South Asian countries, even though average protection in South Asia is higher than in other regions.

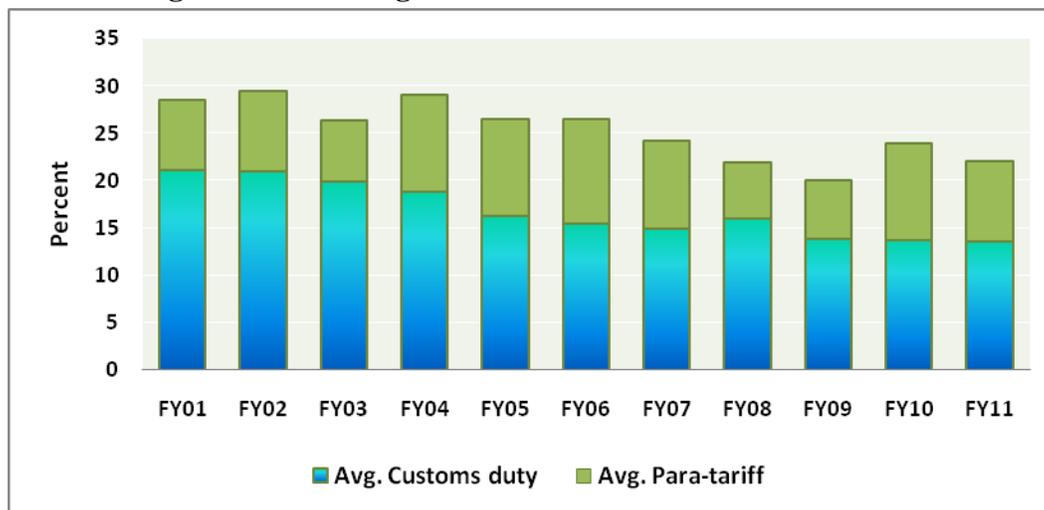
**Table 2.6: Current Trade Regimes in South Asian Countries**

Policies	India (FY09)	Pakistan (FY08)	Bangladesh (FY10)	Sri Lanka (FY09)	Nepal (FY08)
Some QRs on imports	Yes	Yes	No	Yes (minor)	Yes (minor)
Some direct export subsidies	Yes	No	Yes	Yes	No
Indirect exports subsidies	Yes	Yes	Yes	Yes	Yes
Trade/GDP (%)	33.4	28.1	41.9	40.9	32.5
Avg. Custom duty	10	n.a	13.6	n.a	n.a
Customs duty+ Other Para-tariffs	10	16	22.1	27	12.5

*Source: Policy Research Institute*

One worrisome development in Bangladesh budgetary management is the growing importance of a range of supplementary duties (para-tariffs) that have grown in significance and are almost inversely correlated with the reduction in custom duties (Figure 2.12). These para-tariffs have tended to offset much of the gains intended for productivity gains and export promotion through the impact of lower customs duties on protection. The large dispersion of both customs and supplementary duties tends to distort production incentives through high rates of effective protection. Importantly, the current tariff regime undermines export competitiveness and impedes growth of new exports, thus restraining export diversification.

**Figure 2.12: Average Nominal Protection and Para-tariffs**



*Source: National Board of Revenue*

A part of the reason for imposing supplementary duties was to raise revenues. But research has shown that much of these duties have ended up raising protection instead. As Bangladesh moves towards a more modern tax regime with greater reliance on income and value-added taxes during the Sixth Plan period, the role of supplementary duties for protective purpose will be substantially reduced with a view to limiting them for discouraging socially undesirable consumption or for discouraging luxury items by imposing supplementary duties uniformly on imports and domestic production. To support the growth of a labor-intensive, export-oriented

manufacturing sector, a review of the trade protection regime will be done with a view to lowering protection.

**Banking Sector Reforms:** International evidence shows that over the longer term economic development and the maturity of the financial sector are strongly correlated. In today's world of global markets and competition, the cost and efficiency of financial services can often make the difference between a competitive and non-competitive firm. In low income developing economies the financial sector typically tends to be dominated by banking enterprises. Non-bank financial institutions and capital markets normally tend to be at an evolutionary stage. So, much of the financing for private enterprises are typically provided by the banking sector. This situation is also representative of Bangladesh. For example, as of December 2008, the banking sector accounted for over 80 percent of the country's financial assets. Consequently, the performance of the banking sector is a key determinant of the growth of the private sector.

*Formal banking sector performance and future strategy:* In Bangladesh, following independence, the banking sector was nationalized. The dominance of these nationalized banks continued well until the late 1990s, even though gradually private banks were allowed entry into the banking business. The combination of public ownership and lack of competition contributed to not only weak performance of the banking sector measured in terms of what is known as the CAMEL indicators, but very importantly, the banking sector became a huge source of rent seeking and corruption. One key indicator of this is the volume of non-performing loans. For example, as of 2000, total non-performing loan (NPL) of the state-owned commercial banks (SCBs) stood at a whopping 39 percent of total loans (Taka 110 billion or 10 percent of GDP). While some of the NPL reflected bad lending decisions, especially those given to weakly performing public enterprises, a large part reflected the non-servicing of loans by politically well-connected private business. This NPL ratio has come down recently based on reform efforts while at the same time the lending share of the SCBs has been sharply cut back by greater competition from private banks, yet the gross NPL of SCBs remains fairly large (24 percent or around taka billion 200 as of June 2009). In the private sector, NPLs for domestic private banks fell from 22 percent in 2000 to only 4.9 percent in June 2009.

Historically, Bangladesh has suffered from a poorly performing banking sector due to public ownership, lack of competition, poor governance, weak management, inadequate regulatory framework and lack of Central Bank's autonomy and capacity. This manifested itself in a sharply deteriorating banking portfolio quality, raising concerns about its viability. Faced with this alarming situation, Bangladesh has launched a comprehensive reform program since 2000. The program has focused on improving prudential regulations, strengthening the oversight capacity of the Bangladesh Bank, improving competition through greater participation by private banks, deregulating interest rates and developing the banking legal system for speedy resolution of loan disputes.

Evidence shows that good progress has been made in deregulating interest rates, strengthening prudential regulations, enhancing the capacity of the Central Bank and allowing more competition through greater entry of private banking enterprises. Less progress has been made in reforming state owned banks, preparing them for privatization, and developing institutions for speedy resolution of loan recovery disputes.

The outcomes show this policy progress. Thus, there has been a significant growth in banking deposits and credit relative to GDP, a sharp increase in the private sector banking activities from a low base, interest rates now better reflect market forces, and there has been significant improvement in the quality of banking portfolio in terms of better capital adequacy ratios and lower share of NPLs. The performance improvement is mostly concentrated in private banks, including domestic private banks. The private banks now have a greater share of the banking deposits and loans than the public banks. Their NPLs are substantially lower than found in public banks. This encouraging progress with the transformation of banking system within a relatively short period is a truly commendable outcome.

Not surprisingly, private banks also show stronger performance in terms of CAMEL indicators. Despite some improvement, the quality of public banks remains of major concern. Evaluation of CAMEL ratings suggests that the performance of most public banks is rated as marginal.

When compared internationally, despite the substantial progress over the past few years, the average banking performance in Bangladesh is weaker than in other large South Asian countries of India, Pakistan and Sri Lanka. This performance ranks even less favorably when compared with the East Asian countries, particularly regarding banking portfolio quality and capital adequacy.

The experience with banking reforms in Bangladesh suggests two important lessons going forward. First, prudential regulations matter a lot for improving the efficiency and soundness of the banking institution. This is also the most important lesson emerging from the global financial crisis. So, further progress with instituting prudential regulations and oversight/supervision responsibility/capacity of the Central Bank will be pursued. Secondly, competition and sound management of public banks matter a lot in strengthening the quality of the banking system. Greater competition by allowing new entry of private banks is fast changing the quantity and quality of banking services in Bangladesh. The continued vulnerability of the banking sector is largely explained by continued management weaknesses in the SCBs. While partial reforms have helped improve performance in SCBs, this performance remains substantially weaker than in private banks, thereby sharply pulling down the industry average. The continued high NPL ratio for SCBs is of particular concern. Although some progress has been made in recovering loans, this remains a major challenge for the SCBs. For the Sixth Plan, efforts will be made to strengthen the performance of the SCBs by ensuring better management and accountability by strengthening the oversight of the

Bangladesh Bank. Continued efforts will be made to recover overdue loans and improve performance of SCBs through the corporatization process.

Regarding prudential regulations and capacity of the Bangladesh Bank, past progress has served Bangladesh well. This progress will be consolidated with an even greater move to ensure the independence of the Bangladesh Bank. International experience suggests that countries with an independent monetary authority tend to perform better with regulating the financial sector and managing inflation. On the regulatory front, in addition to implementation of measures for strengthening the soundness of the banking sector (e.g. implementation of Basel II Framework), a careful review of the state of corporate governance and the points of vulnerabilities would be helpful to assess progress on this important dimension and to design appropriate measures.

***Finance for the Poor:*** Global experience shows that formal banking does not always service the needs of the poor and underprivileged who typically are engaged in small-holding agriculture and small rural and urban enterprises. Different countries have adopted a variety of publicly-supported specialized schemes to reach out the poor engaged in these enterprises. These include specialized financial institutions like Agricultural Credit Banks, Cooperative Credit institutions, and subsidized credit schemes channeled through commercial banks. Governments, through central bank directives, often also require commercial banks to provide a certain amount of credit for special programs such as agriculture. These programs invariably involve subsidized credit and credit rationing owing to excess demand. Evidence on the success of these enterprises in achieving stated objectives is mixed. In view of these limitations, social enterprises like micro-credit schemes have emerged as a growing business in most developing countries.

In recognition of the role of finance in poverty alleviation, the Government has adopted an inclusive strategy of credit for the poor and under-privileged. The main challenge lies in specific program design and implementation to ensure that the programs are cost effective and reach the intended beneficiaries. The publicly supported programs of credit for the poor in Bangladesh include provision through formal institutions such as the Bangladesh Agricultural Bank, subsidized credit through the formal public commercial banks, specialized programs for small and medium enterprises (SMEs) through the SME Foundation, special credit programs for agriculture and SMEs managed by the Bangladesh Bank, and a range of micro-credit schemes supported through the PKSF. Additionally, of course, the micro-credit social enterprises like the Grameen Bank, ASA, and the BRAC-supported micro-credit schemes are active participants in supplying credit to the poorest of the poor.

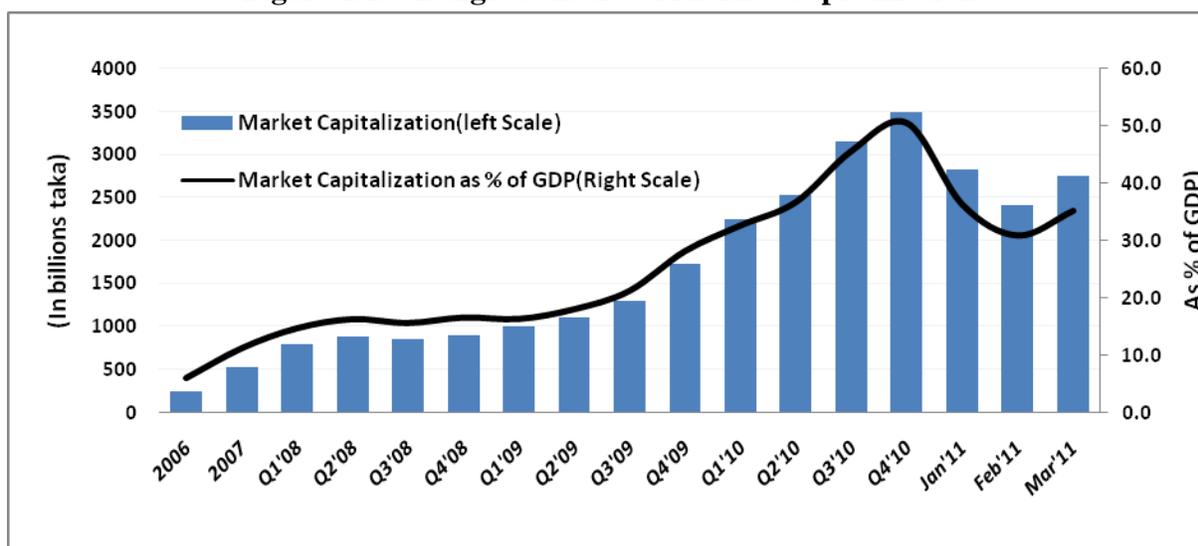
The SFYP will make concerted efforts to enhance the availability of credit for the poor. However, given the multiplicity of initiatives, limited capacity, excess demand and limited budget, there is a need to review the cost-effectiveness of these programs to ensure that the stated objectives are being achieved. As an example, the program for supporting the SME sector through subsidized credit is hampered by the lack of adequate data on the sector.

Without a proper database it is very difficult to know where the money is going and what the impact of this program is. There is a perception that a part of the resources channeled through the SME window may have been diverted to the share market. This is illustrative of the importance of having a proper supervision, monitoring and evaluation of the SME program. Ensuring an adequate results-based monitoring and evaluation (M&E) framework for all government programs, but especially for subsidized credit, is a core policy reform that will be implemented over the Plan period. Based on this review the various credit programs will be strengthened.

**Capital Market Reforms to Promote Private Investment:** Bangladesh stock market has grown in size in terms of market capitalization, market turnover and is poised to become a source of mobilizing investment by listed companies (Figure 2.13). Although the recent bull run had pushed market valuation well beyond the underlying economic fundamentals, following the significant market correction since January 2011, stock prices have broadly reached their fundamental levels. Despite the correction, market capitalization at about 35.3 percent of GDP (as of March 2011) is quite respectable and likely to grow steadily with many new firms listing in the stock market in the coming years. Market turnover has also stabilized to more sustainable levels and likely to grow in a sustainable manner.

The role of the stock market as an important source of investment fund is likely to grow in a sustainable manner during the SFYP period. The rapid growth of the capital markets in recent years in terms of market capitalization and turnover and broader participation of investors are, by and large, welcome trends in terms of the ongoing development of our financial system. However, the recent correction and increased volatility in the stock market have raised a number of important issues in terms of effectiveness of the regulatory framework as well as the need for reforms that might reduce the excesses and improve the functioning of the stock market.

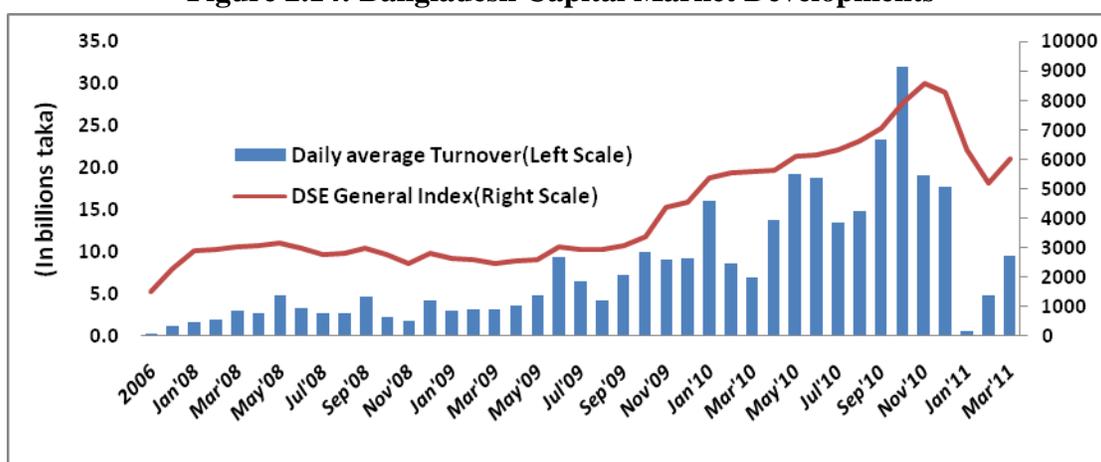
**Figure 2.13: Bangladesh: Total Market Capitalization**



Source: Dhaka Stock Exchange

The recent developments in the stock market are shown in Figure 2.14. The main drivers of the 2-year bull run in the stock market were: excess liquidity growth with broad money (M2) expanding by more than 20% last fiscal year and once again this year; a sharp increase in the number of retail investors (from 0.5mn around three years ago to 3.21 million by end of 2010); lack of supply/IPOs with only 6 IPOs and 2 direct listings in 2010 and limited issuance in 2009; excessive investment by commercial banks in the capital market; microcap and low free float stocks being more vulnerable to extreme price volatility; and on occasions, inadequate coordination among regulatory authorities sometimes leading to moral hazard. These developments suggest the need to manage the capital market with much more care than in the past.

**Figure 2.14: Bangladesh Capital Market Developments**



Source: Dhaka Stock Exchange, Bangladesh

To ensure healthy growth of the stock market, wide ranging reforms including strengthened market surveillance by the SEC will be implemented. The envisaged reforms will encompass improved regulations in respect of accounting rules, transparency issues, governance structure and reporting requirements; criteria for determining insider trading; rules for dealing with market sensitive information/announcements; and sanctions (criminal and financial) for violations of the rules and regulations. Initiatives will also be taken to promote more fundamental research; and training of professional market participants through a range of programs under the newly established Capital Market Institution. Measures will also be taken to stimulate increased equity issuance in Bangladesh including fairer IPO pricing with the re-adoption of the book building method; regulations and tax incentives for increased free float; the listing of State Owned Enterprises; and the development of a mechanism whereby companies can raise the capital they need and meet free float requirements. The government and regulators would consider carefully the issues related to commercial banks' exposure to the capital market, and ensure more regular co-ordination between Bangladesh Bank and SEC on stock market policies.

**Power Sector Reforms:** At the start of the Sixth Five Year Plan, Bangladesh faces an unprecedented energy crisis that has taken the form of a sectoral ‘emergency’. The frequency of power and gas outages is threatening citizen welfare. The annual loss to production and income from power outages could well exceed 0.5% of GDP per year. The availability of domestic primary fuel supply is getting so scarce that it is forcing severe measures like shutting down fertilizer factories, rationing gas supplies for household and transport uses, and keeping idle installed power units. This sad state of affairs reflects years of mismanagement and neglect, so much so that power has now become a binding constraint to higher GDP growth.

Every 1% of GDP growth is estimated to lead to a growth of 1.4% in electricity demand in a typical developing country. For a 5-6% typical annual economic growth rate, this would imply a need for close to 7-8% growth in electricity supply. Rural electrification ratio expanded rapidly since the early 1990s, growing from 10 percent in 1994 to 37% in 2008. Yet, this is still amongst the lowest in developing world. In the rural economy, low power connectivity is a serious constraint to non-farm sector growth. Against this demand pattern, unfortunately no substantial low-cost and reliable power generation capacity has been added since 2002.

Due to the severity of the power crisis, the Government has been forced to enter into contractual agreements for high-cost, temporary solutions, such as rental power and small IPPs, on an emergency basis, much of it diesel or liquid-fuel based. This has imposed tremendous fiscal pressure, as budgetary transfers are routinely made to the power sector in order to enable it to stay current on payments to power suppliers. The Government is aware that precious resources are being diverted to cover operating losses of the utility that arise from purchasing short-term high cost power which is not sustainable for the financial health of the sector in the long run. Therefore, the longer term strategy embedded in the SFYP power sector plan is to use budgetary allocations to promote low-cost, sustainable expansion of power generation, transmission, and distribution capacity.

Also, there has been no new capacity addition to fuel sources for power generation. With a power sector that is almost totally dependent on natural-gas fired generation (87% of power comes from gas-fired generators), the country is confronting a simultaneous shortage of natural gas and electricity. Other fuels for generating low-cost, base-load energy, such as coal, liquid fuel, or a renewable resource like hydropower, are not readily available, and any policies put in place to access them are likely to have a 3-5 year lead time. Gas supply is dwindling, and the absence of obvious choices for alternative fuels implies that there are no readily identifiable and immediately available options for alternative, new generation sources to meet its base-load power requirements.

Clearly, the situation calls for an urgent but well-crafted sustainable strategy to address the energy crisis. Accordingly, the Government has adopted a comprehensive energy development

strategy<sup>9</sup>. The strategy provides a balanced approach that looks at both supply increases and demand management aspects of the energy market. Energy options from domestic sources needs to be complemented with possible options for energy trade. Specifically, the strategy will address what the Government can do about gas and power, and will look at options for diversification of fuels for generation. The strategy will also explore alternative solutions such as increased electricity imports from neighboring countries and LNG trade. The supply side options will be balanced with policies for demand management that conserve energy and discourage inefficient use.

In order to curb the existing energy crisis government in principle agreed in the construction of a nuclear power plant (NPP) consisting of two reactor power units with a capacity 1000 MW each (total 2000 MW) at Rooppur Nuclear Power Project (RNPP) Site.

A part of the reason for the past lack of investment in power is pricing policies that kept the publicly owned electricity industry in constant deficit. It also contributed to inadequate maintenance practices, resulting in power losses and frequent breakdowns. Other constraints that have contributed to power crisis include difficult sector governance and inefficient management.

The Government recognizes that electricity should be priced appropriately to both ensure that there is efficient use of electricity and the industry generates enough surpluses for re-investment. Social objectives like reaching out to the poor and rural community could be achieved through cross-subsidization as well as explicit budget subsidies. As a result of past reforms in pricing, regulations and management, private sector participation in electricity generation has increased; the sector governance has also improved in a number of areas including bill collection and corporatization. However progress on proper pricing of electricity is still inadequate. A key policy reform for the Sixth Plan is to ensure proper pricing of power based on a review of good international practices. The possibility of establishing private electricity distribution companies will also be explored.

Energy trade including electricity trade with neighbors has tremendous potential for unlocking Bangladesh's long-term energy constraints in a cost-effective manner. South Asia's North East Sub-region has tremendous untapped hydro-power potential (See Table 2.7). Through proper grid connectivity and transmission lines, the scope for power trade to relieve Bangladesh energy constraint is tremendous. A head start has already been made to initiate power trade with India. In the short-to medium term 250 MW of power flow through Bheramara-Bahrapur grid connectivity is envisaged. Over the longer-term, this could move up to 1000MW of power imports. Importantly, grid connectivity with India opens up possibility for power trade with Nepal and Bhutan. Additionally, opening up of power trade will facilitate new investments from India's private sector into Bangladesh for power as well as primary fuel.

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<sup>9</sup> Power Sector Future Rolling Plan (draft), Power Division, MOEMR; Sixth Five Year Plan 2011-2015, Energy and Mineral Resources Division, MOEMR.

Given the acute shortage of primary energy owing to past neglect, the Sixth Plan will put special emphasis on its development. In addition to trade with neighbors discussed above efforts will be made to exploit all possible sources of primary energy (hydro-power, gas, coal and solar energy). This will be pursued in some combination of public investment, PPP, and

**Table 2.7: Hydro-Power Potential in Northeast South Asian Countries**

Country	Hydropower potential (MW)	Installed Capacity (MW)	Utilization (%)
Bangladesh	1897	230	12.1
Bhutan	30,000	432	1.4
India	148,701	25,587	17.2
Nepal	42,130	527	1.2
<b>Total</b>	<b>209,008</b>	<b>26,776</b>	<b>12.8</b>

*Source: South Asia Regional Initiative for Energy, United States Agency for International Development*

pure private investment. Proper pricing of primary energy will be critical to attract foreign private investment as well as to ensure efficient use of scarce primary fuel. Social needs for primary fuel will be balanced through cross-subsidies and budgetary transfers with a view to reconciling incentives for private investment and efficient use with social need for ensuring access for the poor.

**Transport Sector Reforms:** Research shows that trade logistic costs are a key determinant of export competitiveness. According to World Bank analysis, Bangladesh ranks 79 out of 155 countries in terms of the 2010 trade Logistics Performance Index (LPI). This index is a combination of performance on six areas: customs, transport infrastructure, international shipments, logistic competence, tracking and tracing, and timeliness. The 2010 ranking is an improvement in performance over 2007, yet this performance is much lower than competitors (China at 13, India at 47 and Vietnam at 53). Bangladesh scores particularly low on customs procedures, on transport infrastructure and logistic competence. Other international research show that transport cost could well pose a greater barrier to trade than tariffs.

The economic expansion and social development witnessed in Bangladesh since independence was accompanied by rapid growth in transport demand, at 9 percent per year. Much of this growth was met by road transport, which emerged as a dominant mode of transport over the years (Table 2.8). The share of passenger transport demand provided by road transport increased from 54 percent in 1975 to 88 percent in 2005, while rail declined from 30 to 4 percent and Inland Water Transport (IWT) from 16 to 8 percent. A similar change also happened for freight transport demand.

**Table 2.8: Growth of Transport Output and Modal Shares**

Year	Passenger			Freight				
	Total Pass-km (billion)	Share (%)		Total Ton-km (billion)	Share (%)			
		Road	IWT	Rail		Road	IWT	Rail
FY76	17	54	16	30	2.6	35	37	28
FY86	35	64	16	20	4.8	48	35	17
FY90	57	68	15	17	6.3	53	30	17
FY98	90	72	17	11	12	65	28	7
FY06	112	88	08	04	20	80	16	4

*Source: Ministry of Communications*

Due to its comparative advantages in terms of speed, flexibility, and accessibility, road transport has emerged as the most popular mode of transportation in Bangladesh. Reflecting this demand, road development has continued to receive major attention of all successive governments since independence. Other modes of transport, particularly rail lost ground rapidly. Policy attention also weakened.

Since independence the road infrastructure has much improved including rural roads. Strategic investments in key bridges such as the Jamuna Bridge have also served the country well. Yet, it is clear that the modernization needs are large and involve all modes of transport—road, rail, sea, inland water and air. Rough estimates suggest 3-4 percent of GDP in additional investment will be required per year to modernize the transport sector. Given the large resource needs, priorities will need to be set. Also strategic partnerships with the private sector will be necessary to mobilize the additional resources. In addition to investments, a key challenge is to improve management. This is a particular issue in urban areas, especially Dhaka, where traffic difficulties have become a nightmare.

A number of principles would guide the strategic choice of which transport investments should proceed first. The Government has already put priority on the construction of the Padma Bridge, which is of high national importance. The implementation of this decision is already on a fast track. Another top priority is to build those transport network corridors that provide regional connectivity to the two national ports. Bangladesh's open access to sea is a great national asset and the conversion of this asset to secure concrete gains requires conversion of the two national ports, Chittagong and Mongla, to regional hubs allowing access to all countries who wish to use these ports for trade. In addition to serving the needs of the nation, the traffic coming from India's Northeast, West Bengal, Nepal and Bhutan could provide a high rate of return to this strategic investment. Related to this, the capacity of both ports need to be carefully assessed and expanded as necessary to handle the expected cargo flows from the neighboring countries. A third priority is to break the traffic gridlock in Dhaka. Given the importance of Dhaka for the overall investment and growth of the country, the high-cost imposed by the present traffic gridlock cannot be sustained without choking off the growth potential and dynamism of the city and the country's economy. A fourth, priority is to

modernize Bangladesh railway through proper investments in rolling stocks, modern traffic and safety equipments and the conversion of narrow gauge to broad gauge system to harmonize with neighboring countries and allow the regional rail connectivity. Establishing proper rail connectivity to provide access to Bhutan, India and Nepal to the Chittagong and Mongla ports will be a major investment priority. A final priority is to continue upgrading the rural roads to provide better farm-to- market access roads.

Even with these guiding principles, the underlying investment needs will be beyond the reach of the annual budgets during the plan period, given the low initial resource base and other competing claims on the budget. International experience shows that it is very much possible to mobilize private funding for road network, especially in terms of inter-city toll roads and bridges. The experiences from India and Indonesia are of especial relevance in this regard. As noted earlier, the Sixth Plan will put substantial emphasis on the PPP approach to infrastructure financing including for transport (discussed in greater detail in Chapter 3).

Money alone will not solve Bangladesh's transport problems. Proper management is a key issue that will be pursued over the plan period. The four most challenged areas are: urban transport management; management of the railways; port management; and management of the airline industry. The traffic gridlock in Dhaka is not just an issue of pouring more money in terms of building flyovers and new diversion roads. It requires a strategic overhaul of the entire urban transport system. The opportunities for building flyovers and diversion roads are many, but will ultimately be constrained by availability of land and the displacement of huge number of people and existing facilities. So, a combination of strategic investments in choking points, establishing time-of-day use restrictions, enforcing traffic laws, establishing school busing system, investing in urban mass transit and proper pricing of fuel, especially CNG, will be necessary. In the end, urban traffic management becomes a part of overall city management and cannot be simply delinked. Railway reforms are well identified, implementation has been a problem. This issue will be carefully reviewed to identify what has held back progress. Based on this review, proper measures will be taken to speed up reform implementation. In the area of port, the Government will look into the option of privatizing port management. In airways, the deregulation of the industry has made some impact, but the option of building a strategic partnership with a leading foreign commercial airline will be examined to provide better scope for growth and dynamism. In Sri Lanka, the strategic partnership between Air Lanka and Emirates has paid off very well.

**Skills Challenge:** The demographic dividend along with the scope for expanding the participation of female labor force from its present low levels provides Bangladesh with a great opportunity to convert these factors to its advantage by focusing on labor skills. In general, average labor productivity is low in Bangladesh and investment in skill formation will pay rich dividends in terms of growth acceleration. In technical terms, Bangladesh is way inside its potential production frontier both due to low technology and also due to weak labor skills. With proper policies, institutions and investments, Bangladesh can be pushed up to its true production possibility frontier. For skills formation, a major challenge is to raise the

quality of education at all levels as well as to increase enrollments at secondary and tertiary levels. Improvements in education quality will also help address the chronic problem of school dropout. In addition to investment, the education challenge requires improvements in public service delivery through governance and other institutional reforms. Strengthening public-private partnerships in education is important. Additionally, serious efforts are needed to upgrade the capacity to deliver technical education and skills training. This is a major deficiency that has not received much attention in the past and goes beyond public investment. A true public-private partnership based on experiences in East Asian countries and India can provide inputs to a successful training strategy. Education and training issues and the Sixth Plan strategy are discussed in greater detail in Chapter 5.

## MANAGING THE LAND CONSTRAINT

Being one of the most densely populated countries in the world, it is hardly surprising that land has become the scarcest factor of production in Bangladesh. This is reflected in galloping land prices throughout the country but especially in the metropolitan cities. Future growth strategy must take this binding constraint into account in order to ensure its sustainability. Efforts to reduce the growth of population will help, but better management of land is of paramount importance for sustaining rapid growth in Bangladesh. Sound land management also has a direct effect on people's welfare and poverty reduction. Landless farmers are amongst the poorest of the poor. Land is also essential for housing. The rapidly expanding slum population and rising land prices in urban areas are indications of increasing difficulties Bangladesh faces in providing people with proper shelter.

**Past land use policy and management:** Because of diversion of agricultural land to multiple uses and river erosion, the per capita availability of land is declining and the loss of agricultural land is going on at the rate of about 1 percent per year. The poor have very little access to government land like char land, khas land, water bodies etc. There are land laws and policies to allot such land to the poor and the landless, but in actual allocation the interest of the poor is rarely preserved. The vested interest groups in both rural and urban areas are in de facto and de jure possession of these lands with the help of money and muscle. The ethnic people of the Chittagong Hill Tract (CHT) and other areas are losing their common property rights in land. In the cities, the slum dwellers pay high rent for staying in the slums and they remain under threat of eviction.

Land is being degraded by soil salinity, soil contamination, deforestation, water pollution, falling water table and drainage congestion. Financial constraints, lack of awareness, reluctance to obey rules and enforce laws, piece-meal efforts to deal with these issues, implementation of contradictory and ineffective policies are the main reasons for such degradation.

The Ministry of Land formulated a National Land Use Policy in 2001 to prevent land degradation and to ensure its best utilization. The policy highlighted the need for carrying out

a National Land Zoning Program for integrated planning and management of the country's land resources. However, the institutional structure for implementation is lacking. Illegal encroachment on rivers, canals and water bodies for housing, industries etc. is common in both rural and urban areas. This leads to obstruction of the flow of water, reduction in flood plain areas and increased flooding.

The Government is acutely aware of the poverty implications of landless farmers. To alleviate this problem of landlessness, the Ministry of Land is implementing a program under which at least 20 landless families are being given khas land in each upazila. A total of 6,397 landless families in 436 Upazilas have been given nearly 2,185 acres of khas land till July 2009. In addition, 71,032 landless families have been rehabilitated through providing khas land including houses under Ideal Village I and II projects. Similar rehabilitation program has been targeted for 10,650 landless households under Climate Victims Rehabilitation Project within January 2009 to June 2012. In addition, rehabilitation of 9,500 households is in progress under Char Development and Settlement-3 Project.

**Strategies and policies for land management in the SFYP:** The main goal of the government's land use policy and management is to ensure best possible use of land resources and delivery of land related services to the people through modernized and efficient land administration for sustainable development with accelerated poverty reduction. The lack of coordination between different departments responsible for preparation and maintenance of Record of Rights (ROR) often leads to confusion, conflicts and many instances of litigation causing suffering of the people especially the small and marginal farmers. To mitigate this problem, the Ministry of Land has already undertaken projects to conduct digital surveys and introduce e-governance. Land records will be computerized and land mutation will be made automatic.

Necessary measures would be initiated to ensure sound coordination of the activities undertaken by department of registration, A.C. Land and DLRS. Through appropriate delineation of supervisory responsibility of settlement activities, better coordination of the two offices in dealing with the preparation and maintenance of land records at the upazila level will be achieved. The Directorate of Registration will be directed to remove inconsistency in land records management and also for immediate updating of land titles.

A database including all land resources, land zoning information and other resources in selected areas such as Char land and other ecologically endangered areas will be developed. The Ministry of Land is implementing a coastal land zoning project to ensure proper use of land and mitigate land degradation. There will be provision for a participatory and joint monitoring system with government employees and the local people for overseeing the activities of land classification, and land record modernization for effective land management. The participation of the poor in the whole process, from formulation to implementation of laws and policies will be instituted.

The land in CHT is administrated under the relevant Acts, Rules and Regulations of the Manual of 1900. The customary common property rights of the ethnic people will be protected. Laws and policies would be framed for the proper management of the land in the CHT. The provisions of Rangamati/Khagrachari/Bandarban Hill District Local Government Council Act 1989 have been amended according to the CHT Peace Accord. Laws and policies will also be introduced to avoid environmental degradation, such as hill-cutting and tree-felling, while using available land for the development of tea and rubber plantation.

The modification and simplification of all land-related laws are expected to remove many of the land related disputes. A special committee will be set up to come up with recommendations in this regard.

Planned use of land according to Land Zoning Maps prepared on the basis of present and potential land uses will be ensured through enforcement of the provisions of relevant laws. The provisions of the Town Improvement Act of 1953 will also be more strictly enforced. The Government will take up projects for the development of rural townships where specific areas are to be earmarked for housing, marketplaces, industries and infrastructure.

Land acquisition act and policy would be rationalized. Unused acquired land or acquired land not used for the declared purposes would be resumed by the Deputy Commissioner. Unused land of Bangladesh Railway may be given to Roads and Highways and Local Government Engineering Department for construction of roads if needed. In the case of big public sector projects like the Padma Bridge (for which the government has already approved the resettlement plan) affected persons would be motivated to make their resettlement voluntary. They would be compensated for their land at the price suggested by the National Involuntary Resettlement Policy.

While building rural roads, highways, bridges and culverts, the government departments do not keep enough space for the natural flow of water. In the big cities, the land grabbers are filling up the water bodies, thus creating drainage problems. Provisions are to be made for free flow of water. The natural flow of rivers and canals is to be restored by removing the land grabbers. The water bodies and the flood plain areas in Dhaka and other big cities would be freed from illegal occupants.

The rivers, canals, haors, etc. would be leased out to poor and genuine fishermen. This will be ensured with the involvement of the MOFL, DOF and major stakeholders including NGOs. The Jalmahal Management Policy 2009 has already been finalized and gazetted in June 2009. Similarly, Balumahals and other Sairat Mahals would be managed in a way which will benefit the poor.

Inspections of industries would be conducted more frequently to strictly enforce the construction of ETPs and their due continuous operation. The relevant provisions of EBSATA would be strictly enforced to stop degradation of crop land by industries. Projects would be

taken to develop perennially inundated areas like Bhabadaha. The conflict between the growers of shrimp and crops would be resolved by involving the Union Parishads, DOE, DOF, DAE and stakeholders' representative organizations including local NGOs.

The Ministry of Land would continue with its program of housing for the urban poor. Khas land in urban areas (i.e. non-agricultural) would be utilized for housing the slum dwellers. Non-agricultural khas land would be provided to the Ministry of Food and Disaster Management and Ministry of Social Welfare for constructing (i) houses for women, marginalized people and endangered communities, and (ii) vagrant homes and night shelters in the cities for the uprooted population.

## **MANAGING THE SPATIAL DIMENSIONS OF GROWTH**

Growth experiences in Bangladesh and elsewhere demonstrates both a tendency towards urbanization as well as uneven regional growth. The urbanization problem has become particularly acute in Bangladesh owing to the primacy of Dhaka. The unbalanced growth of Dhaka shows both a large concentration of wealth and income as well as unsustainable pressure on Dhaka's already fragile infrastructure. Concerning regional disparities, the divisions of Dhaka, Chittagong and Sylhet seem to do better in terms of both growth and poverty reduction as compared with Rajshahi, Khulna and Barisal. The Sixth Plan will make efforts to address both these spatial dimensions of growth.

**The urbanization challenge:** Bangladesh has been experiencing rapid increase in its urban population ever since its independence in 1971. Urban population as a percentage of total population increased from around 8 % to nearly 23 % during 1974-2001 periods. By the year 2015 nearly one-third or 33% of the population of Bangladesh will be living in urban areas.

The phenomenal rate of urbanization is posing a major development challenge. The cities and towns of Bangladesh, numbering more than 525, suffer from acute problems of deteriorating infrastructure in the form of poor housing, inadequate availability of drinking water, paucity of drainage and sewerage facilities, logjam of urban transport, and pollution. Homeless population in most cities is on the rise and the slums and squatter settlements have become integral part of urban life in the country.

Chaotic urban development and the accompanying unemployment, environmental degradation, lack of basic services, crime and the proliferation of slums are obviously major obstacles to creating better cities and better urban living conditions. This does not necessarily mean that urbanization is bad and the government has to adopt policies for reversing the process of urbanization. What is important is to realize that urbanization is an unavoidable element of economic development that requires careful planning and management. The government needs to manage urbanization in such a way that beneficial aspects of urbanization are strengthened and negative aspects of urbanization are minimized. Well-

managed urban growth and development can contribute not only to economic advancement but also to reduce poverty and improved quality of life for all citizens, including the poor.

Urbanization has now become a powerful force, especially in developing countries. The role of urbanization in transforming traditional societies can hardly be over-emphasized. The emerging socio-economic situations in developing countries like Bangladesh have made this amply clear. In Bangladesh cities and town are playing a crucial role in the country's socio-economic development despite the adverse socio-economic and environmental consequences resulting from rapid growth of these urban centers. At present urban dwellers constitute about 30 percent of the total populations of Bangladesh, but their contribution to GDP is more than 60 percent indicating that the productivity of labor in urban areas is much higher than in rural areas.

Building on past experience, the Sixth Plan will redouble efforts to institute a much better management of the urbanization challenge. In particular, it will emphasize a more balanced growth of urban centers across the entire country through proper institutional reforms that involves the establishment of locally elected municipalities and city corporations. Property tax base will be reformed to strengthen the financial autonomy of these entities along with block grants from the budget based on principles of equity and population. A strong multi-disciplinary urban planning system to cover all levels of national and local government planning units will be introduced with planning, implementation and management functions so that well coordinated project planning and urban management can be ensured. An effective and efficient mechanism to achieve good governance and urban management with emphasis on coordination of functions will also be established and measures will be taken for effective decentralization of institutions and development activities away from the metropolitan cities. The urbanization issues are reviewed in great detail in Part 2.

**Managing regional disparities in growth--the lagging regions problem:** International research shows that divergences in spatial growth outcomes are inevitable in view of diverging initial conditions including human development, infrastructure, and geography. However, policy neglect has also contributed to spatial disparities. Low growing regions also tend to have a higher incidence of poverty. So a meaningful poverty reduction strategy must also address the lagging regions problem.

Policies can play a major role in offsetting some of the initial disadvantages by removing the various growth constraints. Of particular importance are public expenditure policies that focus on removing the infrastructure and human development constraints in the lagging regions. In particular better infrastructure, especially transport, can contribute to raising the growth rates in the lagging regions by linking these areas to the national and regional growth centers.

The Plan would strive to address the lagging regions problems, especially focused on Khulna, Rajshahi, and Barisal Divisions, through a strategy that involves public expenditure in

infrastructure and human development and also by facilitating more trade and investment in the border districts with neighbors including India. The spatial distribution of poverty shows that most of the border areas are poorer than the rest of Bangladesh. In addition to helping with policies for better connectivity with growth centers within Bangladesh, steps will also be taken to provide connectivity with regional growth centers in neighboring states of India. Strategic investments, such as the Padma Bridge, will be a key instrument for reducing regional growth disparities. Additionally, public expenditure will focus on human development in these lagging areas to raise labor skills and productivity. Particular attention will be given in the Sixth Plan to offset the geographical disadvantage of the coastal region of Barisal, which has the highest incidence of poverty partly owing to the adverse effects of natural disasters. Through programs in agriculture, environment, climate change and disaster management, the Sixth Plan will seek to reduce the vulnerabilities of Barisal and other coastal belt regions. Chapter 7 provides a detailed analysis of the regional disparity issues and government policies and programs to tackle them holistically during the Sixth Plan.

Bangladesh faces daunting challenges in terms of reducing poverty and creating good jobs. Nevertheless with proper strategies and policies these challenges can be addressed. Against the backdrop of poverty reduction, employment and growth rate targets set in Vision 2021; the Sixth Plan will endeavor to initiate the transition to the higher growth path. This growth path, while ambitious, is achievable through a strategy that transforms Bangladesh from a rural agro-based economy towards an urban manufacturing-based economy. The driving force for the strategy will be the deepening of a labor-intensive export-oriented manufacturing sector, and a much more diversified, commercially motivated agricultural sector. The resulting transformation will create good jobs in manufacturing and organized services while raising productivity and incomes for the remaining but substantially lower percentage of labor force engaged in the farm sector. The strategy will be implemented through an array of reforms encompassing macroeconomic management, tax and public expenditure policies, trade policy, financial sector policies, policies for infrastructure development, and policies for the development of a skilled labor force. Special attention will be given to removing the growth constraints in the lagging regions in terms of human development, infrastructure, and finances can help raise growth prospects in these areas. More and better regional cooperation with neighbors, especially India, can also play a positive role in addressing the lagging regions problem.

## **CHAPTER 3: MEDIUM TERM MACROECONOMIC FRAMEWORK**

The macroeconomic framework underpinning the SFYP is consistent with the objectives of Government's Perspective Plan for 2021. In line with the Government's objectives of achieving 10% GDP growth by 2021 and reduction of the percent of population living below the poverty line to 15%, the SFYP aims at increasing real GDP growth to 8% by FY15 and reduces the level of poverty by around 10 percentage points to 22%. These projections are based on a multi-sector Computable General Equilibrium (CGE) model to derive a broadly consistent macroeconomic framework covering broad sectoral composition of growth, strategy for savings and investment, medium-term fiscal strategy and projections of balance of payments consistent with external viability.

### **PROJECTED GROWTH PATH OF THE SIXTH FIVE YEAR PLAN**

Chapter 2 provides a strategy for achieving the planned growth and employment targets for the SFYP along with the required structural transformation. It identifies a number of growth and employment constraints and the Plan's approach to addressing those constraints. A key challenge is to raise the rate of investment from 24.4 percent of GDP to 32.5 percent by the end of the SFYP. Much of this investment will need to be deployed to augmenting the supply of infrastructure, especially power.

In this background, achieving the average growth target of 7.3 % for the SFYP period (FY11-FY15) would involve accelerating GDP growth from 6.1% in FY10, the base year for the purpose of the Plan, to 8% by the end of the Plan period. The target is certainly ambitious and would entail adopting bold strategies to break away from the recent moderate growth outcomes. If the planned growth target is achieved, it would mean that per capita GDP would grow at about 5.5% per annum during the SFYP, reaching a peak of 6.5% by the end of the Plan period. The main macroeconomic outcomes associated with this growth path are summarized in Table 3.1. Per capita consumption, growing by more than 5% per annum, will bring about a broad-based improvement in living standards.

The higher growth rate in the SFYP is predicated upon a substantial increase in the investment rate in the economy from the current level of 24.4% of GDP to 32.5% by the end of the Plan, averaging 29.6% of GDP per year during the Plan period. Much of the increase in investment could be financed through national savings, with the current account surplus steadily declining to a small deficit by the end of the Plan. The incremental Capital Output Ratio (ICOR) is expected to improve due to increased competitiveness and productivity engendered through expected improvements in infrastructure and greater economic openness as well as through

technological progress resulting from partnership with foreign investors in strategic areas and the implementation of the ICT strategy (digital Bangladesh).

**Table 3.1: Macroeconomic Scenario of Sixth Five Year Plan**

Macro Indicator	FY10 (Actual)	FY11 (estimated)	FY12	FY13	FY14	FY15
Growth: Real GDP (%)	6.1	6.7	7.0	7.2	7.6	8.0
CPI Inflation (%)	7.3	8.0	7.5	7.0	6.5	6.0
Gross Domestic Investment (% of GDP)	24.4	<b>24.7</b>	<b>26.8</b>	<b>29.6</b>	<b>31.0</b>	<b>32.5</b>
Private Investment (% of GDP)	19.4	19.5	22.2	22.7	23.8	25.0
Infrastructure Investment (% of GDP)	2.0	2.0	3.5	4.5	5.0	6.0
Public Investment (% of GDP)	5.0	5.3	6.6	6.9	7.2	7.5
National Savings (% of GDP)	30.0	<b>28.4</b>	<b>26.7</b>	<b>29.4</b>	<b>30.7</b>	<b>32.1</b>
Consumption (% of GDP)	83.2	<b>85.0</b>	<b>83.7</b>	<b>80.5</b>	<b>78.9</b>	<b>76.5</b>

*Source: Bangladesh Bureau of Statistics and Sixth Plan Projections*

### Sectoral Composition of Growth

Although detailed sectoral targets are only indicative, it provides a broad picture of sectoral growth prospects consistent with the target of 8% growth for the economy as a whole by the end of the Plan. Agriculture sector, accounting for about 19 percent of the economy, will continue to play a very important role in the economy. Its growth rate is expected to average around 4.5% per year, which is an exceptionally good performance compared with the past (Table 3.1).

**Table 3.2: Agricultural Growth Projection for SFYP**

	FY10	FY11	FY12	FY13	FY14	FY15
	(As % of Change)					
<b>Agriculture</b>	<b>5.2</b>	<b>5.0</b>	<b>4.5</b>	<b>4.4</b>	<b>4.3</b>	<b>4.3</b>
<b>Of Which:</b>						
Cereal Crops	5.8	5.4	5.0	4.8	4.7	4.7
Commercial Crops	5.0	5.2	5.5	5.4	5.3	5.3
Livestock-Poultry-fishing	5.9	6.5	3.4	3.3	3.2	3.2
Forestry	5.0	5.3	4.4	4.3	4.2	4.2
Other Agriculture	2.4	2.3	1.7	1.7	1.7	1.7
	Share as % of Total GDP					
<b>Agriculture</b>	<b>18.6</b>	<b>18.4</b>	<b>17.7</b>	<b>16.9</b>	<b>16.2</b>	<b>15.5</b>
<b>Of Which:</b>						
Cereal Crops	6.4	6.3	6.0	5.7	5.4	5.1
Commercial Crops	4.8	4.7	4.5	4.4	4.3	4.2
Livestock-Poultry-fishing	3.3	3.3	3.2	3.0	2.9	2.8
Forestry	1.4	1.4	1.4	1.3	1.2	1.1
Other Agriculture	2.7	2.7	2.6	2.5	2.4	2.3

*Source: FY10-11, BBS and FY12-15 SFYP Projections*

The projected agriculture sector growth is predicated around continued emphasis on agricultural productivity and diversification supported by public spending on input subsidies and rural infrastructure development. The projections also assume that programs to support farm credit will continue. The loss of arable land due to urbanization and industrialization would likely limit the availability of land for the ‘cereal’ crop sub-sector over the medium and the long term. Under this land constraint situation, much of the additional growth in agriculture must come from infusion of new technology and rise in factor productivity. In order to increase the food production, enhance access to food and ensure nutrition, the Government has formulated a Country Investment Plan (CIP) for food security and agriculture development based on the National Food Policy and its Plan of Action, to be implemented within the framework of the SFYP.

As envisaged in the growth strategy, in order to boost employment in the nonagricultural sector, the manufacturing sector along with construction and organized services will be the engines of high growth. Manufacturing sector performance has suffered in recent years due to domestic supply constraints and the global economic recession. Manufacturing growth decelerated to only 6.5% percent in FY10, from the peak of 9.7% recorded in FY06. This slowdown must end and a strong rebound must start beginning in the first year of this Plan and sustained throughout the Plan period if the GDP growth target envisaged under the Plan is to be realized.

**Table 3.3: Growth Projection of Industry and Services for SFYP**

	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
	<b>(Actual)</b>	<b>(Estimate)</b>	<b>(Projection)</b>			
	<b>(Annual growth rates)</b>					
<b>I. Industries</b>	<b>6.6</b>	<b>9.2</b>	<b>9.6</b>	<b>9.9</b>	<b>10.5</b>	<b>11.5</b>
<b>--Manufacturing</b>	<b>6.5</b>	<b>9.5</b>	<b>9.8</b>	<b>10.1</b>	<b>10.7</b>	<b>11.7</b>
Other Food	6.1	7.2	8.4	8.7	10.5	12.5
Leather Products	7.7	8.5	9.4	10.5	11.2	12.2
Textile and Clothing	7.6	14.4	13.5	13.8	14.2	15.1
Chemical-Fertilizer	5.3	6.1	6.7	6.8	7.0	7.4
Machinery	5.9	6.2	6.6	6.7	7.2	7.9
Petroleum Products	4.3	4.7	5.5	5.6	5.9	6.1
Other industries	8.2	8.4	8.9	9.1	9.2	9.3
<b>--Other Industries</b>	<b>6.0</b>	<b>6.4</b>	<b>6.7</b>	<b>6.9</b>	<b>7.8</b>	<b>8.0</b>
Construction	<b>6.0</b>	<b>6.4</b>	<b>6.6</b>	<b>6.8</b>	<b>7.8</b>	<b>8.1</b>
Others	6.0	6.4	6.9	7.2	7.6	8.0
<b>II. Services</b>	<b>6.5</b>	<b>6.6</b>	<b>6.8</b>	<b>7.1</b>	<b>7.3</b>	<b>7.8</b>
	<b>Share as % of Total GDP</b>					
<b>I. Industries</b>	<b>28.5</b>	<b>28.7</b>	<b>28.9</b>	<b>30.4</b>	<b>31.3</b>	<b>32.0</b>
<b>of which Manufacturing</b>	<b>17.9</b>	<b>18.2</b>	<b>18.7</b>	<b>19.6</b>	<b>20.4</b>	<b>21.1</b>
Other Food	2.5	2.5	2.6	2.7	2.8	2.9
Leather Products	0.9	0.9	0.9	1.0	1.1	1.1
Textile and Clothing	6.6	6.8	7.0	7.4	7.8	8.2
Chemical-Fertilizer	2.0	2.0	2.1	2.2	2.3	2.4
Machinery	5.1	5.2	5.3	5.4	5.5	5.6
Petroleum Products	0.8	0.8	0.8	0.9	0.9	0.9
Other manufacturing	1.2	1.2	1.2	1.2	1.2	1.2
<b>Other Industries</b>	<b>10.6</b>	<b>10.5</b>	<b>10.8</b>	<b>10.8</b>	<b>10.9</b>	<b>10.9</b>
Construction	8.3	8.2	8.4	8.5	8.6	8.6
Others	2.3	2.3	2.3	2.3	2.3	2.3
<b>II. Services</b>	<b>52.9</b>	<b>52.9</b>	<b>52.9</b>	<b>52.7</b>	<b>52.5</b>	<b>52.5</b>

Source: FY10-11, BBS and FY12-15 SFYP Projections

A revival of manufacturing growth is a precondition of high quality employment generation in the non-agricultural sector. The SFYP aims at an average of 9.7% annual growth in manufacturing, rising from the depressed levels of 6.5% in FY10 to 11.7% by the end of the Plan. Already there is a turn-around in the manufacturing sector in FY11 with growth climbing to 9.5%. Among the manufacturing activities sectors such as ‘food processing’; ‘leather and footwear’, ‘textile and clothing’, ‘pharmaceutical’, ‘ship building’, toys, and furniture are likely to be the main growth drivers. These labor-intensive activities are expected to experience double digit growth rates toward the end of the plan period. Diversification of the manufacturing base will be promoted by keeping import channels open and facilitating Bangladeshi firms to vertically integrate within the global production chains. ‘Machinery’ and ‘other-manufacturing’ sectors are also projected to become more buoyant due to the expansion of the economy and gradual diversification of exports. One of the thrusts of the industrial policy during SYFP will be to create scope for emergence of new activities (in exports or domestic production) and expansion of SMEs to take advantage of scale economies.

However, due to paucity of gas supplies as well as uncertainty with regard to the use of coal, the growth performance of ‘chemical-fertilizer’ and ‘petroleum’ sub-sectors would likely to remain moderate. Removal of critical infrastructure bottlenecks in power and transport sectors through massive new investments will be critical for planned acceleration of manufacturing sector expansion.

Growth performance of the construction sector during the Sixth Plan is likely to become stronger driven by demographic developments and strong demand for housing and infrastructure. Growth of construction sector is thus projected to rise from 6.5% in FY10 to 8.6% in FY15. Several factors will contribute to the growth of the construction sector. These are: (i) construction associated with real estate activities will surge due to increase in per capita income, growing work force and family formation, and continued investment of remittance inflows into this sector; and (ii) the non-real estate construction would also likely to grow rapidly due to the planned investments in mega infrastructure projects such as Padma Bridge, Elevated Expressways, dual carriage highways, etc.

The service sector has grown at a respectable pace of 7% per year in the recent 5-year period. However, despite huge potentials, IT sector performance has been a disappointment in terms of generating high-end services and employment. Nevertheless service sector performance has been fairly robust and still has the potential for opening up new and attractive employment opportunities for the educated youth. Experience with other economies generally suggests that growth in service sector usually follow the growth patterns of the manufacturing and primary activities. Accordingly, the Plan targets a further improvement in the performance of this sector, with emphasis on the expansion of modern services, such that this sector’s growth accelerates to 7.8% by the end of the SFYP. Rapid growth in IT related services along with expected expansion in tourism and hospitality sectors, as well as the projected expansion in

health and education should provide additional jobs for doctors, health attendants and technicians, and teachers.

## **JOB CREATION AND REBALANCING OF EMPLOYMENT**

With labor force growing by 3.2% per year and the very high level of underemployment in the farm and informal services sectors, creation of new jobs in the productive formal sectors of the economy will be a major challenge under the Plan. The growth strategy and the underlying sectoral shift projected in the Plan aim to address the employment issue by creating new jobs in the nonfarm sector and by a rebalancing of the composition of employment away from agriculture and into more productive sectors of the economy. This trend is already visible in the recent Bangladesh Bureau of Statistics (BBS) survey of farm and nonfarm employment, which shows that in the three-year period through 2009, more than 600,000 workers switched from agriculture to nonfarm sectors, in addition to another 3.6 million workers who joined various nonfarm activities during the same period (Table 3.4). The share of the farm sector in the labor force has accordingly dropped by 4.5 percentage points during the 3-year period to 43.6% by 2009.

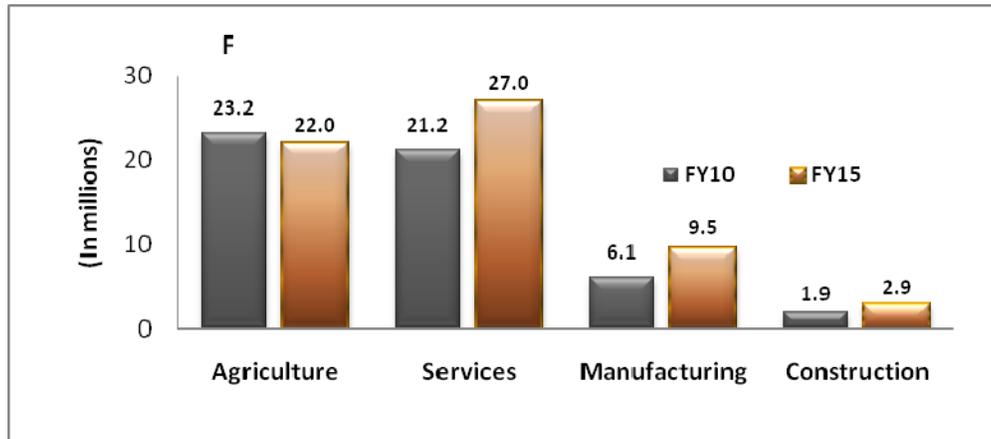
**Table 3.4: Shift in the Structure of Employment, 2005/6-09**

	<b>FY06</b>	<b>FY10</b>
<b>Sectors</b>	<b>(In Millions)</b>	
Agriculture	22.9	22.3
Manufacturing	5.3	6.0
Construction	1.5	2.0
Service	17.8	19.7
Total	47.4	51.0
Employment by Sector	<b>(In Percent)</b>	
Agriculture	48.1	43.6
Non agriculture	51.9	56.4

*Source: Bangladesh Bureau of Statistics*

Accelerated growth in manufacturing, construction and services sectors projected under the Plan should help the creation of 10.4 million new jobs in these sectors of the economy, which should be sufficient to absorb all new entrants in the job market (about 9.2 million) and also enable a sizable numbers of workers to find jobs away from the agriculture sector (about 1.2 million). The changing pattern of projected employment is shown in Figure 3.1 and Table 3.5

**Figure 3.1: Comparison of Sectoral Employment**



Source: Bangladesh Bureau of Statistics and Sixth Plan Projections

**Table 3.5: Projected Pattern of Employment in the SFYP (Millions)**

Sector	FY10	FY11	FY12	FY13	FY14	FY15
Agriculture	23.2	23.0	22.8	22.6	22.3	22.0
Manufacturing	6.1	6.7	7.4	8.0	8.7	9.7
Construction	1.9	2.1	2.3	2.5	2.7	2.9
Services	21.2	22.3	23.2	24.6	25.8	27.0
Total employment	52.4	54.1	55.8	57.6	59.5	61.6
Employment Growth (%)	4.0	3.2	3.1	3.3	3.2	3.2
Additional Employment		1.7	1.7	1.8	1.9	1.9
Unemployment Rate (%)	4.0	4.1	4.0	4.0	4.0	3.7
Labor Force	54.5	56.2	58.0	59.9	61.8	63.7

Source: SFYP Projections

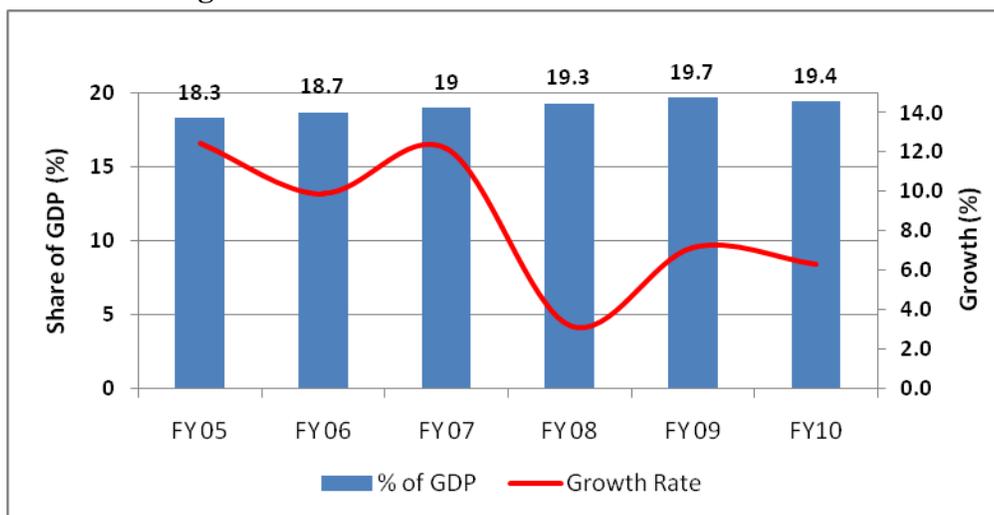
This is going to be a major challenge, but the recent BBS data provides comfort that, with the accelerated growth in the nonfarm sectors projected under the Plan, the economy should be able to create the targeted level of new jobs in the nonfarm sector. With the continued migration of labor force away from the agriculture sector and into more productive sectors of the economy, the problem of underemployment will diminish significantly. The recent migration of workers from the agriculture sector has already started to push up agricultural wages leading to higher income levels for the landless workers. If the Plan succeeds in its employment strategy outlined in Chapter 2 and incorporated in the projections above, there will be a visible reduction in the level of underemployment and a steady increase in real wages of the workers, which are essential outcomes for any successful poverty reduction strategy.

An additional comforting factor is the continued prospects for labor migration abroad in the range of 400-500 thousand workers per year that translates into permanent labor absorption of some 100 thousand workers.

### INVESTMENT AND SAVINGS

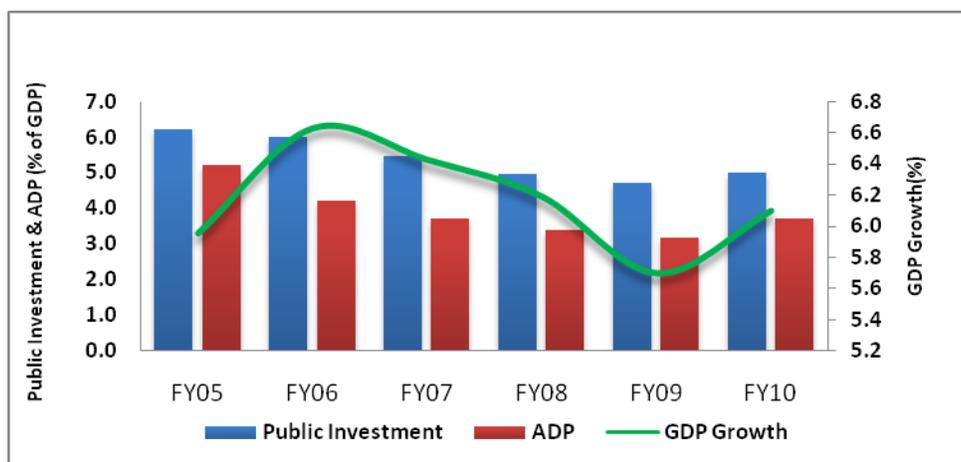
One of the major problems Bangladesh economy is facing today is the stagnation of the overall level of investment in the domestic economy (Figures 3.2 and 3.3). Aggregate investment has stagnated in the 24%-25% of GDP range in recent years, despite a steady increase in the national savings rate. Although private sector investment has been increasing at a pace slightly above the rate of growth of GDP, a secular decline in public investment in relation to GDP largely offsets that, keeping total investment broadly stagnant in relation to GDP. This low level of investment significantly falls short of the investment rate needed to support the 8% GDP growth target set for the end of the Plan period.

**Figure 3.2: Pattern of Private Investment Growth**



Source: Bangladesh Bureau of Statistics

**Figure 3.3: Public Investment and ADP in relation to GDP**



Source: Ministry of Finance

Achieving the higher growth target will require total investment under the Plan to increase steadily by 8.1 percentage points in relation to GDP to 32.5% of GDP by FY15. In addition to the private sector, the public sector will play a catalytic role in raising the total investment rate to the required levels during the SFYP period. Public investments and policies would create the necessary investment climate and heighten investors' (both national and foreign) confidence to undertake the required investments. Some key areas of improvement in this respect are: (i) energy supply including electricity and gas; (ii) infrastructure including roads, railways, bridges, embankments and dykes; (iii) telecommunications; (iv) ports; (v) legal and administrative systems including property rights issues; (vi) socioeconomic environment including law and order situation; and (vii) sound monetary policy and sustainable management of public finances.

As in the past, much of the additional increase in the growth of investment is projected to come from the private sector. The secular increase in the relative share of private investment in total investment is in part a reflection of reforms initiated in late 1980s and in 1990s by removing restrictions, initiating privatization of public enterprises, and creating a more favorable investment climate. The growing share of private sector investment reflects favorable private sector response to the improved investment climate. However, the rate of growth of private sector growth in investment has slowed down in recent years due to infrastructure constraints which tended to intensify on account of declining public investment and the inability of the public sector to undertake large infrastructure projects.

The declining trend in public investment in relation to GDP is a matter of concern. Past difficulties in ADP implementation (Table 3.6) prevented the government from investing in many critical areas such as infrastructure and agriculture. Over the years the infrastructure gap has been widening and has become a binding constraint by choking Bangladesh's economic growth potential. It has also become clear that the past practice of relying solely on the

**Table 3.6: Budget ADP Allocation and Actual Spending, FY05-FY11**

Fiscal Year	Budget	Actual	Actual as % of Budget	% Increase over the previous year
	(In billion taka)		(%)	(%)
FY05	227	194	85.3	1.8
FY06	246	175	71.0	-9.6
FY07	260	176	67.5	0.5
FY08	250	184	73.8	4.8
FY09	256	193.7	75.7.	5.3
FY10	305	255.4	83.7	31.8
FY11(estimate)	385	358.3	93.1	40.2.

*Source: Ministry of Finance*

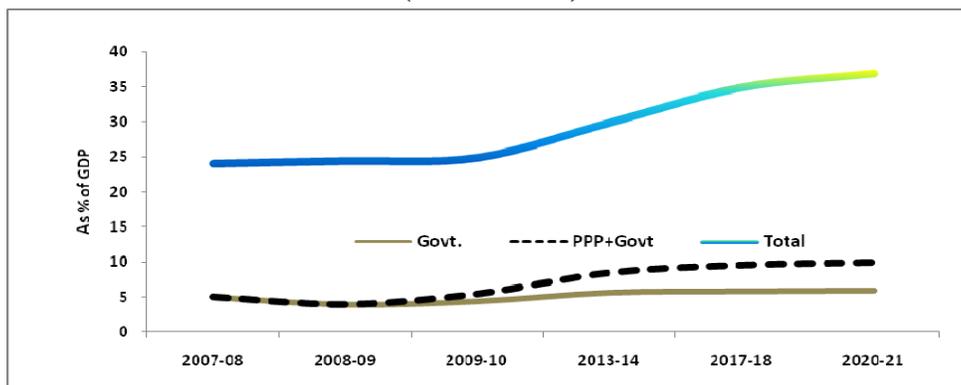
Annual Development Program (ADP) for providing the required infrastructure must give way to the adoption of Public Private Partnership arrangements in delivering large infrastructure projects. Thus in addition to launching a bigger ADP in relation to GDP during the plan

period, the Plan also envisages bigger public sector investment in infrastructure programs under the newly approved PPP framework. The Government has also announced a major initiative for boosting power generation and expand power distribution network to alleviate the ongoing energy crisis in the country.

Efforts to reverse the declining trend in ADP was launched with the FY10 budget and intensified further in FY11 budget, the first year of SFYP. The Government established an ambitious target for ADP in FY10 by setting the ADP target at Tk. 305 billion, which was about 57% higher than the outturn of the preceding year. Although the actual increase was lower (31.8%), this was a major improvement over the ADP implementation rate recorded in recent years. After many years of steady decline, ADP spending in relation to GDP increased by 0.5% in FY10. Building on this gain, the target for ADP in FY11 has been set at 0.8 percentage points higher at 4.9% of GDP. The Plan's objective is to sustain this momentum by increasing the ADP size by an additional 2.4 percentage points to 6.1 % of GDP. Special emphasis has also been given to infrastructure and power sectors in the FY11 ADP. Implementing this larger ADP, while maintaining the quality of spending, will certainly be a major challenge. To ensure the quality of spending and better project implementation, all ministries are being brought under the Medium Term Budget Framework (MTBF). The planning and budgeting processes are being strengthened to improve the quality of public investment.

As part of its strategy to allow the private sector a greater role, the Plan underscores the importance of Public Private Partnership (PPP) in infrastructure projects and other areas. Under the new PPP initiative and the associated investment guideline, the procedures for PPP investment has been streamlined and a new PPP Office established to promote PPP projects in Bangladesh based on transparent investment and approval criteria. PPP investment is now being allowed in a wide range of projects under streamlined approval criteria. The SYFP envisages a sizable increase in infrastructure investment under the PPP initiative during the Plan period. Although infrastructural bottlenecks are severe, it will take time for the PPP initiative to gain momentum and reach its full potential. A large number of infrastructure projects are already in the pipeline, the Plan targets about 2% of GDP in PPP related investment in the initial years, and reaching a peak of 6% of GDP by the end of the Plan (Figure 3.4). It is envisaged that public sector investment under PPP initiatives will amount to at least an additional one percent of GDP, increasing total public sector investment to 7.5 % of GDP by FY15.

**Figure 3.4: Infrastructure and Total Investment in Bangladesh (FY08-FY21)**



*Source: Ministry of Finance and Sixth Plan Projections*

Power sector investment in electricity generation will be a central component of the PPP investment initiative. The additional gross generation target of 11,457 MW of electricity by 2015 (Table 3.7), will require about \$9.5 billion of investment in this sector<sup>10</sup>. Sizable investment will

**Table 3.7: Projection for Electricity Generation**

Electricity Generation Scenario	FY10	FY11	FY12	FY13	FY14	FY15
Target Electricity by FY15						11457
Incremental Target (FY10-FY15)	194	2166	1178	3176	2333	2410
<b>Of Total Plants:</b>				<b>(Total up to 2013)</b>		
Electricity from Diesel/Furnace oil	1450	620	1800	400	4270	

*Source: Bangladesh Power Development Board*

also be made in the Rooppur Nuclear Power Project under a joint venture public sector cooperation arrangement. Investment in gas exploration, extraction and distribution is estimated to be around Taka 18,000 Crore (\$2.6 billion) during the Plan period<sup>11</sup>.

In order to ensure financing of PPP projects by playing a catalyzing role, the Government has established the Bangladesh Infrastructure Financing Facility (BIFF). As designed, BIFF will help finance infrastructure projects by using its own resources, augmenting its resources by issuing infrastructure bonds, allowing other institutional investors of international and domestic origin to invest in BIFF as minority shareholders, and allowing the Government to increase the capital base of BIFF through budgetary subventions in future.

<sup>10</sup> Towards Revamping Power and Energy Sector: A Road Map, Finance Division, Ministry of Finance, June 2010.

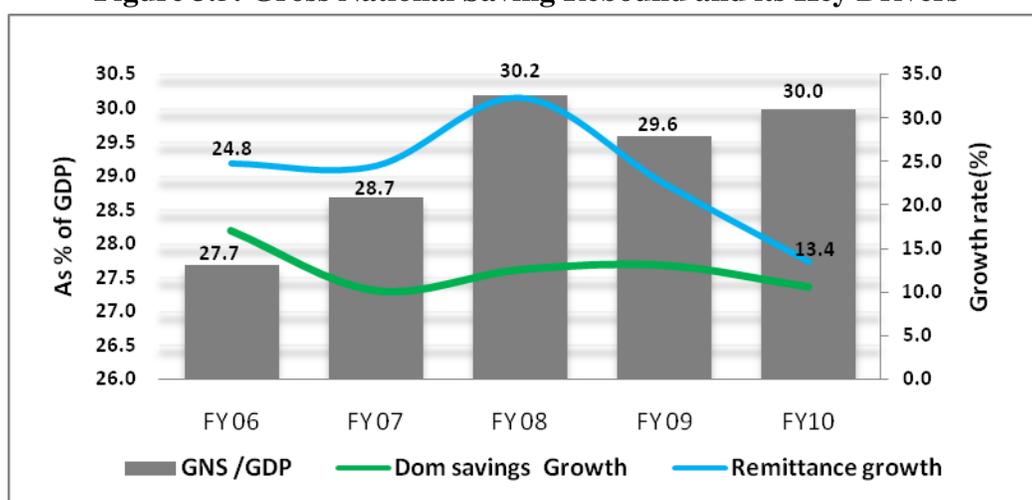
<sup>11</sup> Sixth Five Year Plan (2011-2015), Energy and Mineral Resources Division, Ministry of Power, Energy and Mineral Resources, November 2009.

At its inception in 2010, BIIF was endowed with an initial capital of TK 16 billion (equivalent to \$230 million). The ultimate objective of BIIF will be to help finance PPP infrastructure projects by taking direct equity participation in financially viable projects.

### Aggregate Savings

The sharp rise in investment projected in the SFYP will be largely supported by a significant increase in national savings. National savings, comprising domestic savings and inflow of workers’ remittances, have been on a rising trend owing to increased domestic saving but also because of rapid growth in the inflow of remittances (Figure 3.5). As the national savings rate increased the domestic investment effort did not expand commensurately causing the external current account balance to reach a record surplus of 3.7% of GDP in FY10.

**Figure 3.5: Gross National Saving Rebound and its Key Drivers**



Source: Bangladesh Bureau of Statistics and the Bangladesh Bank

Building on the recent positive performance on the national savings front, the Plan aims to increase national savings rate by 2.1 percentage points to 32.1% of GDP. The pace of increase is about the same as recorded in recent years. The fall in the savings rate in FY11 was primarily attributable to the slowdown in remittances and a marked increase in imports associated with the global commodity price increase. The savings rate should revert back to the level of the base year by FY13 as global prices stabilize and growth in the inflow of remittances reverts back to its projected normal level. Unlike the recent past when the increase in the savings rate was solely attributable to private savings, during the Plan period one third of the projected increase should come from public sector savings. The projected increase in the public sector savings, despite a sizable increase in recurrent outlays of the government, is predicated upon the success in government’s revenue mobilization efforts. Inflow of workers’ remittance has been playing a very important role in the growth of national savings in Bangladesh in recent years. Increased number of migration of workers abroad to traditional Gulf countries and to newer destinations in East Asia, and Europe and North America has

contributed to this sustained growth. New initiatives to make transfers through the formal banking channels have also contributed to the buoyancy in remittance growth.

The increase in national savings projected under the Plan will depend on the continued growth in remittances, albeit at a slower pace, as discussed in the balance of payments section below. Improved investment climate and more attractive rates of return on domestic investment, in part augmented by increased demand for investment, would also encourage transfer of savings held by expatriate Bangladeshi workers abroad. A part of the increased national savings would come from the public sector through increased revenue mobilization efforts.

## BALANCE OF PAYMENTS AND EXCHANGE RATE MANAGEMENT

A comfortable balance of payments (BOP) situation, ensuring comfortable external reserve position and buoyant growth in import payments and export receipts, is a precondition for the success of the Plan. The favorable BOP situation enjoyed by Bangladesh in recent years with record current account surplus (3.7 % of GDP) and a rapid buildup of foreign exchange reserves in FY10 is certainly reassuring in this regard. Sound macroeconomic management over the years has contributed to the strengthening of the BOP in such a manner that Bangladesh is the only country in South Asia with consistent surplus in the external current account position.

Merchandise exports have been growing at a respectable rate of 14.5% during the five-year period preceding the global economic crisis (Table 3.8). Much of the export growth was driven by the knitwear and garment sectors, which gained further momentum in the post-MFA period (Table 3.9). Some nontraditional exports also showed promising signs, although

**Table 3.8: Recent Export Performance from FY06 to FY10**

Categories	FY06	FY07	FY08	FY09	FY10
<b>(Annual Growth Rate)</b>					
Woven garments	13.3	14.1	10.9	14.5	1.6
Knitwear	35.3	19.3	21.5	16.2	0.8
Raw Jute	54.2	-0.7	12.3	-21.9	52.3
Jute goods	17.6	-11.1	-0.8	-15.3	100.4
Leather	16.3	3.5	6.9	-37.8	27.8
Frozen food	9.0	12.2	3.7	-15.0	-2.0
Total exports	21.6	15.7	15.8	10.1	4.2

*Source: Bangladesh Bank.*

their export base still remains narrow. Bangladesh's exports suffered significantly during the global economic crisis although Bangladesh fared better than many of its global competitors. Exports have rebounded very strongly in FY11 due to stronger demand from both traditional (European Union and the USA) and non-traditional markets for Bangladeshi textile products. Particularly notable is the surge in demand for raw jute and jute goods following years of steep decline. However, the rebound in exports following global recovery would be sustainable only if the government succeeds in alleviating domestic constraints like power crisis and reduces trade logistic costs especially relating to domestic transport.

**Table 3.9: Recent Export Performance**

Categories	FY06	FY07	FY08	FY09	FY10
(As % of Total Exports)					
Woven garments	38.8	38.2	36.6	38.1	37.0
Knit wear	36.3	37.4	39.2	41.4	40.0
Raw jute	1.4	1.2	1.2	0.8	1.2
Jute goods	3.4	2.6	2.3	1.7	3.3
Leather	2.4	2.2	2.0	1.1	1.4
Frozen food	4.4	4.2	3.8	2.9	2.7
Others	13.3	14.1	14.9	13.9	20.4

*Source: Bangladesh Bank*

Based on the recent performance, export sector under the Plan is projected to grow by 19.4% per annum in US dollar terms, which is higher than usual because of the sharp increase in exports recorded in FY11. Excluding the strong performance of FY11, export growth during the remainder of the Plan is projected to be about the same as in recent pre-global crisis years (Annex Table 3). The projection entails an increase in the share of exports in relation to GDP to rise by 7.7 percentage points to 23.9% of GDP by the end of the SFYP reflecting a leading role that export sector is envisaged to play in increasing domestic activity. While clothing exports would continue to dominate the export outlook, some important non-traditional exports like footwear, other leather products and light engineering products (bicycle and electronic products), pharmaceuticals, and ship building are likely to grow at a much faster rate.

Import payments are also likely to grow at a buoyant pace of 20.4% on average during the Plan period on account of an unusually strong growth in the first year of the Plan. Following a marked slowdown in import payments in FY10 due to the global recession induced decline in global commodity prices and lower intermediate imports associated with much slower textile exports, there has been a very strong rebound in imports in FY11. Imports are however projected to come down to a more sustainable pace of 14.3% over the rest of the Plan period. The projected high import growth will address critical capacity constraints in the power and other infrastructure sectors along with capital machineries and raw materials for the industrial sector expansion.

Trade account deficit will increase significantly due to higher imports associated with increased domestic and export activity. Services and income account deficits are also projected to grow wider over the years in line with their recent trends. However, the wider trade account, services account and income account deficits will continue to be largely offset by the surplus position on current transfers (mainly on account of workers' remittances). The widening of the trade account deficit is not a matter of concern since this is associated with increased demand for imports related to the targeted increase in investment and exports and will be largely financed through growing inflows of export earnings and remittances. The external current account deficits hovering at less than one percent of GDP would be sustainable and justifiable for a developing country like Bangladesh given the growing import demand associated with the higher real economic growth objectives.

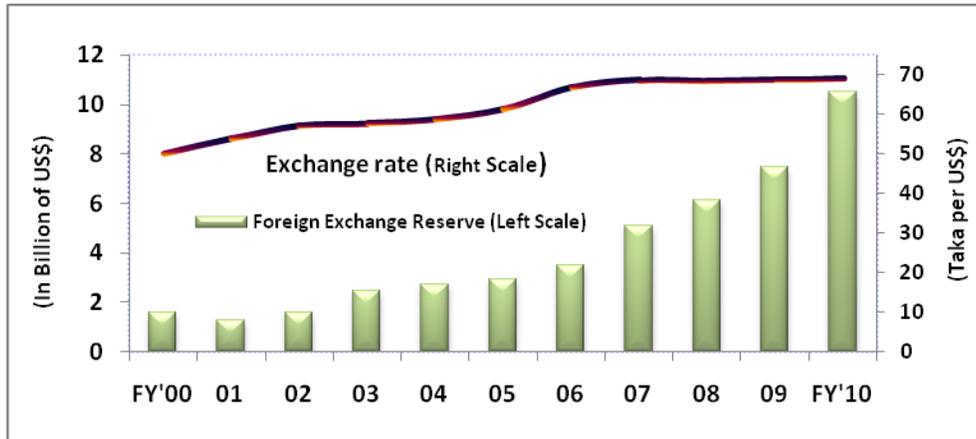
The overall balance of the balance of payments should also continue to remain in surplus during much of the plan period except FY11, thereby helping Bangladesh Bank to maintain its foreign exchange reserve at levels commensurate with the growing level of imports. The surplus position in the overall balance despite moderate deficits in the external current account balances would call for surpluses in the capital and financial accounts during FY12-15. In addition to continued reliance official bilateral and multilateral assistance to finance development projects, there will be need for foreign direct investment (FDI) and the government may also consider non-concessional borrowing from private sources. Bangladesh's strong growth performance and favorable macroeconomic outlook envisaged under the SFYP should help attract FDI in larger amounts envisaged under the Plan. Recent reaffirmation of Bangladesh's favorable sovereign credit rating with stable outlook would also help in issuing sovereign bonds in international markets if the government decides to do so. Gross official reserves is projected to increase to about US\$16.1 billion by the end of the Plan, which would be equivalent to 3.3 months of projected import payments.

### **Exchange Rate Policy**

Bangladesh Bank has been following a flexible market-based exchange rate policy since the adoption of the floating exchange rate regime in 2003. This policy has generally served the economy very well by allowing the rate to be determined in the interbank foreign exchange market with some interventions from Bangladesh Bank to minimize the exchange market volatility. This policy has enabled Bangladesh Bank to ensure stability in the exchange rate, primarily against the US dollar, while at the same time enabling it to build up foreign exchange reserves to a very comfortable level (above \$10 billion; see Figure 3.6). Bangladesh Bank, as an active participant in the foreign exchange market, has been both buying and selling in the market, with a view to smooth out unnecessary and avoidable volatility/fluctuations in the exchange rate through injection or withdrawal of liquidity. In FY10, Bangladesh Bank was a net buyer in the market in order to prevent a sharp appreciation of the exchange rate which could have eroded the competitiveness of Bangladeshi exporters. This policy supported the Bangladeshi exporters at a time exports had suffered greatly due to the global economic crisis, while at the same time still allowing the taka to appreciate in real effective terms through the inflation differential.

As the balance of payments situation changed markedly in FY11, with the current account turning from a large surplus (\$3.7 billion) in FY10 to a small deficit (\$0.2 billion), Bangladesh Bank allowed the exchange rate to depreciate in the interbank market and also allowed the interest rates to be largely determined by market forces to contain import growth. This policy has helped restore balance of payments stability and protect reserves by containing import payments and promoting export competitiveness.

**Figure 3.6: Developments in the Exchange Rate and External Reserves**



*Source: Bangladesh Bank*

The policy of exchange rate flexibility with limited interventions to ensure market stability will be continued during the Plan period. While maintaining the exchange market stability, the rate will be allowed to be determined by economic fundamentals and taking into account the objective of maintaining comfortable reserve levels throughout the Plan period. Given the balance payments outlook, characterized by moderate external current account deficits and surpluses in the overall balance, there should not be any major instability in the exchange market. The current comfortable reserve position of Bangladesh Bank should help fending off any speculative pressure in the exchange market. The comfortable external position will also allow Bangladesh Bank to consider easing some of the capital accounts restrictions in a phased manner. Such a phased liberalization of the capital account, in a stable macroeconomic and strong external environment, would help boost investor confidence in the economy and promote inflow of FDI.

## **MONETARY MANAGEMENT**

Monetary management will play a central role in ensuring macroeconomic stability and allocating adequate levels of credit for private sector economic activity/expansion. Despite the recent increase in the size of the stock market and a surge in turnover, borrowing from the banking system continues to dominate financing of private sector investment and other economic activity. Monetary growth over the past two years has been generally supportive of growth. However, to contain inflationary pressures in recent months mostly due to global food and fuel price increases, the Government has taken steps to increase domestic production and reduce the growth of money supply (Box 3.1).

### Box 3.1: Explaining Inflation in Bangladesh

Inflation has become a major concern in Bangladesh. During the last two years the general price level in Bangladesh has gone up due mainly to the exorbitant rise in food and fuel prices in the world markets and accommodating monetary expansion.

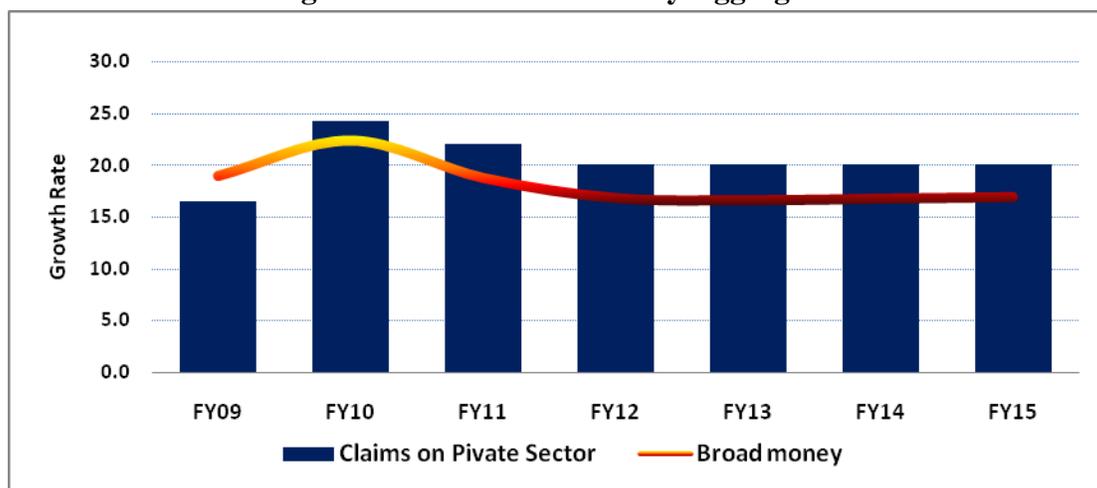
Government has decided to tackle the inflation issue comprehensively both from the supply side and the demand side. In order to raise food production, appropriate policies in the form of price support, input support and credit support have been adopted. The impact of such measures has already been manifested in bumper harvests leading to 5 percent growth in crop production during the last two fiscal years. As a result, there has been a reduction in rice prices in recent months.

Demand side measures primarily relate to reducing the growth of money supply through a range of monetary policy instruments. The measures include removing the cap on interest rate, lowering of credit expansion ratio (i.e. credit/deposit ratio), and increasing CRR and LRR.

These measures are expected to reduce the growth of money supply and thereby lower inflationary pressures. Lower rate of monetary expansion will also reduce the demand pressure on the balance of payments. The Government intends to keep money supply growth broadly aligned to the Sixth Plan's inflation targets and support this through prudent fiscal management to avoid a credit crunch for the private sector.

Thus the key objective of the monetary policy during the Plan period will be to allow monetary aggregates to expand in a manner consistent with the growth and inflation targets envisaged under the Plan. Consistent with this strategy, broad money (M2) in nominal terms is projected to increase on average at 16.8% percent per annum to Tk. 7.9 trillion by the end of the Plan (Figure 3.7 and Annex Table 3.7). Demand for broad money will however vary over the Plan period in line with GDP growth rates and inflation targets.

Figure 3.7: Selected Monetary Aggregates



Source: Bangladesh Bank and SFYP Projections

Ensuring adequate levels of domestic credit for the private sector over the Plan period, within the aggregate limits of the targeted broad money expansion will require containing credit to the government (net) and other public entities within reasonable limits. The fiscal deficit targets under the Plan, while sustainable will however require sizable new borrowing from the

banking system. If needed, the Government may have to seek additional external financing to avoid any crowding out of the private sector. Particularly important in this respect will be to limit credit to the loss making public enterprises which would potentially crowd out private sector credit and at the same time lead to the accumulation of nonperforming assets of the state-owned commercial banks.

A more effective reform program for public sector enterprises with a view to improving performance and minimizing losses will be important for limiting pressures for credit expansion to this sector. Interest rate policy will continue to remain an important policy instrument in the overall monetary management. While the interest rate structure will continue to be market determined, efforts will be made to reduce the spread between the lending and deposit rates by creating a more competitive environment in financial intermediation. Persistence of a wide spread between average borrowing and lending rates is a sign of inefficiency in financial intermediation, which negatively impacts both savings and investment. The spread needs to come down to a more acceptable range within the Plan period.

The progress with banking sector reforms and related agenda moving forward was discussed in Chapter 2. The Government has initiated related reforms in the financial sector. For example, in order to improve the efficiency of the banking system, strengthen the financial position of banks and ensure effectiveness of monetary policy, Bangladesh Bank has adopted a Strategic Action Plans (SAP) for 2010-14. The SAP identifies 16 Major Strategic areas with specific objectives and action plans under each one of them for implementation over the SAP period. The key areas include: reviewing of the monetary policy framework to enhance effectiveness of monetary policy; strengthening of the regulatory and supervisory framework; further deepening of financial markets; full automation of the Credit Information Bureau; and strengthening the risk-based internal audit system. A complete list of the key strategies is provided in Box 3.2.

## **RISKS AND UNCERTAINTIES**

The macroeconomic outlook presented above has significant downside risks of domestic and external origins, which could have significant negative impact on performance. On the domestic front the main challenge is the implementation of policies for realizing the projected investment targets and mobilizing the target for NBR tax revenues through modernization of tax administration and broadening of the tax base. Continued governance problems may prevent realization of the efficiency gains in public expenditure and investment under the ADP and PPP arrangements. There are also risks of significant exogenous domestic shocks like cyclone and flood or political unrest, which may undermine the sectoral and overall macroeconomic outlook.

The external environment facing the economy also presents several risks and uncertainties which may have significant impact on performance. Some of these are:

### **Box 3.2: Bangladesh Bank's Strategic Action Plans, 2010-2014**

**Strategy 1: Revisit the current monetary policy framework** to ensure continuing effectiveness of monetary policies by strengthening and widening the consultative process in formulation of monetary policy; and by upgrading in house capacity on monetary and macroeconomic issues.

**Strategy 2: Strengthen regulatory and supervisory framework** to enhance financial sector resilience and stability by: revisiting the regulatory regime to identify needs for changes; strengthening supervisory methodology and enforcement; developing readily accessible database on Key Performance Indicator: overseeing the implementation of Basel-II capital requirements in banks.

**Strategy 3: Further deepen financial markets in Bangladesh** by promoting and facilitating issuance of trade in corporate securities backed by mortgage and other financial assets.

**Strategy 4: Financial inclusion and broadening of access** by increasing emphasis on financing needs of agriculture and SMEs.

**Strategy 5: Develop more efficient currency management and payment systems** by comprising of automated cherub processing system & electronic fund transfer; establishing framework for efficient payment system; promoting on-line banking, shared ATMs etc; reducing waiting times of banking services; campaigning; promoting clean currency notes in circulation.

**Strategy 6: Strengthen reserve management capabilities** by optimizing returns from investments of resources, with due attention to liquidity and risks of losses.

**Strategy 7: Enhance regulatory and supervisory framework against money laundering** by meeting the international standard for AML &CFT; strengthening of Financial Intelligence Unit (FIU); enhancing of regional and international cooperation; coordinating among law enforcement and related agencies; taking membership of EGMONT group.

**Strategy 8: Introduce separate and comprehensive guideline and supervision for Islamic banking** by developing separate regulation and supervision for Islamic shariah based banks

**Strategy 9: Develop more efficient management of government domestic debt** by ascertaining exact debt position in government accounts with BB offices and Sonali Bank treasury branches; optimizing borrowing costs; strengthening preventive measures against forgeries; deepening government securities market for market based debt management.

**Strategy 10: Streamline and transform data reporting, processing and dissemination** through proper ICT framework; by reassessing usefulness of data contents of BB publication; implementing Enterprise Resource Planning (ERP), Core Banking Solutions (CBS) and Enterprise Data Warehouse (EDW); and developing web based data collection from banks and financial institutions.

**Strategy 11: Full automation of credit information bureau (CIB)** by providing online checking, data submission and report generation for the financial institution.

**Strategy 12: Enhance the legal empowerment of BB in different functional areas** by treating publicly and privately owned banks for supervision and regulatory purposes; developing framework to offer better employee attraction and retention package.

**Strategy 13: Attract, retain and develop people** by ensuring that skilled people are recruited and retained; encouraging performance based work culture and discipline; considering of relative merits specialization in central banking functions and staff deployment decision; strengthening organizational structure; conducting working environment.

**Strategy 14: Strengthen risk-based internal audit** to add value to the Risk Management Process in BB by complying with ISA; conducting required investigation; providing objective assurance to the effectiveness of risk management; providing Internal Audit Department (IAD's) employees with local and international professional training; strengthening internal controls; adopting aspects of BAS,IFRS etc; modernizing of Financial Management System.

**Strategy 15: Develop effective channels for communicating central banks policies and initiatives** to stakeholders by coordinating interactions between internal stakeholders; communicating with external stakeholders; building stronger and positive image of BB.

**Strategy 16: Create a 'Strategic Planning Unit'** as a process owner of BB strategic plan by setting up 'Strategic Planning Unit' and resource planning.

*Source: Bangladesh Bank*

- The pace of economic recovery in the industrial world, the primary destination of Bangladeshi exports, in the aftermath of the global economic meltdown.

- The emerging debt crisis in several of the EU economies and the fallout of that for the global economy and the EU economies in particular is a matter of concern.
- The unresolved issue of global macroeconomic and trade imbalances among several major economies (in particular between the USA and China and Japan) and the tensions that may create in the areas of international trade and global financial system.
- Uncertainties about global commodity prices and the price of oil and cereals in particular

In view of these risks and uncertainties, the SFYP will pursue prudent macroeconomic management. The Government also stands ready to take corrective actions to offset the adverse effects of any unforeseen developments

Bangladesh economy has the potential to realize the Plan objectives. The government strategy supported by comprehensive reforms in many areas gives credibility to the Plan. The major macroeconomic focus areas are the alleviation of bottlenecks for economic growth through much higher investment in the power and other infrastructure and by implementing a much larger ADP in an effective manner. Mobilization of resources to finance the Plan will also be critical in ensuring macroeconomic stability. There are risks and uncertainties but those can be managed over the medium term. Overall, the growth target of 8% by the end of the Plan is feasible, provided necessary supportive policies are put in place to alleviate the prevailing constraints. These issues are discussed in detail in the individual chapters of Part II of the Plan document.

## CHAPTER 3 ANNEX TABLES

### Annex Table 3.1: Bangladesh: Key Economic Indicators, FY10 to FY15

	FY10	FY11	FY12	FY13	FY14	FY15	Average (FY11-15)
<b>Components:</b>	<b>(Actual)</b>			<b>(Projection)</b>			
<b>Real GDP Growth</b>	<b>6.1</b>	<b>6.7</b>	<b>7.0</b>	<b>7.2</b>	<b>7.6</b>	<b>8.0</b>	<b>7.3</b>
<b>Nominal GDP Growth</b>	12.9	13.4	14.3	13.8	14.1	14.3	14.0
<b>CPI Inflation (average)</b>	<b>7.3</b>	<b>8.0</b>	<b>7.5</b>	<b>7.0</b>	<b>6.5</b>	<b>6.0</b>	<b>7.0</b>
<b>Gross investment</b>	<b>24.4</b>	<b>24.7</b>	<b>26.8</b>	<b>29.6</b>	<b>31.0</b>	<b>32.5</b>	<b>29.3</b>
Private	19.4	19.5	22.2	22.7	23.8	25.0	22.6
Public	5.0	5.3	6.6	6.9	7.2	7.5	6.7
<b>National Savings</b>	<b>30.0</b>	<b>28.4</b>	<b>26.7</b>	<b>29.4</b>	<b>30.7</b>	<b>32.1</b>	<b>29.9</b>
<b>Total Revenue and Grants (% of GDP)</b>							
<b>Total Revenue</b>	<b>10.9</b>	<b>12.1</b>	<b>13.2</b>	<b>13.4</b>	<b>14.0</b>	<b>14.6</b>	<b>13.4</b>
Tax	9.0	10.0	10.6	11.2	11.8	12.4	11.2
Non Tax	1.9	2.0	2.5	2.2	2.2	2.2	2.2
<b>Grants</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
<b>Total Expenditures</b>	<b>14.6</b>	<b>16.5</b>	<b>18.2</b>	<b>18.4</b>	<b>19.0</b>	<b>19.6</b>	<b>18.3</b>
Current Expenditures	9.6	9.8	9.8	10.3	10.5	10.8	10.3
ADP (PPP + Public entities)	3.7	4.5	5.1	5.3	5.7	6.1	5.3
Others Expenditures	1.4	2.2	3.3	2.8	2.8	2.7	2.7
<b>Overall balance (including grants)</b>	<b>-3.1</b>	<b>-3.9</b>	<b>-4.5</b>	<b>-4.4</b>	<b>-4.5</b>	<b>-4.5</b>	<b>4.4</b>
<b>Overall balance (Excluding grants)</b>	<b>-3.7</b>	<b>-4.4</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-4.9</b>
Primary balance	-1.6	-2.6	-3.1	-3.1	-3.0	-3.0	2.9
<b>Financing (net)</b>	<b>3.7</b>	<b>4.4</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>4.9</b>
External	1.4	1.3	2.0	2.0	2.0	2.0	1.8
Domestic	2.3	3.1	3.0	3.0	3.0	3.0	3.0
<b>Total debt</b>	<b>40.0</b>	<b>39.9</b>	<b>40.0</b>	<b>39.5</b>	<b>39.2</b>	<b>38.8</b>	<b>39.9</b>
External	20.3	19.4	19.0	18.1	17.4	16.8	18.6
Domestic	19.7	20.5	21.0	21.4	21.8	22.1	21.3
<b>Money and Credit (End of fiscal year in billion TK), percentage change)</b>							
<b>Net foreign assets</b>	<b>671</b>	<b>655</b>	<b>722</b>	<b>822</b>	<b>950</b>	<b>1085</b>	<b>846.9</b>
(% Change)	39.9	-2.3	10.2	13.7	15.6	14.2	10.3
<b>Credit to private sector</b>	<b>2708</b>	<b>3439</b>	<b>4126</b>	<b>4869</b>	<b>5746</b>	<b>6780</b>	<b>4991.9</b>
(% Change)	24.2	27.0	20.0	18.0	18.0	18.0	20.2
<b>Broad money(M2)</b>	<b>3630</b>	<b>4357</b>	<b>5054</b>	<b>5862</b>	<b>6800</b>	<b>7888</b>	<b>5992.0</b>
(% Change)	22.4	20.0	16.0	16.0	16.0	16.0	16.8
<b>Balance of payments</b>							
<b>Exports (In billions US\$)</b>	<b>16.2</b>	<b>22.4</b>	<b>25.7</b>	<b>29.4</b>	<b>33.8</b>	<b>38.8</b>	<b>30.0</b>
(annual percentage change)	4.2	38.0	14.5	14.5	14.5	15.0	19.4
<b>Import (In billions US\$)</b>	<b>21.4</b>	<b>31.0</b>	<b>35.4</b>	<b>40.3</b>	<b>46.1</b>	<b>52.8</b>	<b>41.1</b>
(annual percentage change)	5.4	45.0	14.0	14.0	14.5	14.5	20.4
<b>Current Account Balance(in billions US\$)</b>	<b>3.7</b>	<b>-0.3</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.5</b>	<b>-0.7</b>	<b>-0.4</b>
(percent of GDP)	3.7	-0.3	-0.2	-0.2	-0.3	-0.4	-0.3
Capital Account Balance(In billions US\$)	-0.9	0.2	1.1	1.5	2.1	2.3	1.4
<b>Overall balance</b>	<b>2.9</b>	<b>-0.2</b>	<b>0.9</b>	<b>1.3</b>	<b>1.6</b>	<b>1.6</b>	<b>1.0</b>
Gross official reserves in billion US\$)	10.7	10.7	11.6	12.9	14.5	16.1	13.2
In months of imports	5.1	3.6	3.4	3.4	3.4	3.3	3.5
<b>Memorandum:</b>							
<b>Nominal GDP (In billions taka)</b>	6943	7875	8999	10245	11685	13351	10430.8
<b>Gross investments(in billion taka)</b>	1694	1945	2592	3032	3622	4339	3106.1
<b>Gross national savings(In billion Taka)</b>	1953	1918	2577	3015	3587	4286	3076.7

Sources: BBS, Bangladesh Bank, Ministry of Finance and SFYP Projections

**Annex Table 3.2: Bangladesh: Central Government Operations, FY10 to FY15**

	FY10	FY11	FY12	FY13	FY14	FY15	Average(FY11-15)
	<i>Actual</i>	<i>Budget</i>			<i>Projection</i>		
	<i>( In billions of taka)</i>						
<b>Total revenue and grants</b>	<b>797</b>	<b>991</b>	<b>1237</b>	<b>1428</b>	<b>1690</b>	<b>2015</b>	<b>1472</b>
Total revenue	757	949	1186	1373	1636	1953	1419
Tax revenue	625	788	958	1147	1379	1660	1186
NBR taxes	597	756	922	1106	1327	1602	1143
Nontax revenue	132	161	229	225	257	294	233
<b>Foreign grants</b>	<b>40</b>	<b>42</b>	<b>51</b>	<b>55</b>	<b>54</b>	<b>61</b>	<b>53</b>
<b>Total expenditure</b>	<b>1014</b>	<b>1292</b>	<b>1639</b>	<b>1882</b>	<b>2217</b>	<b>2617</b>	<b>1929</b>
Current expenditure	666	774	886	1055	1227	1442	1077
Pay and allowances	161	204	234	277	316	374	281
Goods and services	87	108	118	143	164	200	147
Interest payments	149	150	180	195	234	267	205
Subsidies and transfers	267	310	352	410	479	561	422
Block allocations	3	2	2	31	35	40	22
<b>ADP(PPP+ Public entities)</b>	<b>257</b>	<b>345</b>	<b>460</b>	<b>545</b>	<b>669</b>	<b>808</b>	<b>566</b>
Non-ADP capital spending	87	87	146	184	210	227	171
Net lending	9	72	140	102	117	133	113
Other expenditures	-6	14	0	0	0	0	3
<b>Overall balance (including grants)</b>	<b>-217</b>	<b>-301</b>	<b>-402</b>	<b>-454</b>	<b>-527</b>	<b>-602</b>	<b>-457</b>
<b>Primary balance</b>	<b>-108</b>	<b>-194</b>	<b>-272</b>	<b>-315</b>	<b>-347</b>	<b>-397</b>	<b>-305</b>
<b>(Excluding grants)</b>	<b>-257</b>	<b>-343</b>	<b>-452</b>	<b>-509</b>	<b>-581</b>	<b>-664</b>	<b>-510</b>
<b>Net financing</b>	<b>257</b>	<b>343</b>	<b>452</b>	<b>509</b>	<b>581</b>	<b>664</b>	<b>510</b>
External	104	98	181	195	230	261	193
Domestic	153	244	271	309	351	403	316
Banks	-21	173	201	229	260	299	232
Nonbanks	174	71	70	80	91	104	83
	<i>(In Percent of GDP)</i>						
<b>Total revenue and grants</b>	<b>11.5</b>	<b>12.6</b>	<b>13.7</b>	<b>13.9</b>	<b>14.5</b>	<b>15.1</b>	<b>14.0</b>
Total revenue	10.9	12.1	13.2	13.4	14.0	14.6	13.5
Tax revenue	9.0	10.0	10.6	11.2	11.8	12.4	11.2
NBR taxes	8.6	9.6	10.2	10.8	11.4	12.0	10.8
Nontax revenue	1.9	2.0	2.5	2.2	2.2	2.2	2.2
<b>Foreign grants</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
<b>Total expenditure</b>	<b>14.6</b>	<b>16.5</b>	<b>18.2</b>	<b>18.4</b>	<b>19.0</b>	<b>19.6</b>	<b>18.3</b>
Current expenditure	9.6	9.8	9.8	10.3	10.5	10.8	10.3
Pay and allowances	2.3	2.6	2.6	2.7	2.7	2.8	2.7
Goods and services	1.3	1.4	1.3	1.4	1.4	1.5	1.4
Interest payments	2.1	1.9	2.0	1.9	2.0	2.0	2.0
Subsidies and transfers	3.8	3.9	3.9	4.0	4.1	4.2	4.0
Block allocations	0.0	0.0	0.0	0.3	0.3	0.3	0.2
<b>ADP</b>	<b>3.7</b>	<b>4.5</b>	<b>5.1</b>	<b>5.3</b>	<b>5.7</b>	<b>6.1</b>	<b>5.3</b>
Non-ADP capital & Net lending	<b>1.4</b>	<b>2.0</b>	<b>3.2</b>	<b>2.8</b>	<b>2.8</b>	<b>2.7</b>	<b>2.7</b>
<b>Overall balance (excluding grants)</b>	<b>-3.7</b>	<b>-4.4</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-5.0</b>	<b>-5.0</b>	<b>4.9</b>
<b>Primary balance</b>	<b>-1.6</b>	<b>-2.6</b>	<b>-3.1</b>	<b>-3.1</b>	<b>-3.0</b>	<b>-3.0</b>	<b>2.9</b>
<b>Net financing</b>	<b>3.7</b>	<b>4.4</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>4.9</b>
External	1.4	1.3	2.0	2.0	2.0	2.0	1.8
Domestic	2.3	3.1	3.0	3.0	3.0	3.0	3.0
Banks	-0.3	2.3	2.1	2.2	2.2	2.2	2.2
Nonbanks	2.6	0.8	0.9	0.8	0.8	0.8	0.8
<b>Memorandum Item</b>							
<b>Nominal GDP(in billion of taka)</b>	<b>6943</b>	<b>7875</b>	<b>8999</b>	<b>10245</b>	<b>11685</b>	<b>13351</b>	<b>10431</b>

Source: Ministry of Finance and SFYP Projections

**Annex Table 3.3: Bangladesh: Balance of Payments, FY10 to FY15**  
(In millions of US\$ or otherwise indicated)

<b>Items</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>	<b>FY 13</b>	<b>FY 14</b>	<b>FY 15</b>
<b>Trade balance</b>	<b>-5152.0</b>	<b>-8606.9</b>	<b>-9699.9</b>	<b>-10929.6</b>	<b>-12367.5</b>	<b>-13991.9</b>
Export f.o.b.(including EPZ)	16236.0	22405.7	25654.5	29374.4	33780.6	38847.7
Import f.o.b (including EPZ)	-21388.0	-31012.6	-35354.4	-40304.0	-46148.1	-52839.5
<b>Services</b>	<b>-1237.0</b>	<b>-2252.4</b>	<b>-2385.6</b>	<b>-2493.0</b>	<b>-2609.0</b>	<b>-2744.1</b>
Receipts	2471.0	2550.5	2782.6	2842.0	2929.1	2999.4
Payments	-3708.0	-4803.0	-5168.3	-5335.1	-5538.1	-5743.5
<b>Income</b>	<b>-1487.0</b>	<b>-1727.9</b>	<b>-1784.2</b>	<b>-1956.4</b>	<b>-2146.5</b>	<b>-2377.8</b>
Receipts	52.0	65.0	78.0	92.0	106.8	123.3
Payments	-1539.0	-1792.9	-1862.2	-2048.4	-2253.2	-2501.1
<b>Current transfers</b>	<b>11610.0</b>	<b>12212.4</b>	<b>13677.6</b>	<b>15149.6</b>	<b>16684.5</b>	<b>18465.2</b>
Official transfers	122.0	150.0	120.0	120.0	120.0	120.0
Private transfers	11488.0	12062.4	13557.6	15029.6	16564.5	18345.2
Of which : Workers' remittances	10987.0	11536.4	12690.0	14212.8	15918.3	17828.5
<b>Current Account Balance</b>	<b>3734.0</b>	<b>-374.9</b>	<b>-192.1</b>	<b>-229.4</b>	<b>-438.5</b>	<b>-648.5</b>
<b>Financial and Capital Account</b>	<b>-869.0</b>	<b>160.6</b>	<b>1094.4</b>	<b>1519.1</b>	<b>2051.0</b>	<b>2286.0</b>
<b>Capital account</b>	<b>442.0</b>	<b>465.5</b>	<b>584.1</b>	<b>643.0</b>	<b>629.0</b>	<b>715.0</b>
Capital transfers	442.0	465.5	584.1	643.0	629.0	715.0
<b>Financial Account</b>	<b>-1311.0</b>	<b>-304.9</b>	<b>510.2</b>	<b>876.1</b>	<b>1422.0</b>	<b>1571.0</b>
Foreign Direct Investment	636.0	950.0	1050.0	1250.0	1350.0	1590.0
Foreign Portfolio Investment	-117.0	-80.0	-50.0	-50.0	-50.0	-50.0
Net Aid Loans	914.0	788.1	1802.6	1989.1	2378.7	2681.0
Loan Disbursements	1601.0	1505.6	2544.1	2895.1	3434.7	3881.0
Debt Amortization	-687.0	-717.5	-741.5	-906.0	-1056.0	-1200.0
Other Long term Loans (net)	-156.0	-200.0	-200.0	-50.0	-120.0	-170.0
Other Short term Loans (net)	231.0	412.0	347.6	407.0	513.3	520.0
Other Capital	-903.0	-910.0	-950.0	-1050.0	-900.0	-1200.0
Trade Credits (net)	-1045.0	-1105.0	-1250.0	-1250.0	-1350.0	-1450.0
Commercial Banks (net)	-315.0	-160.0	-240.0	-370.0	-400.0	-350.0
<b>Errors and Omissions</b>	<b>-556</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Overall Balance</b>	<b>2865.0</b>	<b>-214.3</b>	<b>902.3</b>	<b>1289.7</b>	<b>1612.5</b>	<b>1637.5</b>
Reserve Assets	-3113.0	1093.1	-293.6	-934.8	-1096.4	-1079.4
Bangladesh Bank	-3113.0	1093.1	-293.6	-934.8	-1096.4	-1079.4
Assets	-3616.0	743.1	-576.6	-1217.8	-1379.4	-1362.4
Liabilities	751.0	350.0	283.0	283.0	283.0	283.0
	<b>FY'10</b>	<b>FY'11</b>	<b>FY'12</b>	<b>FY'13</b>	<b>FY'14</b>	<b>FY'15</b>
Exchange rate (%)	69.29	71.51	74.29	76.97	79.60	82.17
Inflation(Trading Partners) %	3.3	3.0	2.8	2.5	2.5	2.5
Export as (%) of GDP	16.2	20.3	21.2	22.1	23.0	23.9
Import as (%) of GDP	21.3	28.2	29.2	30.3	31.4	32.5
Remittance as (%) of GDP	10.9	10.5	10.5	10.3	10.2	10.0
Current Account Balance as (%) of GDP	3.7	-0.3	-0.2	-0.2	-0.3	-0.4
FDI as (%) of GDP	0.6	0.9	0.9	0.9	0.9	1.1
MLT as (%) of GDP	1.6	1.4	2.1	2.2	2.3	2.4

*Source: Bangladesh Bank and SFYP Projections*

**Annex Table 3.4: Monetary Survey (Stock) (Taka billions)**

Components	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15
Broad Money	2965.0	3630.4	4356.5	5053.5	5862.1	6800.0	7888.1
Net Foreign Assets	479.3	670.7	655.4	722.4	821.7	950.1	1084.6
Net Domestic Assets	2485.7	2959.7	3800.2	4331.1	5040.4	5850.0	6803.4
Domestic Credit (a+b+c)	2885.1	3401.8	4356.3	5265.3	6256.9	7413.1	8761.6
Claims on Public Sector (a+b)	705.8	694.2	917.7	1138.9	1387.8	1667.6	1981.8
a. Claims on Govt. (net)	581.9	543.9	717.2	918.4	1147.3	1407.6	1706.3
b. Claims on Other Public	123.9	150.2	200.5	220.5	240.5	260.0	275.5
c. Claims on Private Sector	2179.3	2707.6	3438.7	4126.4	4869.1	5745.6	6779.8
Net Other Assets	-399.4	-442.1	-556.1	-934.2	-1216.5	-1563.2	-1958.1

**Monetary Survey (Flow) (Taka billion)**

Components	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15
Broad Money	472.2	665.4	726.1	697.0	808.6	937.9	1088.0
Net Foreign Assets	102.6	191.4	-15.3	67.0	99.3	128.4	134.5
Net Domestic Assets	369.6	474.0	840.6	530.9	709.3	809.6	953.5
Domestic Credit (a+b+c)	409.7	516.7	954.6	909.0	991.6	1156.2	1348.4
Claims on Public Sector (a+b)	117.4	-11.6	223.5	221.2	248.9	279.8	314.2
a. Claims on Govt. (net)	111.9	-37.9	173.3	201.2	228.9	260.3	298.7
b. Claims on Other Public	5.5	26.3	50.3	20.0	20.0	19.5	15.5
c. Claims on Private Sector	292.3	528.3	731.1	687.7	742.7	876.4	1034.2
Net Other Assets	-40.2	-42.7	-114.0	-378.1	-282.3	-346.7	-395.0

**Monetary Survey (Growth based On initial Broad money) (% change)**

Components	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15
Broad Money	18.9	22.4	20.0	16.0	16.0	16.0	16.0
Net Foreign Assets	4.1	6.5	-0.4	1.5	2.0	2.2	2.0
Net Domestic Assets	14.8	16.0	23.2	12.2	14.0	13.8	14.0
Domestic Credit (a+b+c)	16.4	17.4	26.3	20.9	19.6	19.7	19.8
Claims on Public Sector (a+b)	4.7	-0.4	6.2	5.1	4.9	4.8	4.6
a. Claims on Govt. (net)	4.5	-1.3	4.8	4.6	4.5	4.4	4.4
b. Claims on Other Public	0.2	0.9	1.4	0.5	0.4	0.3	0.2
c. Claims on Private Sector	11.7	17.8	20.1	15.8	14.7	15.0	15.2
Net Other Assets	-1.6	-1.4	-3.1	-8.7	-5.6	-5.9	-5.8

**Monetary Survey (% change)**

Components	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15
Broad Money	19.2	22.4	20.0	16.0	16.0	16.0	16.0
Net Foreign Assets	27.2	39.9	-2.3	10.2	13.7	15.6	14.2
Net Domestic Assets	17.8	18.8	23.8	16.4	16.6	16.6	16.7
Domestic Credit (a+b+c)	15.9	17.6	28.3	21.1	19.3	18.9	18.7
Claims on Public Sector (a+b)	20.0	-1.6	32.2	24.1	21.9	20.2	18.8
a. Claims on Govt. (net)	23.8	-6.5	31.9	28.1	24.9	22.7	21.2
b. Claims on Other Public	4.7	21.2	33.4	10.0	9.1	8.1	6.0
c. Claims on Private Sector	14.6	24.2	27.0	20.0	18.0	18.0	18.0
Net Other Assets	11.2	10.7	25.8	68.0	30.2	28.5	25.3

*Source: Bangladesh Bank and SFYP Projections*

**Annex Table 3.5: Bangladesh: Debt Sustainability Indicators (FY10-FY15)**

Debt Indicators:	FY10	FY11	FY12	FY13	FY14	FY15	Av(FY1-15)
	Actual	Budget			Projection		
GDP Growth (real)	6.1	6.7	7.0	7.2	7.6	8.0	7.3
GDP Growth (nominal)	12.9	13.4	14.3	13.8	14.1	14.3	14.0
CPI Inflation(Average)	7.3	8.0	7.5	7.0	6.5	6.0	7.0
<b>Fiscal accounts</b>	<b>(In billion taka)</b>						
Govt Budget Deficit, in billion taka	217.2	301.1	401.5	453.9	526.8	602.5	457.2
Govt Budget Deficit, as % of GDP (including grant)	3.1	3.8	4.5	4.5	4.5	4.5	4.4
	<b>(In billion USD)</b>						
Foreign Debt	20.3	21.1	22.9	24.7	26.9	29.3	25.0
Gross borrowing		1.5	2.5	2.7	3.2	3.5	2.7
Amortization/Repayment	0.7	0.7	0.7	0.9	1.0	1.1	0.9
Net borrowing		0.8	1.8	1.8	2.2	2.4	1.8
Interest payment on foreign debt	0.2	0.2	0.3	0.3	0.3	0.4	0.3
interest rate on foreign debt	1.0	1.1	1.1	1.2	1.2	1.3	1.2
	<b>(In billion Taka)</b>						
Foreign Debt	1409.5	1510.9	1700.0	1901.3	2141.8	2410.6	1932.9
Gross borrowing		107.4	184.0	211.6	253.5	289.3	209.2
Amortization/Repayment	50.2	51.2	53.6	71.7	78.0	89.5	68.8
Net borrowing		56.2	130.4	139.8	175.6	199.9	140.4
Interest payment on foreign debt	13.7	16.0	18.7	22.8	25.7	31.3	22.9
Interest rate on foreign debt	1.0	1.1	1.2	1.2	1.2	1.3	1.2
	<b>(In billion Taka)</b>						
Domestic Debt	1365.2	1684.2	1885.2	2193.8	2544.8	2947.6	2235.1
Gross financing		244.1	271.2	308.6	351.2	402.6	315.6
Interest Payment on domestic debt	134.8	134.0	160.9	173.1	208.5	235.6	182.4
Average interest rate on domestic debt	9.9	8.3	8.5	7.9	8.2	8.0	8.2
Total Govt Debt Outstanding	2777.6	3140.6	3596.2	4049.0	4577.7	5182.1	4168.0
Total Debt Services (in billion taka)	198.7	201.2	233.3	267.7	312.2	356.5	274.2
External	63.9	67.2	72.3	94.5	103.7	120.8	91.7
Domestic	134.8	134.0	160.9	173.1	208.5	235.6	182.4
	<b>(% of GDP)</b>						
Total Debt outstanding	40.0	39.9	40.0	39.5	39.2	38.8	39.2
External Debt	20.3	19.4	19.0	18.1	17.4	16.8	18.4
Domestic Debt	19.7	20.5	21.0	21.4	21.8	22.1	21.3
Total Debt Services	2.9	2.6	2.6	2.6	2.7	2.7	2.6
External	0.9	0.9	0.8	0.9	0.8	0.8	0.8
Domestic	1.9	1.7	1.8	1.7	1.9	1.9	1.8
External debt as% export& remittance	74.7	62.2	59.7	56.7	54.1	51.8	56.9
Debt service, in percent of export & remittance	3.4	2.8	2.5	2.8	2.6	2.6	2.7
<b>Memo Items:</b>							
Nominal GDP (In billion Tk)	6943	7875	8999	10245	11685	13352	10431.4
Exports & Remittances(in billion taka)	1886	2427	2849	3355	3956	4657	3448.8
Inflation Rate (Trading Partners), %	3.3	3.0	2.8	2.5	2.5	2.5	2.7
Exchange rate (Taka per us\$)	69.3	71.5	74.3	77.0	79.6	82.2	76.9

Source: Bangladesh Bank and SFYP Projections

## CHAPTER 4: FINANCING THE PLAN

Realization of the Plan objectives would entail involvement of both the private sector and the public sector. Although private sector will continue to play its dominant role in the economy, public sector will be mobilized to foster an economic environment more conducive for higher private sector production, investment, consumption and savings. Public sector will also play the crucial role of making the growth more inclusive through fiscal interventions by making the tax system more equitable and undertaking expenditure programs to improve quality of living for the under privileged segments of the society. Public sector will play its vital roles through annual budgets which would be consistent with the Plan. Financing of the Plan would thus require both private sector savings as well as public sector resource mobilization through buoyancy of the tax revenue, prudent utilization of public resources for public consumption and subsidy/transfer programs, and improved efficiency of public sector enterprises.

### THE OVERALL RESOURCE ENVELOPE FOR THE INVESTMENT PROGRAM

Total investment under the Plan would amount to Tk 13.47 trillion in constant FY2011 prices. Much of the investment will be undertaken by the private sector, although public sector investment will play a bigger role in catalyzing much greater private sector investment under the Plan. Private sector investment (including through PPP programs) will account for 77.2% of the total investment under the Plan, much of that from domestic sources. External financing for private investment, primarily in the form of foreign direct investment (FDI) is expected to grow, but will still remain modest in relative term at about 4.0 %.

**Table 4.1: Financing of Sixth Five Year Plan Investment (FY2011 prices)**

Items:(Billion Taka)	Total	Share (%)	Public	Share (%)	Private	Share (%)
Total Investment	13469.4	100	3075.8	100	10393.6	100
Domestic Resources	12215.3	90.7	2239.6	72.8	9975.7	96.0
External Resources(net)	1254.1	9.3	836.2	27.2	417.9	4.0

*Source: Sixth Five Year Plan Projection*

Public sector investment, much of it through the Annual Development Plan (ADP), will amount to Tk 3.1 trillion in constant FY2011 prices, accounting for about 22.8% of the total investment in the economy. Of the total public sector investment, Tk 2.2 trillion (72.8%) will be financed from domestic sources comprising savings of the government sector, capital receipts, self financing by the public enterprises, and borrowing from the domestic banking and nonbank sources. Use of external financing for project and budget support will be done flexibly within the context of prudent management of the external debt. This will mostly entail loans from the

official bilateral and multilateral sources on best possible terms. The scope for a limited borrowing from the international capital market may also be possible.

## **FINANCING OF TOTAL PUBLIC SECTOR OUTLAYS DURING THE SFYP: ROLE OF FISCAL POLICY**

Total public sector spending under the SFYP, including spending on account of provision of public services and transfer payments and subsidies, is projected to be Tk. 9.6 trillion or 19.6% of GDP. The Plan envisages a significant increase in the size of the government spending in relation to GDP in order to broaden the basic economic and social services across the country and improve the quality of public service delivery. The size of the public sector in Bangladesh is relatively small and the task of improving the quality and coverage of public service delivery will require a larger and more proactive role with a bigger domestic resource base to finance it in a sustainable and noninflationary manner.

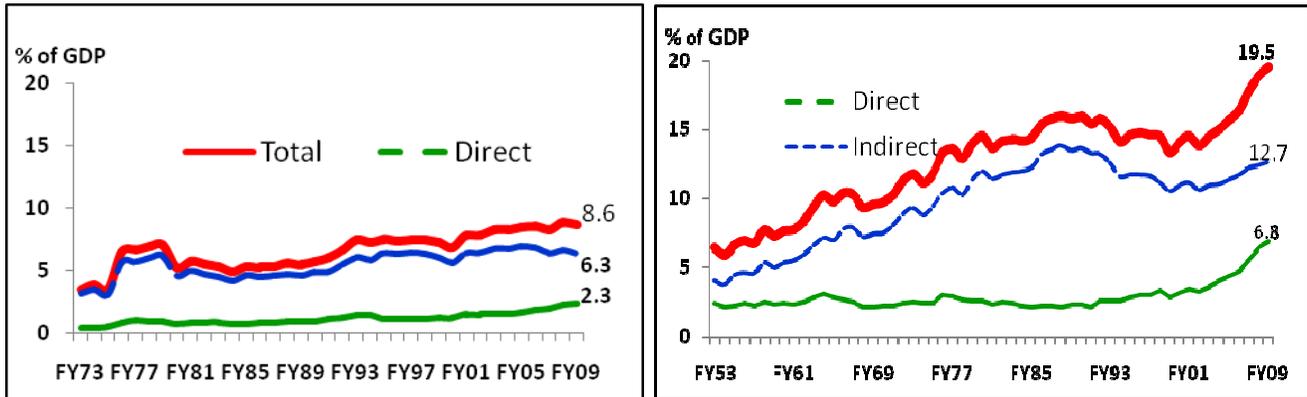
While expanding the size of recurrent public spending will be needed for achieving wider coverage and better public service delivery, efforts will also be made to increase significantly public sector savings to finance a growing public investment. Accordingly, even after allowing for 2 percentage points increase in recurrent expenditure, public sector savings is projected to increase by about 2 percentage points to 2.5% of GDP by the end of the Plan. Public sector savings is projected to finance one-third of the projected public sector investment by the end of the Plan period, compared with only one-eighth of the development spending funded by public sector savings in FY10. This significant turnaround will happen only if the strategy for revenue mobilization is realized under the Plan.

### **Revenue Mobilization under the Plan**

Bangladesh has one of the lowest tax-to-GDP ratios in the world and the ratio has not improved much over the last several decades despite the pickup in real GDP growth rate. While Bangladesh's legal tax rates are not low by the regional and international standards, because of inefficiencies in tax administration and inadequate coverage, the tax-to-GDP ratio has remained virtually stuck at below 10% level over many years. The introduction of the Value Added Tax (VAT) in 1991 boosted revenue performance for several years, but the momentum could not be sustained due to lack of modernization of tax administration and ad hoc arrangements put in place for political and administrative expediency. Bangladesh and India inherited similar tax structure and administration from the British rulers, and both countries suffered from low tax ratios for many decades. But while India has made substantial progress in reforming its tax system and raising the tax yield, Bangladesh's tax effort has stagnated. Thus, in the mid-1970s, Bangladesh's tax-to-GDP ratio was only slightly below that of India at about 8% level. Currently Bangladesh's tax-to-GDP ratio is about half of that in India.

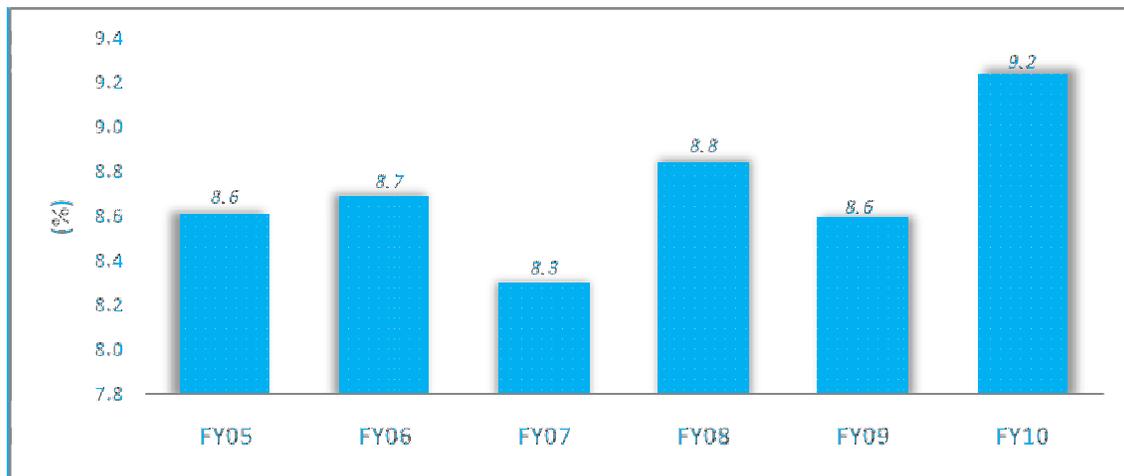
Certainly this revenue situation must change for Bangladesh in order to realize its ambitious objectives under the SFYP and beyond as envisaged under the Perspective Plan. In the FY10 budget, the government made its first attempt to break away from this stagnant revenue performance even though this was clouded by the global economic meltdown.

**Figure 4.1: Bangladesh and Indian Tax-GDP Ratio**



In the event, despite a collapse in imports, NBR revenues exceeded the target, the growth rate being 18.12% for FY 2009-10 and the tax-to-GDP ratio reached 9% level for the first time, with revenue-GDP ratio at 10.9%. During the first nine months of FY 2010-11, the growth rate of revenue collection was 27.4%. This turnaround provides credibility to the Plan’s projected revenue mobilization.

**Figure 4.2: Bangladesh: Trend in Tax GDP Ratio**



Source: National Board of Revenue

Building on this gain, the Plan projects an increase in the revenue to GDP ratio by 3.7 percentage points to 14.6% of GDP by FY15 (Table 4.2). Much of the revenue gain will come from NBR taxes which are projected to increase by 3.4 percentage points in relation to GDP over the Plan period. Consistent with this Plan strategy, the Government has announced wide-ranging revenue

measures in the areas of VAT and income tax in the first budget announced under the SFYP. The reform measures undertaken in the areas of income tax, VAT and customs contributed to a positive turnaround at the NBR (Box 4.1).

**Table 4.2: Revenue Projections for the Sixth Plan**

Sl. No.	Indicator/ Main Head of Revenue	FY10	FY11	FY 12	FY13	FY14	FY15
1	2	3	4	5	6	7	8
		<b>Share as % of NBR Revenue</b>					
1	Taxes on Income and Profit	28.0	29.1	29.8	31.5	33.2	34.5
	a) Taxes on Personal Income	10.0	11.4	12.4	13.4	14.9	15.6
	b) Taxes on Corporate Profit	17.9	17.7	17.4	18.1	18.3	18.9
2	Taxes on Domestic Production	36.0	35.7	36.5	36.3	36.1	36.3
	a) Domestic VAT	21.1	22.8	23.9	24.2	24.6	25.2
	b) Supplementary Duty	13.2	11.7	11.4	10.9	10.4	10.0
	c) Excise Tax	1.3	0.5	0.5	0.5	0.4	0.4
3	Other Taxes	0.3	0.7	0.7	0.7	0.7	0.7
4	Taxes on International Trade	40.2	35.2	33.7	32.2	30.7	29.2
	a) Custom Duty	17.5	14.8	13.1	12.2	11.4	10.5
	b) Import VAT	17.1	15.7	15.5	15.0	14.4	13.9
	c) Supplementary Duty (Import)	5.7	4.7	5.1	5.0	4.9	4.8
NBR Revenue (In billion on Tk.)		6943.2	7875.0	8999.2	10245.3	11685.4	13352.2
NBR Revenue Growth (%)		18.1	25.3	25.0	15.7	19.2	19.4
Income Tax Growth (%)		24.3	31.8	24.8	26.9	26.4	25.4
Domestic VAT Growth (%)		37.0	36.9	27.8	21.6	22.0	23.6

*Source: National Board of Revenue and SFYP Projections*

Achieving the dual objectives of a rapid increase in tax revenue and simultaneously reducing dependence on trade taxes will entail fundamental reforms in the tax laws and modernization of tax administration. The major initiatives announced in the context of FY11 budget constitute important first steps which would need to be built on during the Plan period in a comprehensive manner. In addition to the introduction of a modern VAT law as announced in the FY11 budget, the income tax law will also be replaced by a new one. Modernization of the VAT and income tax administration, including computerization of tax administration and much greater reliance on accounts based audit will play central roles in this regard. Modernization of tax administration generally pays high dividends, as visible in the case of India with the modernization initiatives undertaken in recent years (see Figure 4.2 above). Enhancing voluntary compliance, combating tax evasion, raising the share of direct taxes, phasing out of tax exemptions and incentives and building Digital NBR are some of the major issues that deserve special attention for increasing tax-GDP ratio in Bangladesh. Encompassing all these major elements, the NBR has prepared a Five-year Modernization Plan (Tax Policy and Tax Administrative), an outline of which has been presented with the FY12 budget announcement.

## **Box 4.1: Factors contributing to a positive turnaround at the National Board of Revenue**

### **Reform Initiatives in Income Tax**

- Submission of TIN has been made mandatory for receiving certain public services.
- For expanding tax base, tax exemptions are being phased out.
- Institutional investors in the capital market have been brought under the tax net through imposition of tax at a reduced rate.
- Scope of deduction at source has been enhanced and the rates have been rationalized.
- Spot assessment program has been introduced for relatively small businessmen and professionals.
- For the first time in the country, National Income Tax Day was observed at all divisional headquarters on 15 September 2010.
- In order to create awareness among taxpayers, income tax fair was organized at Dhaka and Chittagong for the first time in the country during 26-30 September 2010.
- The highest and the longest time taxpayers at the district level have been awarded honorary certificates on the National Income Tax Day.
- As recognition to the highest taxpayers at the national level, the government has decided to issue tax cards to 10 highest taxpaying individuals and 10 highest taxpaying companies. A policy has been formulated to provide state honor and accord privileges to the card holders through offering the status of commercially important persons (CIPs).
- A new direct tax code has already been drafted to keep pace with the changing needs and to simplify procedures. It has been posted on the NBR website [www.nbr-bd.org](http://www.nbr-bd.org) to elicit public opinion.
- Ten percent rebate on income tax has been introduced to encourage activities under corporate social responsibility (CSR) in the areas of assistance for natural calamities, education for homeless children, women's rights and campaign against dowry, offering benefits to freedom fighters for a dignified living etc.
- E-filing of income tax return has been commissioned on a pilot basis as part of fulfillment of the government's commitment of building Digital Bangladesh.
- Tax calculator has been installed on the NBR website to facilitate taxpayers to calculate their incomes and payable taxes.
- Draft law on Alternative Dispute Resolution (ADR) in income tax, VAT and customs has been placed in the parliament..

### **Reform Initiatives in VAT**

- To expand the contour of deduction at source, provision has been made to deduct VAT at source for any procurement of goods and services through tender by the government and some other organizations.
- Truncated bases have been reviewed and withdrawn from certain services while tax exemptions on few products have been withdrawn. Tariff values for payment of VAT have been rationalized and upward revision has been made for certain products.
- To provide incentives for small and medium sized enterprises (SMEs), the threshold limit for turnover tax has been raised to Tk. 6 million from Tk. 4 million and turn over tax has been reduced from 4% to 3%.
- A new VAT code has been drafted and posted on the NBR website to seek public opinion.
- Provisions to protect confidentiality of the information taxpayers' have been included in the VAT Act.
- The value declaration process for manufacturers has been simplified.
- Import of services through e-commerce has been brought under the purview of VAT.
- Online VAT registration and return submission have been introduced on a trial basis.

### **Reforms in Customs**

- The First Schedule of the Customs Act, 1969 has been revised by deleting 328 redundant HS Codes and amending 677 HS Codes to affect more balance in the Schedule.
- As part of the capacity building measures of the customs officers, coverage of mandatory PSI system has been withdrawn from less risky items.
- Dhaka Custom House has been brought under the automation program.
- All important Land Customs stations (LCs) are now being brought under the ASYCUDA++ system for online processing of declarations.

*Source: National Board of Revenue*

In order to make the revenue system more balanced and less dependent on customs duty on imports, reliance on customs duty at the import stage is projected to come down significantly. This strategy will also create a more competitive environment for export production and import competing sectors in the domestic economy contributing to greater efficiency gains. In order to offset the potential revenue loss from the rebalancing of the tax structure, greater emphasis will be placed on the VAT and income tax systems under the Plan.

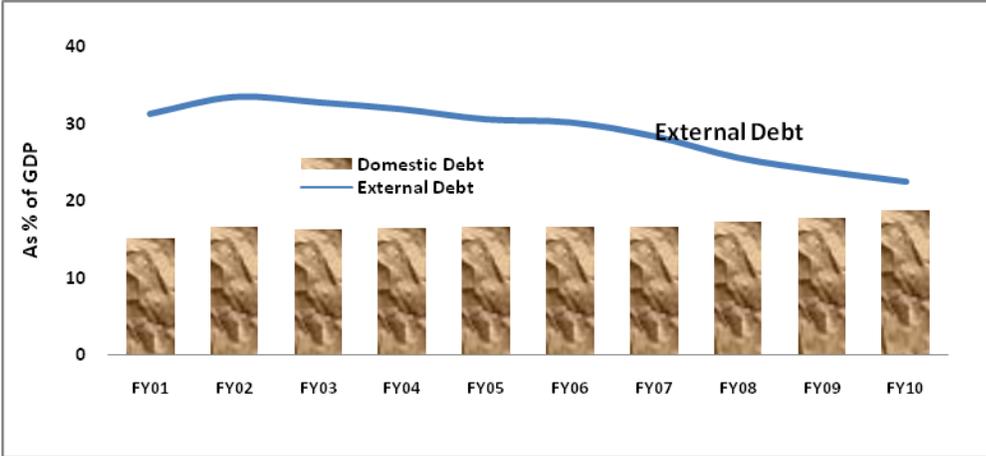
Accordingly, the share of domestic based taxes (income tax and domestic VAT) is projected to increase by 2.5 percentage points to 32.5% of the total tax, while the share of customs duty is projected to decline by almost 5.7 percentage points to 11.1% of the total tax revenue by FY15.

**DEBT MANAGEMENT STRATEGY OF THE SFYP**

**External Debt Management**

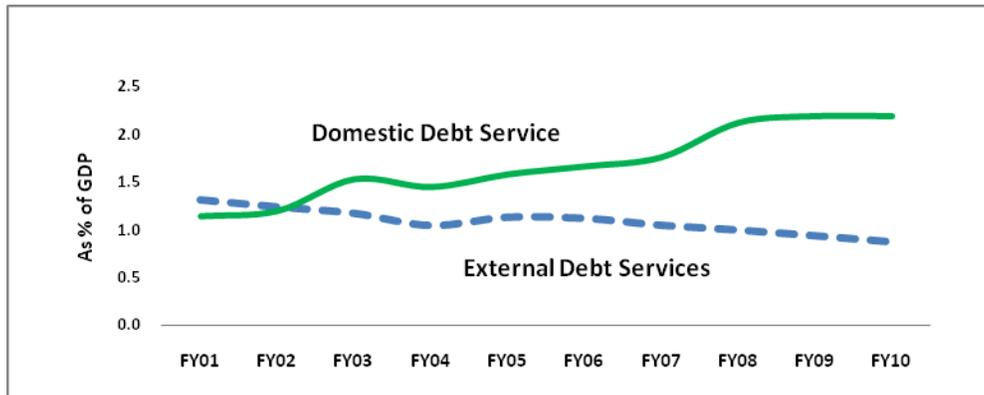
Bangladesh has received very favorable ratings from the international rating agencies like Moodys and Standard and Poors (S&P). The positive ratings are reflections of Bangladesh’s good track record in macroeconomic management, prudent debt management and its positive external outlook (Figures 4.3 and 4.4). The favorable rating has also opened up a new channel for potential borrowing from the international capital market at reasonable terms by issuing sovereign debt instruments. Although Bangladesh may not need to issue sovereign debt for budgetary or balance of payments needs, such an issue would establish a benchmark for private sector corporate borrowers in financing their domestic investment plans.

**Figure 4.3: Bangladesh: Debt Dynamics during FY01-FY10**



Source: Ministry of Finance

**Figure 4.4: Bangladesh: Debt Services Ratio during FY01-FY10**

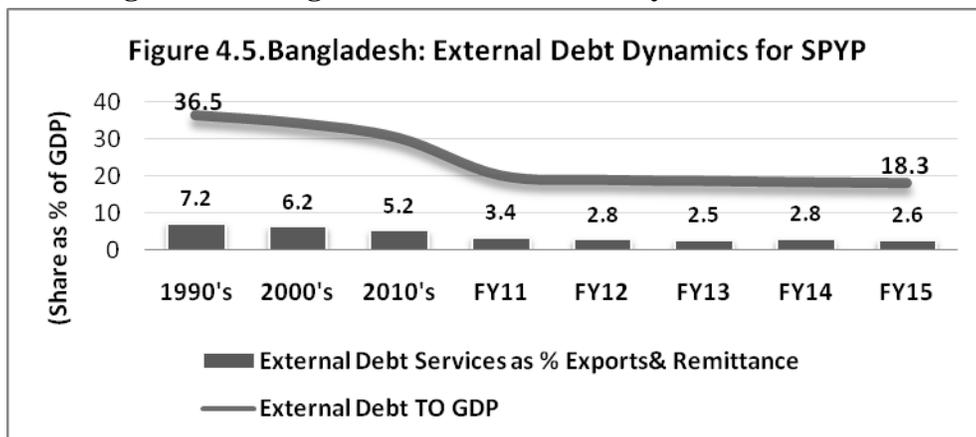


Source: Ministry of Finance

The external financing strategy under the Plan will essentially maintain the current strategy of prudent external borrowing on best possible terms. Donor supports for various major infrastructure projects (like first and second Padma bridges, deep sea port in Chittagong etc) should increase as the pace of project initiation and implementation gains momentum under the Plan. Bangladesh will also be implementing numerous projects for mitigating the adverse impacts of climate change during the Plan period and much of them should be financed in the form of grants and soft loans from the international community under multilateral initiatives.

In general, the external financing of the Plan would rely on broadening of the sources of external financing, creating greater scope for private investors to secure external financing on better terms through reduced country/sovereign risk, and continued reliance on multilateral institutions for financing large public sector projects/programs. Projections based on this broad strategy would entail continued reduction of government and government guaranteed external debt in relation to GDP and reduction of external debt service payments in relation to exports of goods and services (Figure 4.5). Sustaining this strategy will help broaden access to international capital markets by domestic private borrowers and also help reduce financing cost for domestic borrowers.

**Figure 4.5: Bangladesh: External Debt Dynamics for SFYP**



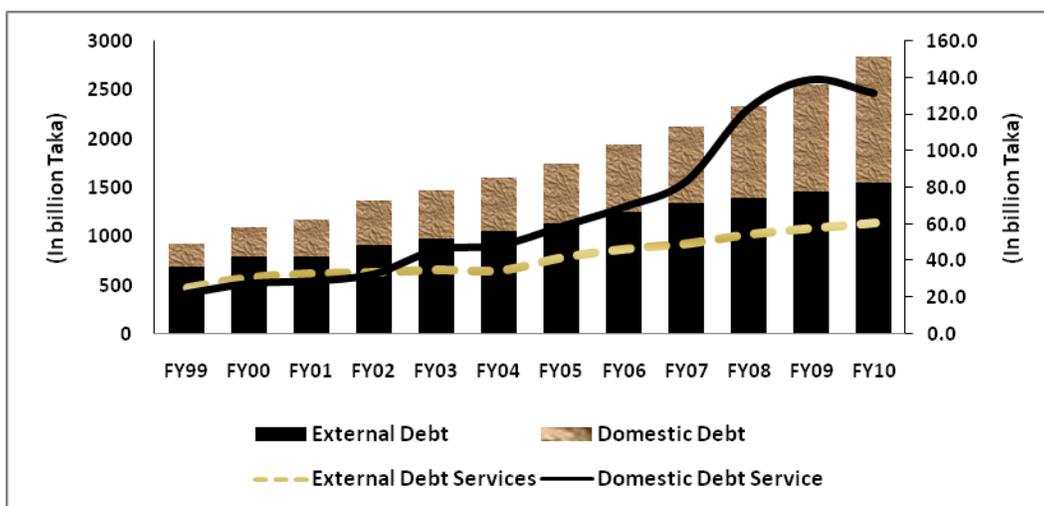
Source: Ministry of Finance and SFYP Projections

## Domestic Debt Management

Maintaining the past momentum, the reliance on external financing is projected to go down and reliance on domestic financing will continue to increase. Since domestic financing is relatively costly and excessive borrowing by the public sector may potentially crowd out the financing of the private sector, the domestic financing of the Plan would need to be consistent with the borrowing needs of the rapidly growing private sector. By limiting the overall fiscal deficit (including grants) within the targets set under the Plan (4-4.5 percent of GDP) and by securing a sizable part of that from the external sources, the Plan expects to alleviate this concern. The fact that the projected levels of domestic borrowing is in line with the levels of domestic financing incurred in recent past years also provides assurance that the domestic financing plan under the Plan is consistent with continued macroeconomic stability and will help support private sector growth.

The domestic financing of the Plan takes into account the sustainability of the public debt burden (Annex Table 3.5). At present domestic debt accounts for about one third of the total public debt, but interest payments on account of domestic debt accounts for about two third of the total debt servicing payments. Although high costs of domestic debt servicing is not likely to pose any debt sustainability issue over the medium term, still it limits the size of budgetary discretionary spending and the fiscal space for undertaking priority programs in the public sector. Thus debt management reforms will be undertaken to make public borrowing cheaper and also to help debt market development. The government has already taken some important steps to rationalize the interest rate structure of national savings instruments and made most interest income from such instruments subject to income tax withholding.

**Figure 4.6: Debt Amounts and Cost of Financing**



Source: Ministry of Finance

## PUBLIC INVESTMENT PRIORITIES

The Government is aware that even with a strong public resource mobilization effort, total resources available will be limited in relationship to demand. Accordingly priorities will need to be set. The Government also recognizes that ensuring proper use of these scarce resources is very important. This requires paying attention to implementation capacity, governance and results-based monitoring and evaluation (M&E). Issues of plan implementation are discussed in Chapter 9.

The public investment priorities will be determined on the basis of realization of the key plan targets in relation to growth, poverty reduction, human development, equity and sustained development. Many of the priorities are reflected in the FY2011 Budget. The SFYP builds on this and looks at the broad consistency of proposed allocations to plan objectives, targets and the projected resource envelope. A summary of proposed broad sectoral allocation of planned investment resources in constant (FY 2011) prices and in current prices are shown in Tables 4.3. and Table 4.4 respectively. The mapping of these allocations by Ministries in current and constant prices is shown in Annex Tables 4.1-4.2. These are indicative allocations and will be reviewed on an annual cycle in light of actual resources, program implementation and changing priorities. Detailed sectoral objectives, targets, strategies and policies are discussed in sectoral chapters in Part 2 of the Plan document.

### Box 4.2: Public Investment Breakdown

Total public investment has traditionally consisted of two components: ADP and non-ADP. In recent years, another component in the form of public-private partnership (PPP) has been added to public investment.

The allocation of public investment by sectors (Tables 4.3-4.4) and by ministries (Annex Tables 4.1-4.2) comprise of ADP and non-ADP components. Government's contribution to PPP (GPPP) during the Sixth Plan, which is confined mainly to transport and energy sectors, is not included in these sectoral or ministry wise allocations. The GPPP allocation is additional. However, GPPP allocations are included in defining total public investment (Table 3.1 in Chapter 3).

Thus the addition of sectoral investments in current prices (Table 4.4) gives public investment excluding GPPP (line 3 in Table below). The GPPP component is shown in line 2. The addition of line 3 and 2 gives total public investment (as defined in Table 3.1 of Chapter 3).

Public Investment (Crore Taka)	FY2011	FY2012	FY2013	FY2014	FY2015	SFYP
<b>Current Prices</b>						
Total Public Investment (TPI)	41579	59339	70797	84590	99781	356086
Government PPP Contribution (GPPP)	1964	8698	11177	11507	12833	46179
Public Investment Excluding GPPP	39615	50641	59620	73083	86948	309907
<b>FY2011 Prices</b>						
Total Public Investment (TPI)	41579	55199	61549	69052	76842	304222
Government PPP Contribution	1964	8091	9717	9393	9883	39048
Public Investment Excluding GPPP	39615	47108	51832	59659	66959	265174
Nominal GDP (Crore Taka)	787500	899900	1024500	1168500	1335100	
TPI/GDP Ratio (%)	5.3	6.6	6.9	7.2	7.5	
GPPP/GDP Ratio (%)	0.25	0.97	1.09	0.98	0.96	

**Table 4.3: Sixth Plan Sectoral Public Investment Allocation  
(Core Taka; FY2011 price)**

Broad Sectors	FY11	FY12	FY13	FY14	FY15	Total SFYP	% of Total
Agriculture, Water and Rural Development	3623	4121	4535	5184	5756	23220	8.7
Manufacturing and Trade	702	755	776	857	919	4009	1.5
Energy	6075	7983	8932	10539	12127	45656	17.3
Transport	5370	7153	8147	9670	11172	41512	15.7
Urban	8578	9381	9950	10972	11776	50656	19.1
Knowledge Economy	434	483	517	575	621	2631	1.0
Education, Training, Sports, Culture and Religion	5544	6659	7578	8918	10240	38940	14.7
Population, Health and Nutrition	3473	4185	4698	5570	6439	24364	9.2
Social Inclusion and Social Protection	444	462	500	564	615	2586	1.0
Environment, Climate Change and Disaster Management	1667	2013	2070	2322	2516	10588	4.0
Public Administration and Others	3704	3913	4129	4487	4779	21012	7.9
Grand Total:	39615	47108	51832	59659	66960	265174	100

*Source: Sixth Five Year Plan Projections*

**Table 4.4: Sixth Plan Sectoral Public Investment Allocation  
(Core Taka; Current Price)**

Broad Sector (SFYP Classification)	FY2011	FY 2012	FY 2013	FY 2014	FY 2015	Total SFYP	Share %
Agriculture	3623	4431	5217	6351	7474	27095	8.7
Manufacturing	702	812	893	1049	1193	4650	1.5
Energy	6075	8582	10274	12910	15747	53588	17.3
Transport	5370	7689	9371	11846	14506	48783	15.7
Urban	8578	10084	11445	13441	15291	58839	19.0
Knowledge economy	434	519	595	705	807	3060	1.0
Education	5544	7158	8717	10925	13297	45641	14.7
Health, Population, and Nutrition	3473	4499	5404	6823	8361	28560	9.2
Poor and Vulnerable	444	497	576	691	798	3006	1.0
Environment and Disaster Management	1667	2164	2381	2844	3267	12324	4.0
Public Administration and Others	3704	4206	4749	5497	6206	24363	7.9
Total	39615	50641	59620	73083	86948	309907	100

*Source: SFYP Projections*

## RISKS AND CHALLENGES

The major challenge lies in reforming the domestic tax administration and in its modernization. Although there is no question about the potential for the revenue department to realize the tax revenue targets projected under the Plan, the major challenge will be in changing the culture and practices associated with current revenue administration and steadily moving toward a modern technology and accounts based administration of the tax system. Moving from the current tax administration system, based on physical controls, to an accounts based system with greater reliance on automation will be a precondition for the success of the domestic revenue

mobilization strategy. Successful implementation of NBR's Five-Year Tax Administration Modernization Plan will constitute a beginning of this process.

The projections for external resource inflows are reasonable and broadly in line with the current lending strategies of the major multilateral donors. In relative terms there will be a significant reduction in the reliance on external financing during the Plan period, maintaining the general trend of recent years. The SFYP also shows the least reliance on external financing compared with previous Plans. Additionally, there are significant upside possibilities of getting more external financing if some of the major multilateral and bilateral initiatives (like mitigation of climate changes and food security) become operational. There should not be any major problem with the financing of the Plan from the domestic bank and nonbank sources. The planned borrowing needs from these two sources are sizable but manageable and with the envisaged reduction in future costs of funds such borrowings would not create any debt sustainability issue. The projected domestic borrowing path is consistent with credit needs of the private sector and inflation targets.

## CHAPTER 4 ANNEX TABLES

**Annex Table 4.1: Ministry- Wise Public Investment Allocation in the Sixth Plan  
(Crore Taka; Current price)**

Ministry Code	Description	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
1	Parliament	1.0	1.3	1.8	2.1	2.4
2	Prime Minister's Office	174.1	247.2	254.7	296.7	337.5
3	Cabinet Division	6.6	8.0	9.1	10.6	12.1
4	Election Commission Secretariat	301.5	329.9	358.9	404.7	441.0
5	Ministry of Establishment	113.9	155.7	245.5	285.9	325.2
6	Public Service Commission	1.0	1.4	8.7	10.1	11.5
7	Finance Division	122.2	165.9	451.0	525.2	597.4
8	Internal Resources Division (IRD)	36.0	47.2	82.5	96.0	109.2
9	Bank and Financial Institution Division	131.0	131.8	106.7	124.3	141.3
10	Economic Relations Division (ERD)	15.4	19.1	86.7	100.9	114.8
11	Planning Division	1514.8	1610.1	1461.3	1671.2	1863.6
12	Implementation Monitoring and Evaluation Division	61.1	70.6	80.1	93.3	106.1
13	Statistics Division	120.9	50.4	57.2	66.7	75.8
14	Ministry of Commerce	123.3	126.1	114.5	133.3	151.6
15	Ministry of Foreign Affairs	7.0	0.9	1.1	1.2	1.4
16	Ministry of Defence	226.4	248.7	282.3	328.7	373.9
17	Law and Justice Division	29.2	40.3	45.8	53.3	60.6
18	Ministry of Home Affairs	316.2	353.0	400.6	466.6	530.7
19	Legislative and Parliament Affairs Division	139.0	157.0	210.0	275.0	350.0
20	Ministry of Primary and Mass Education	3207.3	4034.5	4912.7	6202.7	7600.8
21	Ministry of Education	1685.7	2330.3	2763.4	3489.0	4275.5
22	Ministry of Science and Information & Communication Technology	169.6	211.8	242.9	288.8	329.9
23	Ministry of Health and Family Welfare	3472.9	4498.8	5404.0	6823.0	8360.9
24	Ministry of Social Welfare	234.7	250.1	289.8	348.1	401.8
25	Ministry of Women and Children Affairs	209.5	246.6	285.7	343.3	396.3
26	Ministry of Labour and Employment	33.0	70.6	83.5	102.3	121.7
27	Ministry of Housing and Public Works	479.0	564.8	641.0	754.4	861.6
28	Ministry of Information	104.7	115.3	132.3	157.3	181.6
29	Ministry of Cultural Affairs	127.5	141.2	166.9	204.6	243.5
30	Ministry of Religious Affairs	137.5	195.3	359.3	418.5	476.0
31	Ministry of Youth and Sports	267.6	297.5	337.7	395.7	450.1
32	Local Government Division	8098.7	9519.2	10803.6	12687.0	14429.8
33	Rural Development and Co-operatives Division	468.6	470.8	534.3	628.8	715.2
34	Ministry of Industries	475.5	554.7	629.6	740.9	842.7
35	Ministry of Textiles and Jute	103.3	131.1	148.8	175.1	199.2
36	Energy and Mineral Resources Division	1080.1	1512.9	1717.1	2012.2	2288.7
37	Ministry of Agriculture	1054.1	1563.4	2046.2	2606.0	3221.3
38	Ministry of Fishery and Animal Resources	373.5	384.2	413.9	492.3	562.3
39	Ministry of Environment and Forest	242.5	258.7	185.4	220.5	251.8
40	Ministry of Land	115.0	125.4	154.2	196.4	242.7
41	Ministry of Water Resources	1406.7	1649.1	1871.6	2202.5	2489.3
42	Food Division	320.3	363.1	350.6	421.1	486.0
43	Disaster Management and Relief Division	1309.9	1780.2	2041.5	2427.4	2772.4
44	Roads & Railways Division	3402.1	5524.7	6792.6	8659.6	10681.7
45	Ministry of Shipping	408.7	220.8	253.2	297.9	340.3
46	Ministry of Civil Aviation and Tourism	283.0	277.4	318.1	374.3	427.5
47	Ministry of Post and Telecommunications	160.1	191.6	219.8	258.6	295.4
48	Ministry of Chittagong Hill Tracts Affairs	356.7	536.6	583.6	658.2	720.4
49	Power Division	4994.7	7069.3	8556.7	10898.0	13458.1
50	Ministry of Liberation War Affairs	29.1	30.9	21.5	26.3	31.3
51	Ministry of Expatriates' Welfare and Overseas Employment	85.5	88.8	93.5	112.3	129.6
52	Bridges Division	1276.7	1666.4	2006.9	2514.3	3057.0
<b>Total Public Investment (Excluding Government's PPP Contribution)</b>		<b>39615.0</b>	<b>50641.0</b>	<b>59620.1</b>	<b>73083.4</b>	<b>86948.1</b>

Source: SFYP Projections

**Annex Table 4.2: Ministry-Wise Public Investment Allocation in the Sixth Plan  
(Crore Taka; 2011 Price)**

Ministry Code	Description	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
1	Parliament	1.0	1.2	1.6	1.7	1.9
2	Prime Minister's Office	174.1	229.9	221.4	242.2	259.9
3	Cabinet Division	6.6	7.5	7.9	8.7	9.3
4	Election Commission Secretariat	301.5	306.9	312.0	330.4	339.6
5	Ministry of Establishment	113.9	144.9	213.4	233.4	250.4
6	Public Service Commission	1.0	1.3	7.5	8.3	8.9
7	Finance Division	122.2	154.3	392.1	428.7	460.0
8	Internal Resources Division (IRD)	36.0	43.9	71.7	78.4	84.1
9	Bank and Financial Institution Division	131.0	122.6	92.7	101.4	108.8
10	Economic Relations Division (ERD)	15.4	17.8	75.4	82.4	88.4
11	Planning Division	1514.8	1497.8	1270.4	1364.3	1435.2
12	Implementation Monitoring and Evaluation Division	61.1	65.7	69.7	76.2	81.7
13	Statistics Division	120.9	46.9	49.8	54.4	58.4
14	Ministry of Commerce	123.3	117.3	99.5	108.8	116.8
15	Ministry of Foreign Affairs	7.0	0.9	0.9	1.0	1.1
16	Ministry of Defence	226.4	231.4	245.4	268.4	287.9
17	Law and Justice Division	29.2	37.5	39.8	43.5	46.7
18	Ministry of Home Affairs	316.2	328.4	348.3	380.9	408.7
19	Legislative and Parliament Affairs Division	139.0	146.0	182.6	224.5	269.5
20	Ministry of Primary and Mass Education	3207.3	3753.0	4271.0	5063.4	5853.5
21	Ministry of Education	1685.7	2167.7	2402.4	2848.1	3292.6
22	Ministry of Science and Information & Communication Technology	169.6	197.0	211.2	235.8	254.0
23	Ministry of Health and Family Welfare	3472.9	4184.9	4698.1	5569.7	6438.8
24	Ministry of Social Welfare	234.7	232.7	251.9	284.2	309.4
25	Ministry of Women and Children Affairs	209.5	229.4	248.4	280.3	305.2
26	Ministry of Labour and Employment	33.0	65.7	72.6	83.5	93.7
27	Ministry of Housing and Public Works	479.0	525.4	557.3	615.8	663.5
28	Ministry of Information	104.7	107.3	115.0	128.4	139.8
29	Ministry of Cultural Affairs	127.5	131.4	145.1	167.0	187.5
30	Ministry of Religious Affairs	137.5	181.6	312.4	341.6	366.6
31	Ministry of Youth and Sports	267.6	276.8	293.6	323.0	346.6
32	Local Government Division	8098.7	8855.1	9392.4	10356.6	11112.5
33	Rural Development and Co-operatives Division	468.6	438.0	464.5	513.3	550.7
34	Ministry of Industries	475.5	516.0	547.3	604.8	648.9
35	Ministry of Textiles and Jute	103.3	122.0	129.4	143.0	153.4
36	Energy and Mineral Resources Division	1080.1	1407.4	1492.8	1642.6	1762.5
37	Ministry of Agriculture	1054.1	1454.3	1778.9	2127.3	2480.8
38	Ministry of Fishery and Animal Resources	373.5	357.4	359.8	401.8	433.1
39	Ministry of Environment and Forest	242.5	240.7	161.2	180.0	193.9
40	Ministry of Land	115.0	116.7	134.0	160.3	186.9
41	Ministry of Water Resources	1406.7	1534.0	1627.1	1797.9	1917.0
42	Food Division	320.3	337.8	304.8	343.8	374.3
43	Disaster Management and Relief Division	1309.9	1656.0	1774.8	1981.5	2135.0
44	Roads & Railways Division	3402.1	5139.3	5905.4	7068.9	8226.0
45	Ministry of Shipping	408.7	205.4	220.1	243.2	262.0
46	Ministry of Civil Aviation and Tourism	283.0	258.0	276.5	305.5	329.2
47	Ministry of Post and Telecommunications	160.1	178.3	191.1	211.1	227.5
48	Ministry of Chittagong Hill Tracts Affairs	356.7	499.1	507.4	537.3	554.8
49	Power Division	4994.7	6576.1	7439.0	8896.2	10364.2
50	Ministry of Liberation War Affairs	29.1	28.7	18.7	21.5	24.1
51	Ministry of Expatriates' Welfare and Overseas Employment	85.5	82.6	81.3	91.7	99.8
52	Bridges Division	1276.7	1550.1	1744.8	2052.4	2354.3
<b>Total Public Investment (Excluding Government's PPP Contribution)</b>		<b>39615.0</b>	<b>47108.1</b>	<b>51832.4</b>	<b>59659.1</b>	<b>66959.4</b>

Source: SFYP Projections

# CHAPTER 5: HUMAN RESOURCES DEVELOPMENT STRATEGY

## OVERVIEW

Formation of human capital for sustaining economic growth and poverty alleviation has been a pivotal developmental instrument in Bangladesh since independence. This goal was affirmed in the First Five Year Plan and in the successive strategy documents. Successive education sector plans and strategies focused on enhancing access and quality of education along with emphasis on equitable access and better utilization of scarce resources. Improving education quality was perceived as the most critical challenge for meeting the skills and knowledge requirements of the national economy. Interlinked programs in nutrition, maternal health, sanitation, and preventive health practices, enabled the poor to gain access to the human capital formation process and empowered them for seeking curriculum relevance to labor market needs, self-employment generation, and export of skilled manpower.

Bangladesh realizes that development of human resources is its golden key for entry into a knowledge-based economy and also for gaining access to the competitive global market of talents and merit. Meritocracy is ascending rapidly. Talents are increasingly being sought from the global market places. All developing nations are moving fast to stamp their feet on the global competitiveness. No country is insular from these competitive forces. Neither they would grow and develop in isolation.

On the other hand, such drive to globalization by competing nations, offers unique challenges and opportunities to Bangladesh for harnessing its trained and equipped human resources as the principal drivers of growth and institutional reforms. Each of the developing countries is striving to market their human resources globally to meet the knowledge based economies on the global front. Bangladesh, with its abundance of untapped human resources, is well placed to gain from this trend.

Education is a fundamental human right. So are the rights for meeting basic needs of health and nutrition. At the same time, education, along with health and, as interlinked interventions, is strategic for developing the untapped human resources to facilitate the transformation of the Bangladeshi agrarian economy to an increasingly urban industrial economy. It also equips the country to transit to the citizenry of the globe.

Available evidence suggests that along with income growth and lower poverty, Bangladesh has made impressive progress in improving its human development indicators including life expectancy, infant and child mortality, adult literacy, and primary and secondary school enrollments. Yet there is a large unfinished agenda, especially regarding the quality of education

and availability of skills, which are particularly essential for increasing the rate of growth and creating high income jobs.

In the area of gender dimensions of human development, Bangladesh has also made impressive progress in gender equality over the last two decades, with key improvements in women's and girls' literacy<sup>12</sup>, women's life expectancy<sup>13</sup>, political participation and access to credit, the achievement of gender parity in primary and secondary schooling, significant reduction in the fertility rate, and the paid employment of millions of women and girls, especially in garment factories. All these are mutually reinforcing and are having a significant impact on the social transformation of gender relations in Bangladesh.

In spite of such impressive progress, major gender gaps and challenges remain in many crucial areas, including higher rates and severity of poverty among women<sup>14</sup> as opposed to men, lower access to economic resources and assets, high rates of early marriage, dowry demands, gender-based violence and persistent wage discrimination. All these led to lack of adequate reproductive health and nutrition services, a high maternal mortality rate, very low female access to tertiary education and remunerative employment, and the public safety of women and girls. These gaps and differences are evidence of the continuing low value placed on girls and women. In this context, the Government has recognized that eliminating inequalities in the areas of education, health, nutrition etc. is essential to achieving the MDG targets.

## **EDUCATION AND TRAINING**

The role of education in facilitating social and economic progress is well recognized. It opens up opportunities leading to both individual and group entitlements. Education, in its broadest sense of development of youth, is the most crucial input for empowering people with skills and knowledge and giving them access to productive employment in future. Improvements in education are not only expected to enhance efficiency but also augment the overall quality of life. Education acts as the engine of growth for economic and social development of a nation. Human resources development is at the core of Bangladesh's development efforts and access to quality education is critical to poverty reduction and economic development.

### **Education in the Global Perspective**

In 2010, the world population aged 15 and over had an average 7.8 years of schooling, increasing steadily from 3.2 years in 1950 and 5.3 years in 1980. The rise in average years of schooling from 1950 to 2010 was from 6.2 to 11.0 years in high-income countries and from 2.1 to 7.1 years in low-income countries. Thus in 2010 the gap between rich and poor countries in average years

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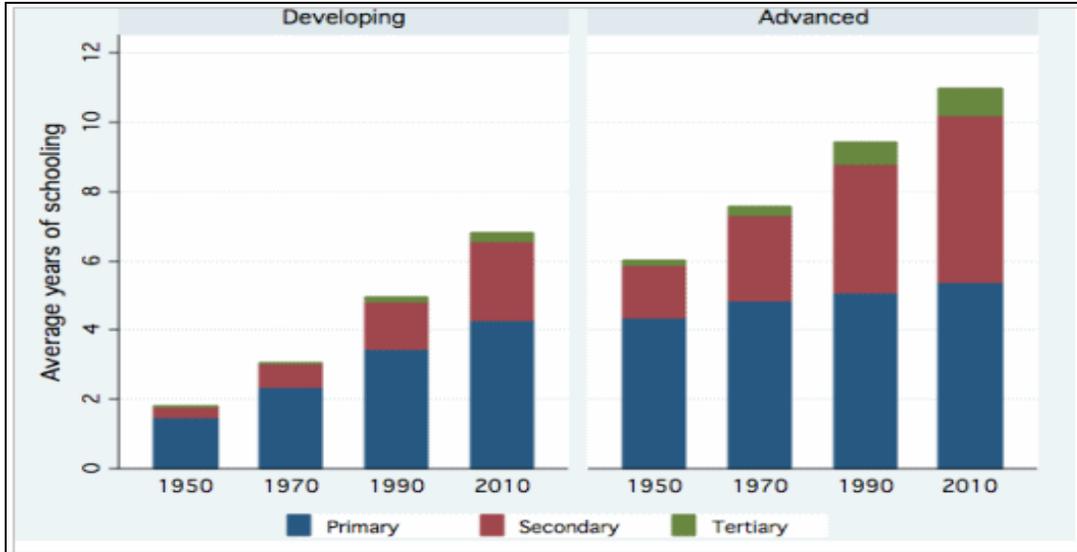
<sup>12</sup> The female adult literacy rate, although still lagging significantly behind the male rate, increased from 27% in 1997 to 48% in 2007, compared with the male rate at 58.7% in 2007. *Human Development Report Statistics*.

<sup>13</sup> Women's life expectancy increased from 58 years in 1997 to 66.7 in 2007, compared with life expectancy for men of 64.7 years in 2007 (HDR online statistics), which is more in line with global biological standards.

<sup>14</sup> *Steps Towards Change: National Strategy for Accelerated Poverty Reduction II, 2009-11*, p.8-9.

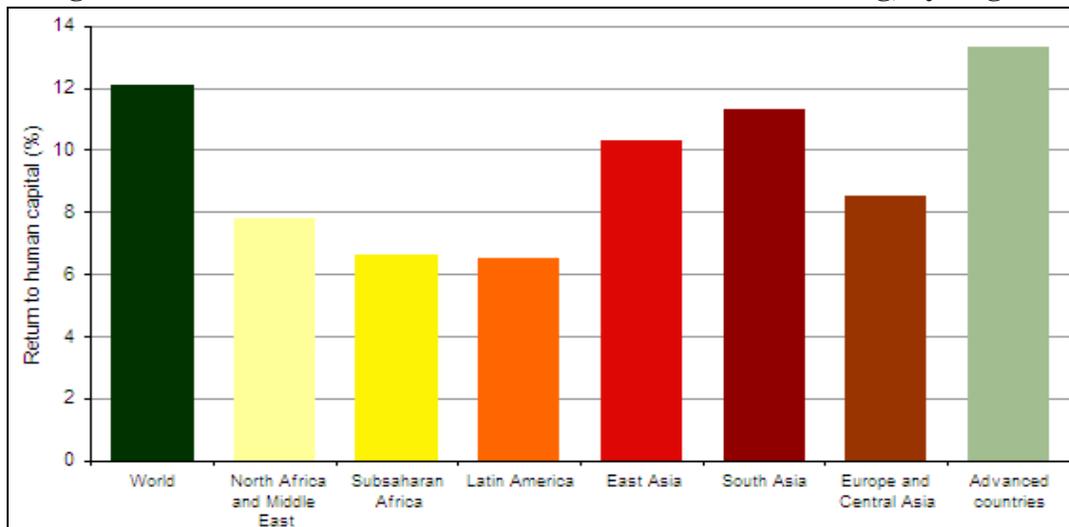
of schooling remained at 4 years, having narrowed by less than 1 year since 1960 (see Figure 5.1). In 2010 the level and distribution of educational attainment in developing countries are comparable to those of the advanced countries in the late 1960s.

**Figure 5.1: Average Years of Schooling by Education Level (Population over Age 15)**



Schooling has a significantly positive effect on output. Estimates of rates of return to education vary across regions (Figure 5.2). The estimates for the group of advanced countries, East Asia and the Pacific, and South Asia are the highest at 13.3%. In contrast, the estimated rates of return are only 6.6% in Sub-Saharan Africa and 6.5% in Latin America.

**Figure 5.2: Rates of Return to an Additional Year of Schooling, by Region**



The results show that the rate of return to schooling varies across levels of education. The estimated rate of return is higher at the secondary (10.0%) and tertiary (17.9%) levels than at the primary level, which differs insignificantly from zero. The results imply that, on average, the wage differential between a secondary-school and a primary-school graduate is around 77% and that between a college and a primary-school graduate is around 240%.

Studies of rates of return to schooling in Bangladesh confirm these findings both in terms of average return to schooling as well as the non-linearity of the returns (rising disproportionately at higher levels). The evidence from Bangladesh also suggests higher return to female education as compared with the male<sup>15</sup>.

### **Review of Past Achievements**

Education is at the key to all development efforts. The Government of Bangladesh has always been committed to significant improvements in the education sector; development plans with education being given the highest priority in the public sector investments. Education sector allocations are currently about 2.3 percent of GDP and 14 percent of total government expenditure. This spending priority has served Bangladesh well as reflected in improved education indicators.

The management of the education system falls under two ministries - the Ministry of Primary and Mass Education (MoPME, responsible for primary education and mass literacy) and the Ministry of Education (MoE, responsible for secondary, vocational and tertiary education). Overall there are more than 17 million students at the primary level, and over 8.0 million at the secondary level. Enrolments at the tertiary level are relatively small but growing very rapidly. At the time of independence of Bangladesh, there were only 10 universities. After independence, the scenario has changed radically. Today there are 87 universities in the country, of which 33 are public and 54 are private universities. There are 1778 degree colleges under the National University which also caters to the needs of the higher education in Bangladesh.

Bangladesh has made significant progress, especially in terms of increasing access to education and gender parity, both at primary and secondary levels. Net primary enrollment rates rose from 61 percent in 1991 to 91.9 percent in 2008, 93.5 percent in 2009, while a corresponding increase in enrollment rates at the secondary level from 28 percent to 43 percent in 2008 and 49.1 in 2009. Gender parity in access to primary and secondary education has also been achieved. These achievements are particularly spectacular when compared to countries in the South Asian region and other countries at similar levels of per-capita income. The introduction of the Female Secondary School Stipend Program (FSSSP) in 1994 has had a tremendous impact on girls'

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<sup>15</sup> See for example: Mohammad Asadullah Niaz "Returns to education in Bangladesh", Working Paper No.130, QEH Working Paper Series, October 2005.

education, with girls now actually outnumbering boys at primary (50.3:49.7) and secondary (54:46) levels<sup>16</sup>. As a result, the Government is revising its scholarship program to make subsidies more equitable to both girls and boys.

Major advances in girls' education have had many positive and wide-ranging effects, including increased employment opportunities, higher age at marriage, and greater say in the choice of their spouse and in decision-making generally. Women's education and access to information have been found to be key to increased use of maternal health services and improved health outcomes, as well as reduced fertility and improved family nutrition.

The Government is strongly committed to alleviating the existing problems in respect of management and quality through reforms across the education system. In order to address issues at the secondary and higher levels, the MoE has developed a medium-term framework for the secondary education sub-sector, focusing on quality improvements, policy measures and specific actions needed to reform the system. The development of this medium-term framework has benefited from an extensive range of consultations and workshops with stakeholders at the central, district, and Upazila levels. The main objective of reforms being proposed is to address systemic governance issues aimed at raising the quality and cost-effectiveness of service delivery, and to improve equity of access in secondary education.

MoE is aiming at moving towards a devolved system of governance within the current administrative structure. In this system the central government will be responsible for formulating policies, financing, setting quality standards, monitoring and evaluation etc., while lower levels of government will be responsible for administering the system. MoE is empowering officials at the district and Upazila levels to take greater responsibility in monitoring school performance and to ensure public disclosure of information (e.g., SSC passing rates, teacher absenteeism, class sizes, etc.) related to school quality.

To ensure appropriate financial controls, MoF is implementing a Strengthening of Public Expenditure Management Program (SPEMP). This is intended to increase accountability and transparency in the use of resources. A twenty-year (2006-2026) strategic plan for higher education has been formulated for the overall development of the university sub-sector; projects are being carried out under the purview of the strategic planning.

### **Current and Future Challenges**

In Bangladesh, the school transition rate has fallen drastically from primary (grades 1 to 5) to secondary (grades 6 to 10). In 2008 about 50.7 percent of pupils completing grade 5 made a transition to the first year of secondary school. Enrollment in the secondary phase was only 7.4 million (43 percent of eligible children). Additionally, completion rate at the secondary level is

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<sup>16</sup> MDG Progress Report 2009

also declining. As a result, enrollment in higher secondary education is low and declining. Regarding equity, the gap between the rich and the poor generally widens with the years of education. For example, the gross enrollment gap between the poorest and the richest quintiles is 22 percentage points at the primary level and 90 percentage points at higher secondary in 2005<sup>17</sup>. These data suggests that the country faces a major challenge in addressing and achieving equity, quality, and efficiency of the delivery of secondary education across the nation. The wastage in education is very high due to internal inefficiencies such as high dropout, grade repetition, and poor quality of learning at school level.

### **The Access, Dropout and Equity Issues**

The Government recognizes that there are still many challenges that must be met in enhancing access in all levels in the secondary and higher education sector. The national secondary enrollment rate is 45%, which means that 55% of all secondary school age children in Bangladesh are for one reason or another inhibited from making a transition to secondary school. Large numbers of girls drop out of school, resulting in significant gender gaps in both primary and secondary school completion, and low entry into tertiary education (32% girls). Large gaps in educational attainment between rich and poor continue to present major challenges, as do children living in remote locations, ethnic minorities and the disabled.

The principal reasons for these are the following:

- *Quality of primary education:* The biggest problem is the lingering poor quality of primary education. Achievement and competency levels of most children are very low. This doubly disadvantages girls since they already face overwhelming gender discrimination in other areas.
- *Poverty and child labor:* In recent times poverty has been increasingly inhibiting children from going for higher education. Children from the poor families have fewer chances for access into schools especially in the secondary level, as a majority of them are engaged in different types of work and struggling for survival.
- *Gender discrimination:* Many families still keep their girls from out of school simply because they do not believe a girl needs or should have an education. Many girls are married at very young ages, eliminating any chance they had to receive an education beyond the primary level. Especially in rural areas, girls are also frequently kept in the home to work and take care of younger siblings, exacerbating the problems of access they already face. The same holds true, although to a lesser degree, in urban areas. In both urban and rural areas, the problem is worst for girls of poor families. A recently growing constraint is the perceived insecurity and sexual harassment of adolescent girls.

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<sup>17</sup> Source: Poverty Assessment for Bangladesh, Bangladesh Development Series Paper No. 26, World Bank, Dhaka, October 2008

## **The Quality Issues**

The low quality of education is a serious problem Bangladesh faces in the secondary and tertiary education sector. The principle reasons for this are:

- Low physical facilities
- Inappropriateness of curricula and pedagogy
- Low capacity of the teachers
- Lack of standards

The SFYP will make a concerted effort to address these concerns.

## **Strategy for Education in the SFYP**

### **SFYP Education Targets**

The political pledge of the Government reflected in Vision 2021 and Education Policy 2010 provides the framework for determining objectives, priorities and strategies for the education sector in the sixth plan.

Achievement of universal primary education, extending this stage to grade 8; elimination of illiteracy; removing the education gap between the poor and rich, creating a new generation equipped with technical skills and scientific knowledge; better remunerations for teachers; and overall improvement of quality and equity in education are key education goals of Vision 2021. Other related targets pertinent to education are building Digital Bangladesh, empowering local government as the engine for delivering services and carrying out development activities, ensuring equal status for women in all spheres of society and state, and creating gainful employment for the labor force.

### **SFYP Education Strategies**

Reversing the low school completion rates at all levels is the most critical educational challenge facing the SFYP. A related challenge is to reduce the gap between the rich and poor, particularly at the post-primary levels. The critical needs and important issues related to Secondary and Higher Education in the country shall be addressed in the SFYP on a two pronged basis: a quantitative goal and a qualitative goal, to be pursued in an integrated manner.

**The quantitative goal:** The main objective is to increase the rate of school age children going to schools by focusing on both new enrollment and completion rates. The major actions to be taken to improve Secondary and Higher Education are:

- Improve infrastructure by constructing/upgrading classrooms and labs, teacher and student hostels, water and sanitation facilities, and playground to facilitate admission of more students and provide a better learning environment.
- Ensure sufficient number of teachers at all levels including for preprimary
- Recruitment and training of female teachers at all levels to fulfill the existing quotas.
- Provide stipend and other financial support to the poor and especially to the female students to encourage enrollment, retention and completion.
- Provide teaching and learning aids, facilities to increase the pupil's interest over education and to modernize the education environment.
- Provide computers to make the students competent with the modern world of ICT and to make them fit for the present day job market.
- Establish technical schools at Upazila levels.
- Establish science and technology universities at greater district levels.

**The qualitative goal:** The objective here is to improve the standard of education at secondary and higher levels. The major strategic interventions will be:

- Modernization of curricula, texts, pedagogy and examination techniques. Give more importance to science subjects and mathematics at the secondary level.
- Introduction of ICT and technical education at all secondary levels, while encouraging equal participation of girls in technical education.
- Improvement of capacity for teachers to promote quality teaching. Provide computer trained teachers and subject based teachers especially for science and mathematics.
- Modernization of Madrasa education with changes of the society and reduce the gap of existing facilities for secondary education between general education and Madrasa education.
- Quality enhancement at university education through improvement of pedagogy and educational environment.
- Strengthening gender and region based monitoring, analysis and reporting.
- Based on sex-disaggregated data collection, introduce follow-up mechanism to identify pockets of disparity (such as girls' participation from ethnic minority groups, rural girls' school attendance, or female teachers in rural areas) and accordingly develop capacity to adjust policies and strategies based on information received.

### **Education Policy Framework in the SFYP**

The new education policy formulated in 2010 draws on the imperatives of educational development of a young nation articulated in the Kudrat-e-Khuda Commission Report of 1974 and aims to provide the guidelines to translate the vision for educational development into reality. Implementation of the policy has already started and the Government has initiated actions in a number of areas.

In primary and secondary education, the reforms include:

- Monitoring of progress with the implementation of the Primary Education (Compulsory) Law of 1990.
- More than 98% of secondary schools are non-government. But Government pays 100% of the teacher and staff salary of these institutions.
- Sustained increase in government allocation in education sector from the 1990s.
- Providing subsidies to create demand for education in favor of the poor and girls.
- Initiating the decentralization of primary and secondary education management structure.
- Establishment of an autonomous Non-Governmental Teachers Registration and Certification Authority in order to recruit qualified and trained teachers in secondary level institutions.
- Initiating a large project for the improvement of teaching quality at the secondary level institutions.
- Introduction of ICT in secondary and higher secondary level
- Establishment of a separate entity named Independent Textbook Evaluation Committee (ITEC) for designing transparent criteria under which individual textbook manuscripts will be evaluated.
- Strengthening National Curriculum and Textbook Board.

For Madrasa education, the following reforms are underway:

- Modernization of madrasa curriculum.
- Introduction of technical and vocational trades in madrasa education
- Introduction of science curriculum to make the students productive in the job market.
- Improvement of infrastructural facilities.

In technical education, the following actions are being taken:

- Increase the enrolment in technical education from the existing 6% to 25% within the next 15 years
- Introduction of technical and vocational courses in secondary, higher secondary and madrasa levels.
- Introduction of SSC vocational courses.
- Introduction of double shift in the existing technical schools, colleges and polytechnic institutes.

- Undertaking a skills development project.
- Skills development projects will be continued.
- Establishment of one technical school at every Upazila.

In higher education, the following initiatives are being implemented:

- Expansion of science and technology education through establishment of science and technology university one each at greater districts.
- Steps to free the higher education institutes from terrorism, politicization and session backlogs.
- Improvement of quality and relevance of the teaching and learning environment in higher education institutes.
- A quality enhancement project for higher education.
- An Accreditation Council is being established which would function as a watchdog over the private universities in order to monitor the teaching standard of universities.

The SFYP will focus on proper implementation of these reforms. Additional reforms to be pursued include:

- School based assessment (SBA) in secondary level education.
- Reform of existing examination systems in secondary level education.
- Privatization of Textbook Writing and Publication.
- Re-organization of Managing Committees/Governing Bodies of the non-government educational institutions.
- Formation of Oversight Committee for Supervision of Teaching at Classrooms.
- Sanction of MPOs on the basis of performance of educational institutions.
- Strengthening of Teachers' Training.
- Delivery of Textbooks to the Students on Time.
- Development and Modernization of Secondary, Technical and Madrasa Curricula.
- Retirement and Welfare Fund for Non-Government Teachers.
- Distribution of 20,500 computers in secondary level educational institutions including Madrasas.
- Training of secondary level teachers' in computer applications.
- Decentrization of Directorate of Secondary and Higher Education.
- Restructuring of Personnel of Boards of Intermediate and Secondary Education (Dhaka, Rajshahi, Chittagong, Jessore, Barisal, Comilla, and Sylhet) and NCTB.
- Introduction of technical and vocational courses in the madrasa and general education
- Introduction of science and technology curriculum in madrasa and general education
- Establishment of an education trust fund.

## **Better Service Delivery through Improvements in Governance and Management**

Governance and management improvements are critical for strengthening public education service delivery. The critical governance issues include:

- Weak human resource management.
- Centralization of education administration.
- Inadequate coordination.

Actions will be taken in the SFYP to address these constraints. The focus of reforms will be to ensure merit based recruitment and career development, emphasize the job learning as well as outside training, strengthen incentives to retain talented staff, and avoid unnecessary postings and transfers. There will be total decentralization of primary education management with a stronger role for the school managing committees and a greater involvement of the community in school management. At the secondary level, power, responsibility and authority will be given to division, district and Upazila. This policy will be supported by strengthening managing bodies of these institutions and ensuring the timely release of allocated budgetary resources. Concerted efforts will be made to improve coordination among the multitudes of public education management institutions. This includes exploring the possibility of merging the MoE and MoPME, establishing an inter-ministerial sub-committee chaired by the Prime Minister to look holistically at the education and skills issues, and ensuring better communication and exchange with the various education ministries and institutions.

## **Improving Education Financing**

Total national education expenditure, especially public budget allocation, has to increase substantially in the medium term to meet national goals and priorities regarding expansion and quality improvement in education. Available estimates indicate that achieving universal elementary education up to eighth grade and participation of 50 percent of the eligible age-group in secondary education by 2015 will require public allocation to education to be raised to 4 percent of GDP. Quality improvement, desperately needed at all levels of education, will require additional resources. This will require a very substantial increase in the allocation of budget for education in the next five to six years.

Several important features of education financing in Bangladesh need attention. These are:

- A low-cost and low-yield system.
- Significant household contribution and opportunity for complementarities.
- High incentive expenditures in primary and secondary education.
- Lack of equity in educational financing.

Addressing these financing issues will be important to achieve the Plan targets, especially in light of likely budgetary constraints. While efforts will be made to allocate an increasing share of budgetary resources to education, innovative ways will need to be found to improve the quality of spending and better cost recovery from higher education systems. The equity and financing constraints will be better reconciled by carefully examining options for raising cost recovery from higher education while providing scholarships to needy students. The various stipend programs will be carefully reviewed to ensure better targeting.

### **Public-Private Partnership in Education**

Private institutions play a major role in the delivery of education in Bangladesh. Private participation and Government-NGO collaboration have served the cause of education well. It is also necessary to recognize the complementary relationship of formal and non-formal primary education, make the latter a part of the national strategy for improving access and quality in primary education, and incorporate its flexibility and community involvement in formal education.

The SFYP will continue the efforts to promote the role of private sector in education, support the delivery of non-formal education by NGOs through financing and other means, and explore Public-Private Partnership (PPP) both for mobilizing resources and for improving the performance of educational programs. Several issues of private education service delivery have emerged that needs better management. These concern standards, accreditation, protecting public interests in financial matters and ensuring equity. Regulatory framework guiding private education will be strengthened to address these concerns within the overall objective of encouraging greater private supply.

### **Strategy for Training in SFYP**

#### **Issues and Challenges**

Based on a recent Labor Force Survey (2005-6), the working age population in Bangladesh is about 54 million (age 15 years and over). About half of this population, have not been subjected to any formal education, either at the primary level or lower, and women mostly fall within this category. A little over half of the work force has an educational level beyond primary education.

As noted in chapter 2, most workers in Bangladesh are employed in the informal sector, with agriculture as the major sector of employment. The informal sector provides some 78 percent of total employment, of which 48 percent is in agriculture. Overseas employment of poorly skilled workers has also become a significant source of employment. Every year, about 500,000 Bangladeshis migrate abroad. Some 10 million people of Bangladeshi origin are living and working abroad presently.

The primary responsibility for overseeing the pre-employment training rests with two agencies: the Directorate of Technical Education (DTE) and the Bangladesh Technical Education Board (BTEB). The vocational and technical education (VTE) programs regulated by the Technical Education Board attached to the Ministry of Education offers courses of one to four years duration after the junior secondary level (grade eight). The courses are offered by vocational training institutes, polytechnics, commercial institutes, technical training centers and specialized institutes. Private sector institutions are increasing, especially in the IT sector and in response to opportunity for work abroad as skilled and semi-skilled workers.

Certificate level courses (post-class 8) in various trades and skills are offered in approximately 100 public sector institutions (under Ministry of Education, Ministry of Labor and Employment and Ministry of Expatriates' Welfare and Overseas Employment) and some 1,500 non-government institutions, other than secondary schools with vocational courses. The introduction of vocational courses as part of SSC and HSC and business course at the HSC level by the Directorate of Technical Education, (so far in approximately 1200 institutions at SSC level and 500 at both SSC and HSC levels) has helped to raise the share of post-primary student enrolment in VTE somewhat. But it is still only around 2 percent of enrollment after grade 8. In 2005, about 130,000 students were enrolled in these courses. This number was double the enrolment in the same categories in 1997-98.

Diploma level courses (post-grade 10) were offered in some 600 institutions, the large majority of them in the private sector, including the higher secondary schools or colleges. The Ministry of Expatriates' Welfare and Overseas Employment offers skill training in the Institute of Marine Technology, Narayanganj and in 11 Technical Training Centers (TTC). Another 30 TTC and 5 Institute of Marine Technology are being established in the different region of the country. The Ministry of Labour and Employment also offers skill training in the existing 26 TTCs. The trades offered in TTC's, after junior secondary general education, are taught through two yearly modules. The first module qualifies the trainee for the National Skill Standard III (Semi-skilled worker) and the second module meets the requirements for National Skill Standard II (skilled worker). The Centers also can offer tailor-made basic trade courses of 360 hours' duration in various trades for students of schools and Madrasas or other interested groups. The Department of Youth Development in the Ministry of Youth and Sports run training of 1 to 6 months' duration on various trades with the aim of helping trainees engage in self-employment or paid employment. A 3-month long residential training course on livestock, poultry, and fish culture is offered in 47 training centers in 47 districts. Training of 6 month-duration on computer, electronics, electric house wiring, and refrigeration and air conditioning is offered in some of the centers. The Department also provides training for women on dress-making and block and batik printing in all districts. In addition short-duration mobile training courses are offered at the Upazila level. Ministry of Women's and Children's Affairs provides short courses for women in such areas as poultry, dairy, livestock, food processing, plumbing, and electronics, which have local demand. Other providers of these kinds of courses are the Ministry of Social Welfare, the

Directorate of Ansar and the Village Development Party (VDP) under the Home Ministry and the Bangladesh Small and Cottage industries Corporation.

Despite these multitude efforts, the availability of trained labor remains a problem. Additionally, there is a mismatch between available jobs and required skills. The difference in remuneration for skilled and unskilled workers has narrowed, which is an indication that the training content and quality are not valued highly in the market. Those with training often remain unemployed or cannot find employment in their area of training – an evidence of mismatch and poor quality of training. The employers complain that the products from the vocational system are not meeting their needs. Instead, the system continues to produce graduates for old and marginal trades, which have no market demand, while skill needs for newer trades remain unmet. The training available for women is generally very stereo-typed with possibility of low return.

### **Training Strategies and Policies**

The Government policies and goals are to increase substantially the proportion of post-primary students enrolling in VTE. The equity effect of this expansion is dependent on three interconnected questions: (a) the extent the clientele of the programs is the disadvantaged and poor segments of the population, (b) how effective the programs are in imparting sellable skills, and (c) whether there is an impact of the training programs on increasing employment opportunities and raising income of the poor.

The impact of public sector VTE on poverty alleviation is undermined in two ways. It mainly serves the urban young males who have completed at least the eighth grade. The rural poor, who do not survive progression to grade 9, are mostly ruled out. The failure to diversify its clientele and to make the programs more flexible, adaptable and responsive to market needs and geared to the informal economy suggests that the VTE is failing to help the poor improve their employment and income opportunities.

To address these concerns the Government has established the National Skill Development Council (NSDC) as the apex body for policy formulation on skill development with representation from the government, employers, workers and civil society. A draft of a national skill development policy has been prepared in 2009 under the auspices of the Council. This policy attempts to address the issues raised above and proposes to strengthen the Bangladesh Technical Education Board as a quality assurance mechanism. The new Skill Development Council will also consider the following strategic approaches during the Sixth Plan:

- Re-thinking the role of public sector skill training in developing a strategy to expand and modernize VTE to meet market demands and extend greater benefits to the poor and women
- Improving the link between training and job markets.
- Improving the positive effect on poverty reduction by targeting new clientele.
- Improving efficiency and quality of programs by stressing standardization of certification.

## **Informal skill development**

Informal and traditional apprenticeship and on-the-job experience are the means for creating most of the skills that keep the bulk of the economy and production of the country running. A master craftsman, himself inheriting the skill from his father or another "master," training his assistants in exchange for free labour or a reduced wage, produces such skills as welding, turning, bricklaying, carpentry, furniture making, electrical maintenance, plumbing, bicycle repair, motor repair and so on. Not enough is known about the system and its strength and weaknesses. An attempt to bring the system under official regulation may not be a good idea. However, the Plan will suggest the need to maintain an overview of the system and consider how the more formal training programs of the government and the private sector can complement and supplement the informal system and enhance the effectiveness of the total nationwide skill generation capacity.

## **HEALTH, POPULATION AND NUTRITION**

Health is now universally regarded as an important index of human development. Poor health is both the cause and effect of poverty, illiteracy and ignorance. Policies of human development not only raise the income of the people but also improve other components of their standard of living, such as life expectancy, health, literacy, knowledge and control over their destiny. Health is both a major pathway to human development as well as an end product of it. Health and development converge and contribute to each other.

The goal of the health, population and nutrition (HPN) sector is to achieve sustainable improvement in health, nutrition, and reproductive health, including family planning, for the people, particularly of vulnerable groups, including women, children, the elderly, and the poor.

The HPN sector lays emphasis on reducing severe malnutrition, high mortality, and fertility, promoting healthy life styles, and reducing risk factors to human health from environmental, economic, social and behavioral causes with a sharp focus on improving the health of the poor. More specifically, with regard to MDG in the health sector, the main emphasis is on the human dimension of poverty, i.e. deprivation in health, deprivation in nutrition including water and sanitation, as well as related gender gaps.

The major MDG targets include the following: (i) reducing infant and under-five mortality by 65% and eliminating gender disparity in child mortality; (ii) reducing the proportion of malnourished children by 50% and eliminating gender disparity in child malnutrition; (iii) reducing MMR by 75% and ensuring availability of reproductive health services to all; and (iv) reducing the burden of TB and other diseases.

The country has achieved greater progress than most low-income countries on a range of health indicators: i) increase in life expectancy from 44 years to 67 between 1970 to 2007; ii) decline in

infant mortality from 92 per 1,000 live births to 41 between 1991 and 2008; and iii) under five child mortality fell from 146 per 1,000 to 54 between 1991 and 2008. By world standards, HIV prevalence remains low (less than 1% percent of the adult population).

While the country is on track to meet several of these MDGs, progress in national human development has been uneven. Neonatal mortality in Bangladesh accounts for two-thirds of infant deaths and for over one half of all under-5 deaths<sup>18</sup>. Malnutrition rates, on the other hand, are among the highest in the world. 34 percent of all women suffer chronic energy deficiency, 47 percent are in the poorest wealth quintile. Iron deficiency anemia afflicts one half of girls and women of reproductive age<sup>19</sup>. Accordingly to a 2009 report by IFPRI, Bangladesh has one of the highest prevalence of underweight children, at over 40 percent.

In developing countries like Bangladesh, there are a number of factors that affect people's health status. There are demand side factor such as income, assets, and social practices resulting from ethnicity and religion, lifestyle; and supply side factors such as the health care system, health expenditure, etc. There are also environmental factors and gender inequality related factors that influence health status. These factors include, among others i) poverty, food security, food pricing and malnutrition; ii) environmental pollution and degradation; iii) reproductive health problems; iv) social development, especially literacy rates; and v) public health care delivery system.

Evidence from Bangladesh and elsewhere suggest that the pattern of diseases experienced by the poor differs significantly from that of the rich. There are primarily two broad categories of diseases, that of poverty and that of affluence. Poverty leads to malnutrition and resultant diseases, which are common in the developing countries. Lack of food security is another major problem that leads to malnutrition. Other factors related to malnutrition are production and availability of food-grains, level of nutrition knowledge, level of illiteracy and ignorance, poor consumption patterns and lack of diet diversity, distribution of income and food, level of employment, unsafe drinking water and poor sanitation facilities and poor access to and inadequate availability of health services. Good nutrition entails meeting both the dietary energy needs and nutrients for functioning but also increases the immunity to diseases and infections. The poor tend to live in unhygienic environmental conditions and are at high risk of infections and diseases.

The poor are trapped in the vicious cycle of malnutrition, low birth weight babies, malnourished adolescents, and malnourished pregnant mothers. Groups that are most vulnerable to malnutrition are infants, pre-school children, especially girls, pregnant and lactating mothers, landless laborers, urban slum dwellers and tribal communities. While there has been important progress in reducing gender differences in children's malnutrition, the poor nutritional status of

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<sup>18</sup> UNICEF Fact Sheet on Maternal and Neonatal Health in Bangladesh, UNICEF, Dhaka, 2009

<sup>19</sup> *Whispers to Voices*, World Bank, Washington DC. 2008

their mothers is a key factor in infants' low birth weight, affecting as much as 45 percent of babies, and leading to high rates of underweight and stunting.

Most health problems of women are related to their reproductive system or are caused by their reproductive function. Other health problems, such as that of malnourishment or environmental pollution, etc, get aggravated due to their reproductive function. Starting from anemia to complications of the gynecological system, women are constantly under health stress. Women's health problems are broadly affected by two factors, biological (natural) and socio-economic and cultural (human-made), besides individual attributes and availability of health and nutritional services. Even access of women to health and nutritional services is partly determined by socio-cultural factors. Each of these factors influences female health in varying proportions over the life cycle. But, more than others, socio-cultural factors determine the major part of a woman's physical and mental health status. Thus, improvement in women's health requires change in socio-cultural dimensions of a society and overall improvement in women's situation.

### **Past Performance**

Bangladesh has been implementing Sector Wide Approach (SWAp) in HPN sector since 1998. The first SWAp (HPSP) was implemented during 1998-2003. The second HNPSP for 2003-2011 is ongoing and the new SWAp will be in place without interruption of the current one. Since Bangladesh was the first country in the world to implement SWAp, much of the learning was by doing. The major policy shift in development from project approach to program approach suffered from initial teething problems, partly due to limitation in capacity. Lack of continuity of leadership also constrained progress in terms of expected reforms in the HPN sector. With the SWAp process, there are still opportunities for improving HPN services by avoiding duplication, reducing wastage and grabbing missed opportunities. It is recognized that effective outputs in HPN sector depends upon coordination among health, population and Nutrition.

Despite these institutional shortcomings, significant progress has been achieved in a number of HPN areas as evidenced by the findings of successive Bangladesh Demographic and Health Surveys (BDHS) shown in Table 5.1. Nevertheless, a large unfinished agenda remains. Lack of

**Table 5.1: Progress in Health, Population and Nutrition, 1993-2007**

Indicators	1993-94	2007
<b>Total fertility rate</b>	3.4	2.7
<b>Percentage of children underweight for age</b>	56.3	41
<b>Percentage of children underweight for height</b>	17.7	17.4
<b>Percentage of children stunted</b>	54.6	43.2
<b>Neonatal mortality rate per 1000 live births</b>	52	37
<b>Infant mortality rate per 1000 live births</b>	87	52
<b>Percentage of children vaccinated</b>	58.9	81.9
<b>Percentage of ante-natal check-ups by trained workers</b>	29	51.7
<b>Percentage of deliveries by trained person</b>	9.52	18

*Source: Bangladesh Demographic and Health Survey 2007.*

progress in reducing stunting raises concerns about the adequacy of child nutrition. Similarly, the infant mortality rate remains high, while the percentage of mothers with access to trained birth delivery workers is still very small.

### **Issues and Challenges**

Despite some achievements in the health and population sector, the strategies to achieve universal health coverage to remove rural-urban, rich-poor, and other form of inequities, and to create provisions for essential services for vast majority of the population, especially rural poor, continue to remain as the major challenge for the health sector. More specifically, issues such as poverty related infectious diseases, mothers suffering from nutritional deficiency, children having some degree of malnutrition, pregnant women not receiving delivery assistance by trained providers, poor maternal and child health and nutrition, unmet need for family planning and rise in STD infections constitute major current challenges.

***Inadequate implementation of the HNPSP Initiative:*** The Government's flagship HNPSP initiative suffered from a number of problems that limited to effectiveness of the program. These include:

- Although HNPSP has been able to mobilize sufficient amount of resources, overall public spending on health has remained low due to various implementation problems including lack of inter-ministerial coordination, procurement problems, and capacity constraints.
- HNPSP did have pro-poor essential service package (ESP) but lacked an effective M&E system to monitor health-related inequalities.
- Public resource allocation is based on historical norms for facilities, number of beds and staffing, rather than on indicators of individual and household health needs, taking into account the extent of poverty.
- The ESP was mainly directed towards rural areas leaving a major gap in primary health care coverage of poor in the urban areas
- Attempts at institutional unification and coordination under HNPSP did not work and led to perceived loss of momentum in family planning and fertility reduction.
- With some important exceptions, service quality has not improved significantly in either the public or the private sector.
- Insufficient attention has been paid to the supply-side barriers faced by the poor; unofficial fees, erratic drug supplies, absenteeism and unwelcoming behavior of providers.
- HNPSP could not achieve better gender equity in health sector plans and programs because the implementation of policies and plans was limited by weak institutional capacity.
- Whilst HNPSP was formulated and initially planned using extensive consultative processes, it did not involve users and other key stakeholders fully in program implementation.
- The Essential Services Package (ESP) included a narrowly defined component of 'Limited Curative Care' which ignored more complicated diseases. As a result, there was inadequate

policy and technical guidance for curative care at the primary level health and family planning facilities.

- Whilst HNPSPP introduced some important budget reforms, the revenue and development budgets were planned and managed separately, often causing serious mismatch.
- Although decentralization was an important feature in HNPSPP, in reality centralized procurement of logistics for all programs resulted in delays in providing supplies and logistics. This prevented the newly constructed health facilities from functioning properly.

***Inadequate Progress on the Gender Dimension:*** Findings from various studies indicate that women and girl children are more vulnerable to death and disease compared to their male counterparts. Gender-based violence is an additional cause of injury and health complications, both physical and mental.

The disadvantages faced by girls start from early childhood which continues throughout their entire life span. With regard to access to food, nutrition and health care women and girls are much more disadvantaged compared to men and boys. The situation is more precarious for women in the reproductive age group and the status of reproductive health of the Bangladeshi women is poorer than that found in many developing countries in South Asia. Every year millions of women in Bangladesh experience life threatening high risk, chronic or other serious health problems related to pregnancy or childbirth. About 20,000 women of reproductive age group die each year in Bangladesh due to maternal causes. Many of these deaths associated with pregnancy and childbirth are however needless and avoidable. Pregnancy related mortality and morbidity can be prevented with attainable, simple and cost effective interventions. Making motherhood safe requires action on three fronts simultaneously: (a) reducing the numbers of high-risk and unwanted pregnancies, (b) reducing the numbers of obstetric complications, and (c) reducing fatality rates among women with complications.

### **The Government's Vision for Health**

Within the broader context of Millennium Development Goals (MDG), the Government's vision for health, nutrition and population sector is as follows:

*“The Government seeks to create conditions whereby the people of Bangladesh have the opportunity to reach and maintain the highest attainable level of health. It is a vision that recognizes health as a fundamental human right and, therefore, the need to promote health and to alleviate ill health and suffering in the spirit of social justice. This vision derives from a value framework that is based on the core values of access, equity, gender equality and ethical conduct.”*

By 2021, the Government envisions a Bangladesh of middle income country, where poverty will be drastically reduced; where our citizens will be able to meet every basic need and where development will be on a fast track, with ever increasing rates of growth. Within this broader

context, the vision for the health sector is to create conditions whereby the people of Bangladesh have the opportunity to reach and maintain the highest attainable level of health.

The HPN targets for the SFYP are listed in Table 5.2. These are ambitious but achievable targets provided timely actions are taken to properly implement the associated policy and institutional reforms, building on the experience of the two Sector Wide Approach Programmes.

**Table 5.2 Health, Population and Nutrition Targets for the SFYP**

	<b>Indicators</b>	<b>Base value with Year</b>	<b>FY2015</b>
	<b>Impact/Outcome</b>		
1	Life- Expectancy	66.6 (SVRS 2007 )	70
2	Population Growth Rate	1.40 (SVRS 2007)	1.3
3	Maternal Mortality Ratio (MMR) (per 100,000 live births)	194 (BMMS 2010)	143
4	Neonatal Mortality Rate (per 1000 live births)	37 (BDHS 2007 )	27
5	Infant Mortality Rate (per 1000 live births)	52 (BDHS 2007)	31
6	Under 5 mortality Rate (per 1000 live births)	65 (BDHS 2007 )	50
7	Malaria mortality-(per 100000 population)	4.4	2.2
8	Maintain low prevalence of HIV	<1%	<1%
9	Prevalence of Night blindness among pregnant women	2.90%	1%
10	Underweight of Under 5 children (6-59 months)	41% (BDHS 2007)	33%
11	Stunting of Under- 5 children 16-59 months)	43% (BDHS 2007)	25%
12	Total Fertility Rate (TFR)	2.7 (BDHS 2007)	2.2
	<b>Output</b>		
13	Contraceptive Prevalence Rate (CPR)	55.8% (BDHS 2007)	74%
14	Modern Method of Contraceptives	47.5 (BDHS 2007)	63%
15	Discontinuation rate of FP methods	56.5% (BDHS 2007)	20%
16	Unmet need for Family Planning	17.1% (BDHS 2007)	7.60%
17	Contraceptives use rate of married adolescent	37.6% (BDHS 2007)	50%
18	Permanent & Long acting FP (of CPR)	7.3% (BDHS 2007)	20%
19	TB case detection rate	73% (NTP 2008)	75%
20	TB cure rate from	92% (NTP 2008)	95%
21	Provide effective malaria prevention to 100% population at risk	5 districts	5 districts
22	Proportion of h/h own at least 1 Insecticide Treated Net (ITN)	64%	80%
23	Under 5 children sleep under (ITN)	70%	80%
24	Births attended by skilled health personnel	26.5% (UESD 2010)	50%
25	Facility level delivery	15% (BDHS 2007)	40%
26	ANC coverage (4 visits)	20.6% (BDHS 2007)	50%
27	PNC coverage (Mother)	21.3% (BDHS 2007)	50%
28	PNC coverage (children)	21.9% (BDHS 2007)	50%
29	Met need for EOC services	22.43% (BDHS 2007)	80%
30	TT coverage (children protected at birth from Tetanus)	93% (CES, 2008)	95%
31	Valid coverage of full Immunized children	75.2% (CES, 2008)	90%
32	Immunization of 1- year old children against Measles	83% (CES, 2008)	90%
33	VAC coverage (6 m-6 y)	98%- 100%	98%- 100%
34	Postnatal VAC supplementation	29%	80%
35	Severe anemia (Children)	64%	50%
36	Severe anemia (Pregnant women)	46%	40%
37	Exclusive breast feeding of children (less than 6 months)	42%	80%

## **Health Sector Strategy in the SFYP**

### **(a) *Public Service Delivery Strategy***

***Community Clinic:*** A major element of better healthcare delivery to the rural communities is to re-commission the community clinics, established during the earlier tenure of the present government, based on the principle of one community clinic for every 6,000 rural persons. This program has already started along with the mobilization of appropriate human resources, drugs and equipment. Community clinics are expected to deliver one stop integrated health, population and nutrition services to the respective communities and will be first point of contact of the rural community with the public sector health services. In addition to thorough repair of 10,723 community clinics established earlier, another 2,777 are planned for construction, of which 700 at coastal belt will be double storied for the provision of using as shelter in case of emergencies. With the re-vitalization of the community clinic management groups, community participation in community clinics will be ensured and this is expected to be the model of community driven primary health care delivery. Community clinics are expected to serve as a foundation for a strengthened, improved and effective Upazila health system catering to the needs of the rural population. The community clinics along with satellite clinics and outreach centres will also give attention to ensure access to gender inclusive services in hard to reach area (coastal, hilly, haor).

***Upazila health system:*** Functioning of the Upazila health complexes, union health and family welfare centers/sub-centers will be strengthened and further consolidated through adequate human resources, drugs and other medical aids. The provision of essential services package (ESP) delivery through Upazila health system will be strengthened and popularized. Up-gradation of 31 beds Upazila health complex to 50 beds with the provision of more specialist service (like orthopedics, ophthalmology, cardiology, pediatrics and ear-nose-throat) will continue. The current commitment of spending at least 60 per cent of total budgetary allocation of the health, nutrition and population sectors at Upazila and below level will continue to be pursued to improve the quality of primary health care and make it accessible and acceptable to the people. The Government's effort towards decentralization of budget and management will be strengthened.

***Maternal and newborn health:*** Capacity will be improved to provide care of adequate quality particularly for the poor for normal childbirth (basic essential obstetrics care) through trained (community) skilled birth attendants, community clinics, union health and family welfare centers, Upazila health complexes and facilities at and above districts including maternal and child welfare centers, and for the prevention and management of complications (comprehensive essential obstetrics care) by expanding services in more Upazila health complexes and ensuring the same through all maternal and child welfare centers and district hospitals and facilities above. A midwifery plan according to international standard will be formulated with participation from non-public sectors. Existing family welfare visitors training institutes (FWVTI) will start family

welfare training courses as pre-service and will also provide (community) skilled birth attendants (C-SBA) training. Through developing guidelines FWV and C-SBA training will also be open for non-public sectors to provide. Possibilities will also be explored to utilize nurse-midwives for providing maternity services. These initiatives are expected to produce significant numbers of skilled service providers to care for normal childbirths. Efforts will be strengthened for more Upazila health complexes to provide comprehensive and emergency essential obstetrical care by training and placement of requisite human resources and providing required instruments and supplies. Introduction of women friendly procedures and facilities at all public health centers and hospitals with intensified BCC activities intends to address gender related inequalities in access to and utilization of health service delivery. Attention will also be given to community mobilization, which includes men to address not only the socio-cultural factors but also to increase women's access to maternity care.

***Child health:*** Integrated management of childhood illness will be further expanded, particularly of community component to cover the entire country. Alternate strategies will be explored to train informal and semi/un-qualified providers. Efforts will be made to include more children suffering from diarrhea to have appropriate oral rehydration (already achieved 85%). Similarly efforts will be undertaken to increase the proportion of children suffering from acute respiratory illness who went to a trained providers. Number of the vaccines in the routine immunization program will be further expanded. Existing excellent quality surveillance will be maintained for well and prompt investigations of outbreaks. Special activities will be undertaken for maintenance of zero polio status, measles catch-up and neonatal tetanus campaigns.

***Reproductive health:*** The life-cycle approach will be undertaken to address the need of women for general reproductive health and to ensure reproductive health in phases. The vast network of state facilities will be further strengthened for appropriate women, adolescents and reproductive health. The demand for services will be created through strengthened health production involving community and different stakeholders.

***Urban health:*** The services offered by secondary and tertiary hospitals will, depending on bed capacity, be standardized along with human resource needs and table of equipment linked to the services. Appropriate human resources development and management structure will be developed for the existing hospitals. New branches of sub-specialization will be created in all medical college hospitals, so that patients do not need to rush to the capital city. Hospital autonomy will be introduced initially for the tertiary level specialized hospitals and gradually extended to medical college and district hospitals. Management Committees at hospitals will be strengthened for better monitoring and vigilance team for hospitals will be further strengthened and its jurisdiction will be expanded. Government will establish new specialized hospitals under its private public partnership initiative. Accountability and quality of care will be ensured and death audit will be introduced as part of such initiative.

The existing practices of providing urban primary health care (UPHC) services through contracted NGOs for the city corporations and selected municipalities under the LG Division will continue to be pursued. In addition, MOHFW will continue to provide PHC services in urban areas not covered by the UPHC project. Similarly, it will also continue to provide secondary and tertiary level health care in urban areas and try to improve both coverage and quality in response to demand. A priority objective for improving urban health services will be to facilitate access and effective use of available essential ESP delivery services by urban poor and slum dwellers. To this end, an urban health strategy in collaboration with the local government ministry will be developed with a view to streamlining urban primary health care services and establishing strong institutional linkage and ensuring primary health care, family planning, reproductive health and nutrition services for the urban poor.

***Referral system:*** As far as possible, outdoor treatment will be encouraged. All medical college and tertiary hospitals will accept referred patients. A network of well-worked out referral system will be developed so that patients are assured of receiving treatment from health facilities and that patient load at the higher levels is not needlessly burdened by those who can be treated at the local level. Support of tele-medicine and e-health will be used to make specialist services available to all people irrespective of their geographical locations at low cost.

***Communicable diseases:*** The existing programs will be further expanded and strengthened to intensify prevention and control of communicable diseases, such as, acute respiratory infection, diarrhea, dengue, etc. The strategy will emphasize early detection and treatment, partnership with communities to create awareness about the risk of spread, and addressing the sources of disease through proper preventive measures where possible.

***Non-communicable diseases:*** Reduction of morbidity and premature mortality due to non-communicable diseases (NCDs) will require appropriate actions at all levels from primary prevention to treatment and rehabilitation in an integrated manner. The Government will, in partnership with local government administration and private sector create greater awareness of, and provide services for the control of unhealthy diet and lifestyle related major NCDs such as cardio-vascular diseases, cancer, diabetes, mental illness, etc. It will also take steps to combat common NCDs, such as, hypertension, asthma, blindness, etc., which particularly afflict the poor. Existing preventive and curative measures with respect to all NCDs will further be expanded and strengthened to increase access to all for health care services.

***HIV/AIDS:*** Interventions with high-risk groups will continue with enhanced monitoring and supervision. Capacity of the national AIDS/STD program (NASP) will be strengthened - both in management and technical aspects. A new comprehensive national strategic plan for HIV / AIDS prevention and control will also be formulated.

### ***(b) Strategy for Strengthening Health Inputs***

***Promotion of public awareness:*** A major strategy to ensure better health would be to promote public health through better public awareness of health hazards. The existing institution will be strengthened and partnership will be built with mass media for providing health education to the population on a continuing basis regarding methods of preventing communicable and non-communicable diseases, caring practice for children, adolescents, physically and mentally challenged and the old aged, and creating awareness on nutrition, personal hygiene, use of safe water and proper sanitation. Steps will also be taken to reach basic health and reproductive health information through school curricula and to utilize NGOs and different religious centers to influence health behavior of the people. Moreover, activities of existing school health clinics will be reviewed and based on lessons learnt, school health program will be scaled up through a strategy developed in collaboration with the various educational institutions.

***Provision of drugs:*** Initiatives have been taken to revise existing drug policies to ensure easy access to essential drugs at fair prices and to provide quality drugs, and also to bring self-sufficiency in the production of medicines of international standard along with promotion of their export. Directorate of Drug Administration is planned to strengthen, expand and modernize its regulatory capacities. Increased attention will be given to popularize rational use of drugs by educating both the prescribers and users on appropriate prescription practices and use of appropriate drugs with dosages. Both the existing drug testing laboratories at Dhaka and Chittagong are planned for modernization. In addition, another drug testing laboratory of international standard is planned to be established. Up-gradation of DDA to DGDA has already been made.

***Food quality:*** Definitive food standards will be established to serve as benchmark for evaluating and maintaining standards. Initiatives will be undertaken for reviewing all existing food safety laws and upgrading laboratories with clear assignment of responsibilities for different entities within public and private sectors. The Government will examine the need for an authority for food (independently or integrate with existing drug administration) to take necessary follow-up action with the aim of removing threat to health of the citizens from substandard and/or adulterated food. By removing food deficit, nutrition needs of 85 percent of the population will be ensured.

***Medical education:*** Measures will be taken for production of appropriate skill-mixed workforce (super-specialist physicians and surgeons, specialist physicians and surgeons, general duty doctors, specialist nurses, general duty nurses, mid-wives, nutritionist, dieticians, paramedics, technologists, electro-medical engineers/ technicians etc.) in both the public and private sectors. Private sector participation in medical education has expanded over the past few years. Maintaining the quality of medical education has since become crucial. The MOHFW will reexamine the current accreditation arrangements for pre-service educational institutions of both public and non-public health professionals and consider the need for a uniform accreditation

body to coordinate and regulate all types of medical education. Enhancing nutrition modules and providing nutrition updates in the medical curriculum should be considered on a priority basis to address health and nutrition issues from a preventive and sustainable basis. Bangabandhu Sheikh Mujib Medical University will be made as center of excellence.

***Telemedicine and e-HPN:*** In order to contribute to the vision of digital Bangladesh, HPN sector will connect all its facilities and installations with computerized network. Data /information will be continuously used for making management decisions, policy formulation, program design, monitoring and evaluation. Moreover audio-video conferencing and mobile phone services will be used to provide need based services to the people. The HPN system will be thoroughly oriented and trained for digitalization. Moreover all the training institutes under MOHFW will include computer training in all of its courses. Public hospitals and MCWCs will be gradually brought under functional e-health as smooth operational and management tool.

***Strengthening research and training:*** Research will emphasize on priority areas of biomedical, public health, family planning, epidemiological, HPN systems and policy, social and behavioral, and operational issues. The capacity of various research institutions and individuals will be augmented to achieve the above stated goals. Bangladesh Medical Research Council (BMRC) and National Institute of Population Research and Training (NIPORT) will be strengthened after reviewing its mandate and structure for assuming strategic stewardship and governance roles for HPN related research. NIPORT's training institutes will be strengthened to produce more pre-service FWV. As a priority activity of MoHFW, Nursing Training Institutes (NTIs), Colleges and District Hospitals will be strengthened for midwives and Community SBA training. For continuous development of health professionals, a National Health Management Academy and research center will be established.

***Surveillance of diseases:*** The existing disease surveillance system will be reviewed for its updating to incorporate NCDs along with CDs and keeping in view the international health regulation system. Disease information monitoring and management system will be strengthened not only to issue public alert and increase availability of adequate information concerning the incidence and prevalence of diseases at regional and national levels, but also to establish a network with the global disease information system. Maps of all major diseases, on the basis of their incidence and prevalence, will be constructed for each district.

***Alternate medical care:*** Homeopathy, ayurvedic and unani are included in alternate medical care (AMC). Necessary actions will be taken for improvement of the standard of alternate medicine, increase the demand for quality care and thereby reduce unsound practices. Capacity building of the AMC providers and proper monitoring and evaluation of the AMC providers will be undertaken. AMC education and AMC provision in public sector facilities will be further expanded.

***(c) Strengthening Public Service Delivery Capacity***

***Improved management:*** The Ministry of Health and Family Welfare (MOHFW) will serve as the key focal point for delivery of public health service. It will continue to pursue sector-wide approach in its development planning and implementation of HPN program. All the officials in key positions like line directors, program managers and deputy program managers will be trained in above areas with follow-up support on the job. Trained people in key positions need to be retained to get the benefit of investment. In this regard, MOHFW, in addition to practice retention seriously by itself, will engage with other ministries like establishment, planning and finance for compliance of retention of trained human resources in key positions.

In order to enhance the implementation capacity of the public health system, attention will be given to the geographical distribution of available Human Resource and their appropriate utilization. Coordination among planning, hospitals and administration wings with physical facilities construction agencies will be ensured for timely securing of equipment (by placing orders at appropriate advance time) and placement of human resources (by initiating post creation move at appropriate advance time) as soon as the construction of facilities have been finished so that these can be made functional immediately. Fund release procedures will be streamlined so that funds can be released on time. More delegation of financial and administrative power, procurement, repair and maintenance will be explored and exercised to strengthen district and below level service delivery facilities.

***Better incentives for staff:*** Steps will be devised for improving the quality of existing workforce in both formal and informal sectors. The public sector HRD strategy will, among other things, involve establishing career plans for specific lines of specialization, based on competence and experience, and clear principles for promotions, posting and transfers. Priority will be given to the pre-service education, recruitment and training of additional nurses, midwives, technicians and C-SBAs to meet existing shortage and improve service delivery. Personnel management procedures will be reviewed and updated as required. The updates will include introduction of incentives for service providers working in remote and hard-to-reach areas and modifications of the transfer-posting practices for field level managers. Performance management (supervision and annual performance evaluations) of individual staff will be strengthened through individual performance management. This will include application of merit-based incentives as well as disciplinary measures in response to absenteeism or misuse of public-sector resources for private gain.

***Better governance:*** Good governance in the health sector will be strengthened through prudent staff deployment, preventing all sorts of mal practices and creating a more customer friendly health service delivery system in the public facilities in partnership with all stakeholders. The stewardship capacity of public sector will be improved for monitoring quality of care and safety of patients in both public and private sectors.

The on-going collaborations between the state and the non-state actors in strengthening family planning, nutrition, EPI, TB and leprosy, HIV / AIDS etc. activities have been found encouraging through active involvement of the communities. Therefore, these initiatives will be scaled up as necessary and lessons from these experiences will be replicated in other areas of concern. The community-based organizations will be involved in monitoring the quality and coverage of services.

The Citizen's Charter for health service delivery has been put in practice in the public hospitals and health complexes. Practicing of the said charter will be monitored and strict adherence to its implementation will be ensured.

With the recent renewed commitment of strengthening the local government administration and institutions at different levels, opportunities have cropped up for exploring devolution of health programs and utilization of fund through different levels of local government institutions. The SFYP recognizes the importance of such devolution and will take necessary administrative arrangements to devolve functions to Divisional and District levels. Adaptation of such approach will enable need based allocation of resources and close supervision through the locally elected representatives.

Management committees along with government service associations, and professional organizations like Bangladesh Medical Association (BMA), Bangladesh Private Practitioners Association (BPPA), etc., as key stakeholders can play a more effective role in achieving good governance and ensuring transparency and accountability in health sector. The stakeholders, including non-state actors, media and civil societies will be involved in formulating policies and included in managing committees of hospitals. They will also be consulted on major issues of health sector's development in order to increase participation, transparency and accountability.

#### ***(d) Ensuring Gender Equality***

Efforts will focus on (i) ensuring rights of women for a better physical and mental health at all stages of their life cycle, (ii) strengthening PHC for women with emphasis on reducing MMR and IMR, (iii) strengthening reproductive rights and reproductive health of women at all stages of population planning and implementation, (iv) addressing nutritional needs of women, specially of lactating mothers and the adolescents girls, (v) preventing women from HIV/AIDS and STD through awareness raising, and (vi) creating women-friendly physical facilities at all public health complexes and improving access to health services for women and girls. Moreover, efforts will continue to (i) communicate the importance of ANC, delivery care and PNC to all household heads at the grass root level, (ii) give special training to service providers at the community and higher levels on gender equity and (iii) include topics on the health needs of both males and females and their impact on gender disparities in school curricula. Further steps will be undertaken for improving gender equality in HPN in close cooperation of Ministry of Women

and Children's Affairs. The existing Gender Equality Strategy of the MOHFW will also be reviewed and revised appropriately.

***(e) Budget and Financing***

The share of budgetary allocation to the HPN sectors needs to increase over the Plan period. Efforts will be made to increase this share from the current 7% to 12% by 2015. A significant part of the increased budget will be devoted to improving supply of drugs in public hospitals, especially for providing PHC services, with provision for strict monitoring of its utilization. There is substantial involvement of external funding in the health sector, e.g., project aid funds, global funds, social business funds, etc. The government will welcome increase in such funding in a harmonized way and well aligned with the national system.

Existing system of affordable health care services will be further expanded and consolidated ensuring proper safety net for the poor. Facilities providing health care outside the public sector (but receiving government fund) will ensure that at least 30 per cent of their all types of services are kept for free treatment for those who cannot pay. Necessary fund will be mobilized through user fees, government allotment, social organizations, private contributions, corporate social responsibility, community financing schemes, and social insurance.

***(f) Private Sector Role***

HPN sector's financing by the government alone is insufficient to ensure improved health care for all in Bangladesh. Expansion of private sector investment will help to bridge the gap in needed resources for extending and improving the services. The private health care sector constitutes an important part of health care delivery system. Through a wide network of health care facilities providing services in different systems of medicine, this sector caters to the growing demand for health care in both urban and rural areas. In the private sector, providers can be grouped into three main categories: first, the organized private sector which includes qualified practitioners of different systems of medicine; second, the not-for-profit NGOs; and third, the private informal sector which consists of providers not having any formal qualifications, such as untrained allopaths, homeopaths and kobiraj etc. known as Alternative Private Providers (APPs).

The SFYP will continue to promote private sector role through policies to encourage greater private investment in healthcare as well as by entering into public-private-partnerships (PPP). Regulations will be strengthened to ensure quality, standards and accountability of private service providers. The PPPs will be an accessible, relevant, viable and beneficial service delivery option. The government's focus will shift from managing the inputs to managing the outcomes, i.e. becoming a contract manager rather than a resource manager. There will be coherence and consistency in government policy and legislation when introducing legislation and policies pertaining to PPPs. Steps will be taken to ensure that the PPPs result in accessible, affordable and safe health services that meet acceptable quality standards leading to improved efficiency and accountability to the public. The PPPs will be sufficiently rewarding in relation to

the private investment required and the risks undertaken.

***(g) Strengthening Partnership with NGOs***

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

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

**Population Planning and Family Welfare**

Lowering the rate of growth of the population is a major challenge for Bangladesh during the Sixth Plan. Achieving faster reduction of population growth will require attaining replacement level fertility as well as addressing the effects of population momentum. Even if replacement level fertility is achieved in the near future, the population of Bangladesh will continue to grow due to the effects of population momentum as the proportion of women in the reproductive age group will continue to grow until the population stabilizes. However, the eventual size of the stable population hinges on the time of attaining replacement level.

The age composition of the population undergoes changes with the progress in demographic transition (Table 5.3). The proportion of population under age 15 has declined from 46.7% in 1981 to 39.4% in 2001 due to reduction in fertility. On the other hand, the proportion of population in the economically active age group has marked an increase from 47.7% in 1981 to 54.4% in 2001, while there is a slight increase in the proportion of older population (>60).

**Table 5.3: Distribution of Population by Age Group**

Census	Age Groups		
	0-14	15-59	60+
1981	46.7	47.8	5.5
1991	45.1	49.5	5.4
2001	39.1	54.7	6.2

*Source: BBS, Population Census, various years*

The changes in the age distribution of the population have many socio-economic implications. First, the age-dependency ratio of the population has declined from 109 in 1981 to 83 in 2001. Second, it has resulted in an increase in the young and working age population which can create a virtual cycle of growth, known as demographic dividend. Third, the higher size of women in the reproductive age group will mean that the population will continue to grow until population stabilization takes place, say by the year 2050. The level of fertility will remain high at the initial stage due to tempo effect caused by the downward shift in mean age at childbearing. Hence, the effect of momentum can be reduced by delaying the first birth as well as widening birth spacing.

### Recent trends in fertility

An examination of trend of fertility by looking at the estimates of total fertility rate (TFR) over the past three decades shows that it declined by 57 per cent during the period 1975-2004, at the rate of 1.8 per cent per year (Table 5.4). The pace of decline was steeper during the 1980s and early 1990s and since then it remained stalled until 1999. But the decline started again in 2001 and continued till 2006.

**Table 5.4: Trends in Current Fertility Rates**

Age group	Survey and approximate time period						
	1995 BFS	1993-1994 BDHS	1999-2000 BDHS	2004 BDHS	2007 BDHS	1975-2007	1999-2000- 2007
	1971- 1975	1991-1993	1994-1996	2001- 2003	2004-2006		
15-19	109	140	144	135	126	15.6%	-12.5%
20-24	289	196	188	192	173	-40.1%	-8.0%
25-29	291	158	165	135	127	-56.4%	-23.0%
30-34	250	105	99	83	70	-72.0%	-29.3%
35-39	185	56	44	41	34	-81.6%	-22.7%
40-44	107	19	18	16	10	-90.7%	-44.4%
45-49	35	14	3	3	1	-97.1%	-66.7%
<b>TFR 15-49</b>	<b>6.3</b>	<b>3.4</b>	<b>3.3</b>	<b>3.0</b>	<b>2.7</b>	<b>-57.1%</b>	<b>-18.2%</b>

*Source: BDHS, various years*

A comparison between age-specific fertility rates of 1975 and 2007 indicates that compared to 1975 age-specific fertility rates in 2007 fell steeply in all age-groups and particularly among older age groups, with the exception of the 15-19 age group which increased by 16%. The age pattern of fertility has shifted towards early childbearing and fertility of older women has reduced sharply over the years.

An examination of the decline in cumulative fertility by age cohort for selected survey years shows a consistent pattern of declining trend in fertility, which fell from a mean number of ever born children of 3.8 in 1975 to 2.3 in 2007, a decline of 40 per cent. The cumulative fertility declined in all age groups including 15-19 age groups. The reduction of fertility is steeper with the increase in age of women, it declined by nearly three children in the 35-39 age groups. A comparison of completed cohort fertility (4.9) with current fertility (2.7) demonstrates that fertility level has fallen substantially during the recent past.

### **Strategy for Population Management in the SFYP**

Recognizing the significance of the population problem, the Government has initiated updating of the population policy to reflect recent realities and ensure effective delivery of population control and reproductive health services. Population as number one problem will be re-emphasized with undertaking of appropriate multi-sectoral programs to address the problem. It is expected that the Total Fertility Rate (TFR) will be reduced to 2.2 in 2015 from current 2.7 (2007). To address the "Population momentum effect", measures will be undertaken to increase retention of girls in secondary schools and provide employment opportunities to young women, thereby causing a delay in marriage and childbearing.

The re-commissioned community clinics will address the challenges in the population sector with renewed thrust. Target-oriented population planning programs will be strengthened to achieve the goal. The large geographic variations in fertility and related factors and in use of contraception indicate the need for differential strategies both for information and motivational efforts and for service delivery. For example, in Sylhet and Chittagong age at marriage is higher than the national average, but fertility was also higher indicating a need to focus on lowering fertility within marriage. And high 'unmet need' (17.1%) indicates that service delivery in these districts will need to be strengthened. District specific strategies will be undertaken to address local constraints such as, poor access to services during certain parts of the year.

Dropout will be reduced through door step service delivery, supportive supervision and motivational works with information on side effect. Service delivery will be enhanced to the hard to reach areas, hilly and riverine areas as well as low performing areas. Quality services delivery will be ensured to the target groups by segmenting the client on the basis of sexual, educational, geographical location, socioeconomic status, age of parity and particularly the ultra poor and illiterate clients. Besides these, proper counseling and motivation will be continued to increase the age of marriage and child bearing and also to cover the unmet needs of the couples with Government-NGO collaboration along with local leaders' involvement.

The major impact on fertility reduction could be achieved by increasing age at marriage and by bringing the couples into contraceptive uses those have unmet needs for family planning services. These will push up both age at first birth and CPR and thereby again trigger a tempo effect to bring fertility down. Bangladesh has great scope to reduce early marriage, where at present 50 percent of teenage girls (15-19 years) are married compared to other developing countries. Moreover 17.1% couples have unmet-needs for FP services of which 6.6% for spacing purposes and 10.5% for limiting their births. They are the potential couples to adopt longer acting and permanent FP methods. If all of those women having unmet need to space or limit their births, are to use FP methods, the CPR would rise to 74 percent.

Contraceptives along with FP services will continue to be made widely available and further expanded to the poor and the marginalized population in both rural and urban areas and different regions and to meet the un-met need. Procurement and logistics supply management will be strengthened to avoid stock-out of contraceptives. Alternate methods of public sector distribution of contraceptive commodities will be explored. Efforts are underway to popularize the slogan of having one child per couple. The existing FP program will be expanded and strengthened involving both men and women, and will be popularized through an intensive motivational campaign under the BCC program.

Method-mix proportion of all modern contraceptive methods will be made with special emphasis on Long Acting Permanent Method (LAPM). It is expected that with higher use of such LAPM as VSC, IUD, and Implant pregnancies will be substantially reduced.

### **Nutrition Issues and Management in the SFYP**

Despite several natural calamities and high food prices, Bangladesh has achieved a slow but sustained reduction in prevalence of underweight. However, the lack of progress with reducing the incidence of stunting remains a serious problem. A third of women are undernourished, and a large proportion become pregnant when they are anemic and malnourished. This has an impact on intrauterine development, pregnancy outcomes and unacceptably high rates of infants born with low birth weight. Micronutrient deficiencies notably vitamin A deficiency, iodine deficiency disorders and iron deficiency anemia are major concerns, impacting cognitive development in child and pregnancy outcomes. Poor infant and young child feeding also impact on children's health. Poor diet diversification with cereals contributing 73% of total dietary calories as against ideal 60% undermines delivery on nutrition outcomes. The poor health of mother due to poor nutrition is also of serious concern.

To effectively address the nutrition concerns, interdependent interventions across diverse sectors such as agriculture, health, water and sanitation, education and food and disaster management need to be strengthened. A strategic orientation to nutrition planning is provided under the nutrition dimension of the National Food Policy-NFP (2006) and the National Food Policy Plan of Action –NFP PoA (2008-2015) that comprehensively address food security and nutrition to achieving adequate and stable supply of safe and nutritious food, increased purchasing power and access to food and adequate nutrition for all individuals, especially women and children.

The institutional home for nutrition will be placed with the IPHN of DGHS and nutrition programme of the MoHW will be mainstreamed within the DGHS and DGFP. Regular nutritional services will be provided through a new Operational Plan in the name of National Nutritional Services (NNS). Responsibilities of relevant sectors and the selected institutions will be expanded and capacity will be developed accordingly. Roles and responsibilities of other stakeholders for nutrition will also be specified together with arrangements of appropriate coordination and synergistic action. Capacities of Upazila health complexes and district hospitals will be strengthened to adequately manage severely malnourished cases. Existing cabinet committees and co-ordination structures that address food security/nutrition within the Ministry of Food and Disaster Management including the Ministry of Health and Family Welfare among others could serve as action points for policy guidance and strengthening inter/intra ministerial linkages. Collaboration with the Ministry of LGRD&C and the Ministry of Food and Disaster Management is essential to address nutrition and food safety issues within urban contexts.

Food security and nutrition surveillance will be integrated within national systems of BBS. Effective nutrition surveillance will be developed. The national strategy for infant and young child feeding will be implemented. Iron-folic acid supplementation among pregnant and lactating women and adolescent girls will be undertaken through health and family planning facilities. Existing half-yearly Vitamin A capsules distribution for children will be continued. Also post partum Vitamin A distribution to improve vitamin A status of neonates through breast milk will be scaled up. Monitoring of universal iodization of edible salt will be strengthened to ensure quality through adequacy of potassium iodide in salt. Zinc for treatment of diarrhea will be adequately promoted. With the coverage of IMCI, zinc tablets are expected to provide free to children with diarrhea.

Health and family planning workers (health assistants, family welfare assistants, assistant health inspectors, family planning inspectors, family welfare visitors, medical assistants/sub-assistant community medical officers) and agriculture extensions will be appropriately trained in nutrition education, so that nutrition services can be mainstreamed in health and family planning services through community clinics, union health and family welfare centers/sub-centers, Upazila health complexes and agriculture extension services. A comprehensive approach to the issue of nutrition will be ensured so that water and sanitation, dietary intake, EPI and health education can be addressed in a supplementary and complementary manner. Capacity building in nutrition of Upazila health and agriculture workers, school teachers and women farmers will be undertaken through the NNS Operational Plan of IPHN. Dissemination of consistent health and nutrition messages in the community especially women community will be strengthened. Integrated home gardening and school gardening with nutrition education will be promoted through the agriculture extension services and community clinics. Preparation of low cost nutritious recipes, processing and preservation of micronutrient rich foods and income generation activities will be emphasized through existing community based arrangements.

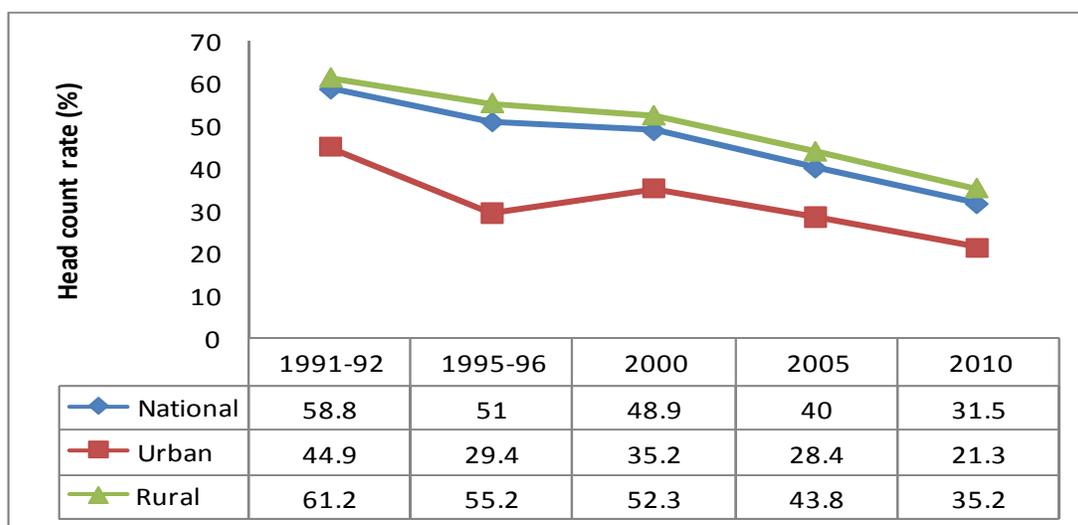
# CHAPTER 6: POVERTY, INCLUSION AND SOCIAL PROTECTION

## THE POVERTY REDUCTION CHALLENGE

### Poverty Trends, Determinants and Profile

Bangladesh has been successful in achieving significant reduction in poverty since 1990. Figure 6.1 shows that significant decline in poverty occurred from 1991-92 to 2010. National poverty headcount declined from 58.8 percent in 1991-92 to 31.5 percent in 2010, while extreme poverty rate declined from 41 to 17.6 percent over the same period. Among the four interim periods, the highest reduction in poverty occurred during the period 2000-2005. Other measures of poverty, such as poverty gap and squared poverty gap show long-term trends similar to those for headcount rates.

**Figure 6.1: Long-term Poverty Trends (Headcount Rates)**



*Source: Bangladesh Bureau of Statistics, Various HIES*

A notable feature of poverty reduction between 2005 and 2010 was a sizeable decline in the incidence of extreme poverty. The percentage of population under the lower poverty line, the threshold for extreme poverty, fell by 29.6 percent (or 7.4 percentage points) from 25 percent of the population in 2005 to 17.6 percent in 2010. A fall of 47 percent (or 7 percentage points) occurred in urban areas and that of 26 percent (7.5 percentage points) in rural areas. The percentage decline in extreme poverty rate was thus more than that in the poverty rate, consistent with the growth in per capita consumption for the bottom two deciles being higher than that for the third and fourth deciles.

Poverty reduction in Bangladesh can be attributed to the following combination of factors that add up to a story of significant social and economic transformation:

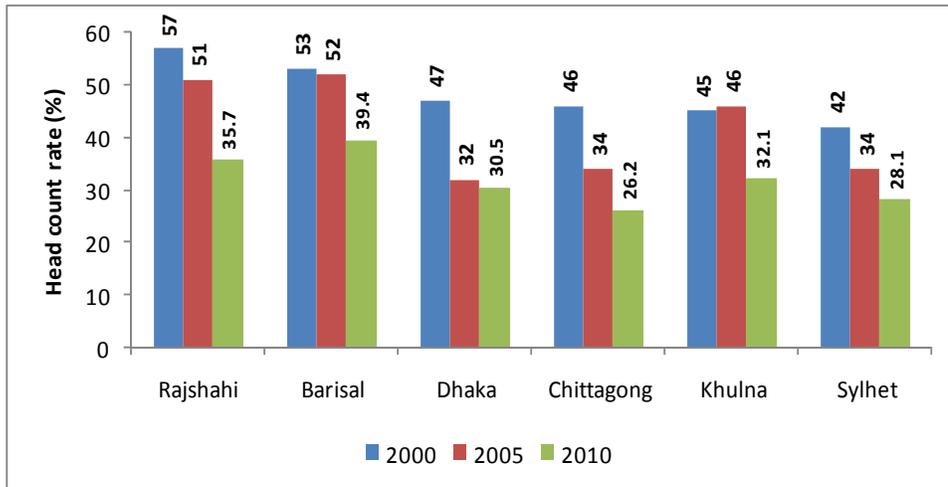
- The economic transformation is closely related to rapid GDP growth and the urbanization process in recent times – manifested in rising returns to human and physical assets, rising labor productivity and wages, the shift from low return agricultural labor to non-farm employment and growth in export industries.
- Increasing flow of remittances.
- The growth of micro-finance
- Equally important are some of the forces that have emerged from social transformations occurring over time. A fall in the number of dependents in a household, linked to past reductions in fertility, has been an important contributor in raising per capita incomes.
- Increases in labor force participation and educational attainment, particularly among women, have contributed as well.

The fall in poverty headcount rates was significantly more than population growth during 2005-2010 leading to a decline in the number of poor people. The size of the population below the upper poverty and the lower poverty lines declined by nearly 8.58 million and 8.61 million respectively. The levels and distribution of consumption among the poor improved as well, as evident from reductions in poverty gap and squared poverty gap measures by 28 and 31 percent respectively. Growth in consumption, fueled by robust GDP growth, was the dominant force in reducing poverty. Real per capita consumption expenditure during 2005-2010 increased at an average annual rate of 16.9 percent, with a higher increase for rural than urban areas.

### **The Spatial Distribution of Poverty**

There are sharp variations in the rate of poverty reduction across regions. The largest decline in poverty during 2005 and 2010 occurred for Rajshahi, Barisal and Khulna divisions, while Dhaka saw little change (Figure 6.2). All divisions with high consumption growth also saw substantial reductions in poverty and there was no apparent association between growth and distributional changes.

**Figure 6.2: Headcount Poverty Trends for Divisions**



*Source: Bangladesh Bureau of Statistics, HIES 2000, 2005 and 2010*

For all its progress, however, Bangladesh remains a poor country – with an estimated 47 million people in poverty in 2010 and disparities in incomes and human capabilities across income and occupational groups, gender, and regions. Underlying the national poverty story are significant differences between regions. Dhaka, Chittagong and Sylhet divisions in the eastern part of the country experienced rapid poverty reduction between 2000 and 2005. In the West, the gains were much smaller for Rajshahi and nonexistent for Barisal and Khulna. This pattern was substantially reversed over 2005-2010. Khulna, Rajshahi and Barisal divisions all registered impressive reduction in rural poverty that allowed them to catch up considerably with their Eastern divisions. In contrast reduction in rural poverty reduction was much more modest in Chittagong and Sylhet while it remained stagnant in Dhaka. These results are partly explained by immigration from the Western Divisions to the Eastern Divisions, especially to Dhaka, but also reflect gains from policy attention to agriculture and rural development as well as improved road transport linkages between the Western Divisions and the growth centers in Dhaka and Chittagong. However, the gap in urban poverty between Eastern and Western divisions remain large. Sustaining and improving the pace of poverty reduction and addressing the constraints faced by economically lagging regions and cushioning therefore remain enduring challenges.

In addition to the structural causes of poverty, recurring community-wide shocks have a significant accumulated impact. Some of these are seasonal, while others are more unpredictable, like the major floods and tropical cyclone that occurred in 2007. There is some evidence to suggest that severe and repeated community-wide shocks contribute to poverty traps in certain areas of the country. The coastal belt of Barisal is a case in point. It is no coincidence that Barisal has the highest incidence of both rural and urban poverty. The high incidence of natural disasters suffered by this Division calls for special efforts to design growth, employment and poverty strategies that seek to offset to the best possible way the adverse implications of these disasters. Economy wide, the rural and urban poor are also highly vulnerable to increases in food

prices. The steep rise in food prices, especially of rice prices during 2007 and 2008, while benefiting a relatively small group of (larger) farmers, has had an especially severe impact on the poorest households. The frequency and severity of such large shocks calls for safety nets programs to play a critical role. By (at least partly) mitigating the impact of the shocks, a well-functioning safety net system would ensure that the considerable gains Bangladesh has achieved through rapid economic and social transformation are not eroded.

### Income Distribution and Inequality

There is considerable concern in Bangladesh about the growing income inequality. Results show that the distribution of income is much more unequal than the distribution of consumption. Income inequality as measured by the gini coefficient for the distribution of income has risen substantially during the 1980s and the 1990s. More recent data shows a further increase in the income gini coefficient from 0.451 in 2000 to 0.458 in 2010 due to an increase in rural income inequality (Table 6.1). Thus, the rural income gini coefficient increased from 0.393 in 2000 to 0.431 in 2010. The urban income gini coefficient remained unchanged at 0.497 during 2000 and 2005 but declined to 0.452 in 2010.

**Table 6.1: Gini Index of Per Capita Income**

	2000	2005	2010
<b>National</b>	0.451	0.467	0.458
<b>Urban</b>	0.497	0.497	0.452
<b>Rural</b>	0.393	0.428	0.431

*Source: Bangladesh Bureau of Statistics Different HIES*

Some further evidence of what has been happening to income inequality can be gleaned from Table 6.2. The results suggest that from mid 1980s to the end of 1990s the annual average growth rates in the income share of the lowest 20 percent households were negative, whereas the corresponding growth rates for the top 20 percent household were positive (except during 1989-92). However, during 2000 and 2005 the annual average growth rate in the share of the lowest 20 percent households has been positive whereas that of the highest 20 percent has been close to zero.

**Table 6.2: Annual Average Growth Rate of Share in Income of Different Quintiles of Households**

	1984-86	1986-89	1989-92	1992-96	1996-00	2000-05
<b>Highest 20%</b>	1.23	0.97	-0.45	2.19	0.22	0.00
<b>Second 20%</b>	-1.31	-0.67	0.28	-1.76	-0.49	0.22
<b>Third 20%</b>	-1.28	-0.36	0.41	-1.57	-0.23	-0.13
<b>Fourth 20%</b>	-0.52	-0.31	0.42	-0.92	0.10	-0.11
<b>Lowest 20%</b>	0.96	-1.38	-0.26	-1.30	-0.18	0.19

*Source: World Development Indicators (2008)*

Measures of expenditure inequality, which is a more reliable measure of inequality in view of the weakness of income data in HIES, shows a similar picture of rising inequality in the 1990s. Expenditure inequality rose considerably during 1990s, particularly in urban areas. The HES data suggest that inequality in the distribution of private per capita expenditures, as measured by the gini coefficient, increased from 0.259 in 1991-92 to 0.306 in 2000 (Table 6.3).

**Table 6.3: Gini Index of Per Capita Expenditure**

	1991-92	1995-96	2000	2005	2010
<b>National</b>	0.26	0.31	0.31	0.33	0.32
<b>Urban</b>	0.31	0.37	0.37	0.36	0.34
<b>Rural</b>	0.25	0.27	0.27	0.28	0.28

*Source: Bangladesh Bureau of Statistics Different HIES*

Unlike in the 1990s, the expenditure inequality for the country showed no change between 2000 and 2005. The urban expenditure gini fell somewhat while the rural expenditure gini increased slightly, offsetting the impact on the national expenditure gini. Overall, since 1995-96, the changes in national and urban/rural expenditure ginis for are too small to be statistically significant, which indicates that changes in the distribution of expenditure (relative to the mean of the distribution) has remained stable for the last decade in Bangladesh.

Nevertheless, the growing income inequality is of major concern to the Government. The SFYP will seek to address the income inequality problem through a range of measures including creating better access to high productivity, high income jobs; improving farm productivity and incomes; sharpening the focus on equity aspects of public spending on education, health, family planning; nutrition and water supply; reducing the regional disparity of growth; and improving the access of the poor to means of production (fertilizer, seeds, water, electricity and rural roads); and by improving the access of the poor to institutional finance.

## **STRATEGY FOR POVERTY REDUCTION IN THE SFYP**

The review of past progress with poverty reduction has a number of important implications for poverty reduction strategy in the SFYP.

First, poverty still remains at a very high level and the number of people living below poverty line remains almost the same as it was in 1991-92 (about 56 million). The most startling consequence of widespread poverty is that a quarter of the country's population- 36 million

people– cannot afford an adequate diet, according to the 2005 estimates of food poverty or extreme poverty<sup>20</sup>. Chronically underfed and highly vulnerable, they remain largely without assets (other than their own labour power) to cushion lean-season hunger or the crushing blows of illness, flooding, and other calamities.

Second, faster poverty reduction during the 1990s was also accompanied by rising inequality measured by income as well as expenditure distribution, which is a major concern for policy makers. Rising inequality has the potential to dampen the pace of economic growth and poverty reduction outcomes while also contributing to social instability and must be addressed comprehensively.

Third, there are significant regional variations in poverty. Poverty is more pronounced in some areas and regions of the country which suffer from flooding, river erosion, mono cropping and similar disadvantages. Poverty is highest in the western region of the country (Rajshahi Division) followed by Khulna and Chittagong. This lagging regions problem is a serious social challenge.

Finally, while these static point-in-time poverty estimates are useful for a snapshot of the poverty situation, they are not much useful to explain the gross movement of households in and out of poverty. Empirical evidence suggests that the gross movements in and out of poverty are much larger than the net aggregate poverty outcomes indicated by static estimates.

In light of the above lessons of experience, the main elements of the poverty reduction strategy in the SFYP will consist of policies and programs to:

- promote growth by sustaining increases in labor productivity and job creation in manufacturing and services;
- increase farm income through better productivity;
- enhance the access of the poor to production inputs (fertilizer, seed, irrigation water, power, rural roads) and to institutional finance
- expand employment opportunities in lagging regions by improving connectivity with growth poles through better infrastructure and by investing in human capital;
- facilitate migration from poor areas given the poverty-reducing impact of remittances;
- Undertake entrepreneurship development scheme/strategy/mechanism for the Returnee Migrant;
- stimulate women's participation in the labor force;
- Promote overseas employment including women migration to the new destination and expand the existing overseas labour market;
- sustain Bangladesh's past successes in reducing fertility;
- improve poor households access to and quality of education, health and nutrition services;
- strengthen the coordination, targeting and coverage of social protection programs;

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<sup>20</sup> Bangladesh Bureau of Statistics 2006.

- enhance the access to micro finance;
- ensure stable food prices; and
- to mitigate the adverse consequences of climate change

Based on the projected acceleration of real economic activity, the shift in employment to more productive sectors of the economy, and implementation of related measures to enhance the human and physical capital of the poor a significant reduction in poverty is expected throughout the Plan period (Table 6.4). The reduction in the head count poverty rate is projected to range between 8-10 percentage points depending on the elasticity of poverty reduction with respect to GDP growth and assuming unchanged income distribution (as implied by the virtually unchanged Gini coefficient in recent years).

**Table 6.4: Head Count Poverty under Different Elasticity Assumptions**

<b>Income and Poverty</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
<b>Per Capita Income (Taka/Person)</b>	46732	52034	58212	65217	73292	82482
<b>Per Capita Income (\$/Person)</b>	674	726	785	848	920	1001
<b>Growth in PCY (%)</b>	9.6	11.3	11.9	12.0	12.4	12.5
<b>Per Capita Consumption (BDT/Person)</b>	39116	42852	47301	52463	58208	64569
<b>Growth in PCC (%)</b>	9.5	9.6	10.4	10.9	10.9	10.9
<b>Real PCY (Taka/Person)</b>	24283	25588	26992	28578	30420	32505
<b>Growth Rates in Real PCY (%)</b>	2.8	5.4	5.5	5.9	6.4	6.9
<b>Head Count Poverty (Poverty Elasticity = 0.76, between 2000 and 2010)</b>	31.5	30.1	28.8	27.4	25.9	24.5
<b>Head Count Poverty (Poverty Elasticity= 0.89, between 2005 and 2010)</b>	31.5	29.7	27.9	26.1	24.3	22.5

*Source: Sixth Plan Projections*

The reduction in poverty will essentially be driven by the growth in the per capita income which is projected to grow on average at more than 6% per year with the growth in per capita income steadily accelerating to 6.9% in the terminal year of the Plan. The poverty elasticity of growth method is used to project the head-count poverty rates for the plan years. However, there are different estimates of Bangladesh's poverty elasticity of growth. Using the long-term decline in poverty between 2000 and 2010, the value of the elasticity turns out to be 0.76. Based on this value, the head-count poverty rate in the terminal year of the Sixth Five Year Plan becomes 24.5 percent. However, using the more recent 2005-2010 poverty figures, the elasticity estimate becomes 0.89, which is significantly higher. Based on this higher elasticity value the head-count

poverty rate in the terminal year becomes 22.5 percent. The Sixth Plan aims to achieve this lower poverty rate target.

It might be useful to compare the estimates of poverty elasticities for Bangladesh with some Asian countries, as shown in Table 6.5. Barring unforeseen internal and external shocks, the projected elasticities of poverty reduction to growth in Bangladesh do not appear too optimistic.

**Table 6.5: Poverty Elasticities for Selected Developing Countries**

<b>Country</b>	<b>Elasticity</b>	<b>Country</b>	<b>Elasticity</b>
India	-0.9	Indonesia	-1.4
Taipei, China	-3.8	Malaysia	-2.1
Thailand	-2.0	Philippines	-0.7
Bangladesh	(-)0.8 to (-)0.9*		

*Source: P. Warr (2000), "Poverty Reduction and Economic Growth: The Asian Experience" in Asian Development Review, Vol. 18, No. 2, Asian Development Bank, 2000.*

*\* Derived from different estimates*

As highlighted in Chapter 1, high economic growth with sustainable productive employment and incomes for large number of people of Bangladesh is the major policy focus for rapid reduction in poverty in Bangladesh during the Sixth Plan. Chapter 2 provides a broad strategy for increasing growth, structural transformation of the economy and the creation of good jobs. It articulates the need for faster growth and job creation in manufacturing at all levels: large, medium and small. Many of the small enterprises are located in the rural areas. So a part of the growth strategy is to support productivity and employment opportunities in these small rural enterprises. Thus, a rapid expansion of productive non-farm activities, particularly in the rural areas, will accelerate the pace of labor absorption in relatively larger and wage-labor based enterprises. In view of the important contributions of the demand-driven non-tradable sectors, the future growth policies would simultaneously focus on accelerating the growth of both tradable and non-tradable sectors of the economy. This will require, along with exploring new sources of growth especially with linkages with the external markets and sustaining the growth of the present export-linked activities like readymade garments and remittances, prudent macroeconomic policies and adequate policies for sustained growth of agriculture to provide the required demand stimuli from both internal and external sources. The contribution of productivity growth to the overall growth of the economy is low. For higher growth, productivity improvements will be achieved through efforts to promote technological progress and enhance efficiency in resource use across all sectors of the economy.

To tackle the spatial dimension of poverty, emphasis will be put on eliminating the growth bottlenecks in the concerned regions in terms of targeted infrastructure programs (power, transport and irrigation). Furthermore, in view of the existing inequity in the distribution of

physical, human and other assets, policy efforts will focus on pursuing spatially targeted “asset building” programs to create wider access for the poor to growth opportunities in the lagging regions. In particular, emphasis will be placed on developing human capital including health, education, nutrition and social, political and other non-economic assets that will enhance the capabilities of the poor in the lagging regions.

For Bangladesh as a whole, the SFYP underscores the need for human resource development as a key element of the overall poverty reduction strategy. Basic education is critical to ensure that everyone can participate in and benefit from growth. Government policies and budgetary allocations will focus on human development, and spending on primary education, child care, and pre-natal care.

The availability of safe water and good sanitation is essential for improving living standards of the poor. There is a need for increasing investment in water and sanitation. The increased investment will seek to achieve the following objectives:

- increase the present coverage of safe drinking water in rural areas, ensure the installation of one sanitary latrine in each household in the rural areas;
- improve public health standard through inculcating the habit of proper use of sanitary latrines;
- make safe drinking water available to each household in the urban areas;
- ensure sanitary latrine within easy access of every urban household through technology options ranging from pit latrines to water borne sewerage;
- install public latrines in schools, bus stations and important public places and community latrines in densely populated poor communities;
- ensure supply of quality water through observance of accepted quality standards;
- remove arsenic from drinking water and supply of arsenic free water from alternate sources in arsenic affected areas;
- take measures in urban areas for removal of solid and liquid waste and their use in various purposes;
- bring about behavioural changes regarding use of water and sanitation in order to reduce incidence of water-borne diseases;
- build capacity in local governments and communities to deal more effectively with problems relating to water supply and sanitation;
- promote sustainable water and sanitation services, ensure proper storage, management and use of surface water and preventing its contamination, and take necessary measures for storage and use of rain water.

Climate change poses a significant threat to the goals of the fight against poverty in Bangladesh. Climate change and variability have already impacted on the life and livelihoods of the people in the coastal areas and in the arid and semi-arid regions of Bangladesh. Over

70 million people will be displaced in Bangladesh through climate-induced flooding, tropical cyclones and storm surges (UNDP Human Development Report 2007). Adaptation to climate change is a national priority. Bangladesh will negotiate, in different forums, with the countries that are responsible for climate change to reduce global environmental pollution and compensate Bangladesh to mitigate the impact of climate change. Also, the Government's policy for proper handling of disasters would be coordinated with the efforts taken at different stages in the disaster management cycle, like disaster management practice, disaster mitigation, emergency preparedness, emergency response, disaster management mechanism, early recovery and immediate rehabilitation, space technology and disaster management, space technology in disaster prediction, warning, flood monitoring, mapping and use of internet facilities for disaster monitoring, prediction and information dissemination.

## **PARTICIPATION, SOCIAL INCLUSION AND EMPOWERMENT**

There are heterogeneous groups of people in the society with different identities and vulnerabilities. These groups face different realities, obstacles, and opportunities and have different needs and priorities. There is a need to take such differences into consideration to remove obstacles, address needs and expand opportunities for the people. The excluded, disempowered, and vulnerable members of society, in many cases are women, children, ethnic people, people with disabilities and other disadvantaged groups. In accordance with the principles of Vision 2021, the SFYP would focus on establishing the overall rights of women, achieve gender equality and empower women, and include women in the mainstream of development activities.

### **Women's Advancement and Rights**

Women frequently experience poverty differently, have different poverty reduction priorities and are affected differently by development interventions. In addressing gender based discrimination, the SFYP will follow a two-pronged approach. Firstly, gender will be integrated into all sectoral interventions. Secondly, attention will be given to remove all policy and social biases against women with a view to ensuring gender equality as enshrined in the National Constitution.

**Vision and Goals:** The vision for women's advancement and rights is to create a society where men and women will have equal opportunities and will enjoy all fundamental rights on an equal basis. To achieve this vision, the mission is to ensure women's advancement and rights in activities of all sectors of the economy.

The Government adopted the 'National Policy for Women's Advancement' (NPWA) 2011 that aims at eliminating all forms of discrimination against women by empowering them to become equal partners of development. The overall development goal for women's empowerment covers: (i) promoting and protecting women's rights; (ii) eradicating the persistent burden of poverty on women; (iii) eliminating discrimination against women; (iv) enhancing women's

participation in mainstream economic activities; (v) creating opportunities for education and marketable skills training to enable them to participate and be competitive in all economic activities; (vi) incorporating women's needs and concerns in all sectoral plans and programs; (vii) promoting an enabling environment at the work-place: setting up day care centers for the children of working mothers, career women hostels, safe accommodation for working women; (viii) providing safe custody for women and children victims of trafficking and desertion, and creating an enabling environment for their integration in the mainstream of society;(ix) ensuring women's empowerment in the field of politics and decision making; (x) taking action to acknowledge women's contribution in social and economic spheres; (xi) ensuring women's social security against all vulnerability and risks in the state, society and family; (xii) eliminating all forms of violation and exploitation against women; (xiii) developing women's capacity through health and nutrition care; (xiv) facilitating women's participation in all national and international bodies; (xv) strengthening the existing institutional capacity for coordination and monitoring of women's advancement; (xvi) taking action through advocacy and campaigns to depict positive images of women; (xvii) taking special measures for skills development of women workers engaged in the export-oriented sectors; (xviii) incorporating gender equality concerns in all trade-related negotiations and activities; and (xix) ensuring gender sensitive growth with regional balance; and (xx) protecting women from the adverse effects of environmental degradation and climate change.

**Current Challenges:** Bangladesh has made measurable progress in women's advancement and rights in a number of areas including education, participation in labor force, health and nutrition, and participation in public services. In the area of women's advancement and rights, the government has made strong commitments and undertaken various initiatives to reduce the gap between men and women. However, on the path towards achieving the desired goals of gender equality and gender mainstreaming, some challenges remain. These include:

- The female-headed households usually earn less income since poor women have low earning capacity and their wages are lower than male wages.
- Women are more susceptible to becoming poor when they lose the male earning member of the family because of abandonment, divorce, or death.
- Women's economic participation is low although increasing.
- Violence against women is pervasive. Physical and sexual assaults, including acid throwing, are common. In addition, trafficking is also reported. Poverty, dowry, early marriage, superstition, social attitude etc. are the major causes of violence against women.
- Women face social pressure for early marriage leading to loss of education, employment opportunities, decision-making power, and leading to early childbirth. The rates of maternal and infant mortality are high among adolescent mothers.

- With higher incidence of droughts, floods, cyclones and other natural calamities due to looming threat of climate change, women are affected differently than men indicating the need to introduce gender sensitivity in coping mechanisms and strategies.
- The main problem with gender governance is the implementation of the existing laws, rules and regulations and stated policies. In addition, reforms of some laws, rules and regulations, policies and the institutional mechanism are needed to make governance gender sensitive.

### **SFYP Strategy to Address Gender Issues**

The main strategy and policy initiatives to improve the economic political and social inclusion and empowerment of women include:

- **Policy and legal framework:** Taking the constitution as the basis, the government's commitment to various international forums (CEDAW, Beijing Platform for Action etc.) would be taken into consideration in addressing women's advancement and rights issues
- **Productive employment:** To create more jobs, action would be taken to improve women's employment opportunities and wages outside the household and also ensure equal pay for equal work. An enabling environment would be created in the workplace by establishing day care centers. Provision would be made for life and disability insurance for workers, especially women workers. Steps would be taken to ensure secure jobs and decent working conditions for women in the formal and informal sectors.
- **Enabling environment:** Measures would be taken to develop advocacy for treating girl child and boy child equally and promote equal sharing of household and productive work. Necessary legal and administrative measures would be taken for ensuring a safe workplace, transportation facilities, and infrastructure like separate toilets, lunch rooms and lunchtime.
- **Eliminating female health and education disparities:** The Sixth Plan will continue past efforts to remove all disparities in health and education indicators. Related sectoral targets and programs will build this objective as a major plan focus.
- **Priority to women in social protection programs:** The existing programs for social protection for disadvantaged women would be continued. Gender sensitive measures would be taken to protect women from economic vulnerability and risk due to natural disasters. The effect of the emerging problems of climate change on women would be assessed for designing coping strategies and mitigation measures. Banks and micro-credit providers would be encouraged to extend small and micro-credit to the poor and the vulnerable.
- **Political empowerment and participation:** In this context, the main targets are to ensure participation of women in the National Parliament and the local political institutions, influence political decisions in favor of women, ensure direct election in the reserve seats in

the National Parliament and ensure women's representation in the local bodies with authority and responsibility. Initiatives would be taken to make women politically more conscious, encourage women to participate in politics and to build leadership among women at all levels.

- **Addressing violence against women (VAW):** The major targets for elimination of VAW are to ensure reporting of all VAW incidence, reduce reported VAW at least by half, consolidate the "One-Stop Crisis Centre" in medical college hospitals at divisional levels to provide medical treatment, legal and psycho-social counseling to women and children victims of violence, and providing shelter facilities and making efforts for their reintegration and rehabilitation in society. The police, the administration and the judiciary will be sensitized to apply CEDAW with provisions in cases of VAW and women's rights.
- **Gender mainstreaming:** Laws, rules and regulations, institutional mechanisms, policies, projects and programs which are not gender sensitive would be reformed. The intuitional mechanism for coordination and monitoring of gender equality issues would be strengthened.
- **Institutional strengthening:** The National Council for Women's Development (NCWD) would oversee women's advancement-related activities by providing guidance and policy support. The Women's Development Implementation and Evaluation Committee (MoWCA) will regularly review, evaluate and co-ordinate women's development activities and assist NCWD by reporting on progress of implementation. The Women in Development (WID) focal point mechanism would be strengthened to play an effective role in leading the coordination, monitoring the implementation of women's advancement and rights in policies, projects and programs.
- **Integrating gender issues in planning and budgetary processes:** For integration, capacity building of relevant government officials on gender responsive budgeting and planning will be undertaken. The poverty and gender impact assessment criteria and yardsticks will be adopted in line with the policy agenda.
- **Strengthening female participation in economic decision making:** Measures would be taken for ensuring participation of women producers, women trade unions and women entrepreneurs in trade negotiations and in various committees of the Ministry of Commerce, ensuring coherence between the dominant international economic agenda and the international legal obligations, making arrangements for market access to goods where women are 'behind the label', planning for market access to women in the secret services under Mode 4, encouraging FDI in women labor intensive industries, and ensuring women's voice in international forums.
- **Addressing ethnic dimension of women:** Special program for ethnic women including poor, destitute and elderly will be undertaken to address their needs. In order to increase productivity and diversification of activities, the ethnic women's capacity would be enhanced through health, education and services.

- **Promoting public image of women:** The media will be sensitized to promote positive images of women. In order to make the media more gender friendly, effort will be taken to establish increased linkages between women's groups and the broadcasting agencies.
- **Disability and gender issues:** Women with disabilities will be given preference under the safety net measures.

### **Children's Advancement and Rights**

Bangladesh has made significant progress in the area of child rights' promotion, survival, and development. Nevertheless, the general situation of the children in Bangladesh needs to improve further since the survival and development of many Bangladeshi children is still threatened by malnutrition, disease, poverty, illiteracy, abuse, exploitation, and natural disaster.

**The Vision:** The vision regarding children's advancement and rights is to create 'a world fit for children'. The goals to be achieved are: (i) ensuring children's rights and advancement through the implementation of government policies and legislations; (ii) providing health services the children need; (iii) ensuring access to food and nutrition they need; (iv) providing access to girls to education, training and development opportunities; (v) ensuring access to urban poor children to early childhood development, education, sports and cultural activities providing knowledge and life skill; (vi) protecting children from all forms of abuse, exploitation and violence; (vii) providing access to children particularly in urban and remote settings to clean water and sanitation, and a healthy environment; (viii) ensuring participation of children in defining their needs, developing programs, implementing interventions, and evaluating their success; (ix) ensuring support of duty bearer, parents and other care givers on whom children have to depend; and (x) ensuring widespread public support for survival and development of children.

### **Proposed Actions in the Sixth Plan**

Intervention and actions for achieving the strategic objectives are indicated below:

- **Child health:** The program areas include eradication of polio, elimination of measles and neonatal tetanus, improvement of nutrition and strengthening the school health program. The actions will include maximizing the efficiency and cost-effectiveness of health expenditure and improving governance. The specific activities will include sensitizing primary and secondary students about critical child health and reproductive health issues, healthy practices and worm infestation, and supplying iron and folic acid tablets for schoolgirls. Activities will be undertaken to develop an adolescent health strategy including counseling, building awareness for adolescents on hygienic practices, nutrition, puberty, RTI/STD and HIV/AIDS.
- **Food and nutrition:** To control vitamin A deficiency and contain the prevalence of night blindness, vitamin A supplements will be distributed to children with vitamin A deficiency,

measles, persistent diarrhea or severe malnutrition and to postpartum women within 6 weeks of delivery. Ongoing efforts to control iodine deficiency disorders through universal salt iodization will continue. To address the causes of anemia, strategies will be used to control anemia, including iron-folate supplementation, anathematic treatment, fortification, and BCC to increase the consumption of iron-rich foods and promoters of iron absorption. A strategy will be developed to address the health care needs of children with physical and mental disabilities.

- **Child education:** The intervention for early childhood development will include an awareness raising program for parents to make them aware of early childhood development's benefits, promote community-based childcare centers for clusters of families where literate mothers are trained to become caregivers and design facilities for early learners. Efforts will be made to increase enrolment rate and decrease dropout rate, train primary teachers, increase the attendance rate, increase contact hours, and maintain gender parity in access and achievement. Non-formal education (NFE) will be provided to diverse types of children deprived of education, like un-enrolled or drop-out children and hard to reach children to enhance their employability and productivity through skill training.
- **Access to water and sanitation:** The specific objectives are to: mitigate arsenic problem in drinking water by providing alternative systems, increase rural and urban slum access to sanitary latrines, expand water and sanitation services to cover currently underserved Pourashava areas, provide improved water supply to underserved, un-served and difficult to reach areas by 2011. The primary schools will be ensured access to sanitation and safe drinking water. Environmental hazards for children (sound, air, water pollution, etc) would be reduced and standards for sound, air and water pollution would be implemented.
- **Child empowerment:** Children would be empowered to have a voice in the socio- economic decision-making process in the family, society and national levels. In this respect, it would be necessary to create a national platform for allowing children to express opinions on their needs and expectations and means of addressing them.
- **Child protection:** All children, particularly those who are vulnerable, would be ensured right to protection from abuse, exploitation and violence. The policies of existing NPA would be used against sexual abuse and exploitation of children and trafficking. Laws affecting children will be harmonized and enforced. Awareness amongst law enforcing officials and judicial officers and the development of a diversion scheme involving the courts, social workers and probation officers as an alternative to custodial sentences will be undertaken.
- **Birth registration:** The Municipal Corporations and Pourashavas will be mobilized to register all births. Awareness raising programs through union Parishad members, and leaders of social opinion including Imams will be conducted to eliminate the practice of early marriage. A widespread social awareness campaign and community mobilization on

protection issues will be undertaken to foster positive attitudes towards children, particularly girls, and bolster the positive attitude of parents and decision-makers on the need to protect children regardless of the socio-economic environment.

- **Child labor:** The Government of Bangladesh considers the elimination of child labour as one of its most important priorities for the prosperity of the country and the improvement of living standards of its people. Effective measures should be taken to eliminate child labor, especially its worst and hazardous forms, through the formulation and implementation of the National Plan of Action for Implementation the National Child Labour Elimination Policy, 2010. Based on the priority areas set in the National Child Labour Elimination Policy 2010, the Ministry of Labour and Employment (MoLE) will take the coordinating and leading roles in the National Plan of Action formulation process. The plan should determine specific strategic measures, indicators, timeframe, and monitoring mechanism, and it will be implemented through concerted efforts, sectoral programs and project, and resources of concerned ministries and institutions, employers' and workers' organization, media, and UN and international agencies and civil society. The National Child Labour Welfare Council will be established at national level to oversee and monitor the child labour situation and to mobilize financial resources for implementing the plan.
- **Child abuse:** To recover and remove children from abusive and exploitative circumstances, the interventions will include developing community support for these children; providing livelihood alternatives, basic services and adoption, and implementing policies and legislation necessary for the prevention of abuse, discrimination, exploitation and violence. Steps will be taken to increase efficiency to combat sexual abuse, exploitation and trafficking of children through enhanced coordination and cooperation.
- **Management and coordination:** The Ministry of Women and Children Affairs will conduct public advocacy and coordinate interventions for children's well-being and rights. An inter-ministerial coordination committee consisting of government ministries with children's portfolios and organizations representing children's mandate will be chaired by the Secretary of the Ministry of Women and Children Affairs and will coordinate the implementation of CRC, CEDAW, and the World Fit for Children Plan of Action.

### **Ethnic Communities**

Bangladesh has around forty-five different small ethnic communities comprising of 2 million people. Some of the 'hardcore poor' of Bangladesh are found among these communities.

**The Vision:** For the ethnic people, the vision is to ensure their social, political and economic rights; ensure security and fundamental human rights; and preserve their social and cultural identity. They will be ensured access to education, health care, food and nutrition, employment and protection of rights to land and other resources.

The crucial provisions of the CHT accord of 1997 have mostly been implemented. A separate Ministry of CHT Affairs has been created, a Land Commission Act passed by the Parliament, withdrawal of army camps has been started and the Land Commission constituted to resolve land disputes in the three hill districts. The District and Sessions Courts have started functioning in the three districts of CHT. The government programs have also incorporated the needs and concerns of the CHT inhabitants. The unimplemented provisions of the peace accord would be considered for implementation by the government. The Land Commission will be reconstituted and land survey carried out.

**Areas of Future Action:** The challenges with respect to addressing social and economic conditions of ethnic communities cover: (i) living in remote areas and far away from each other making it difficult to reach, mobilize and organize them, (ii) partial operationalization of the 'Land Disputes Resolution Commission' to prevent land grabbing and displacement of ethnic people, (iii) lack of specific objectives concerning needs and concerns of ethnic people in mainstream policies of respective ministries/divisions, (iv) absence of an alphabet and dearth of students hindering development of curriculum in languages of ethnic communities at schools, (v) low food production resulting in food insecurity, (vi) inadequate institutional mechanism to establish linkage and coordination with NGOs and the private sector to address issues related to ethnic people in a comprehensive manner, (vii) lack of comprehensive understanding of the problems of the ethnic communities, and (viii) absence of detailed information on population with ethnic disaggregation.

Major areas of interventions would include:

- **UN Declaration:** The Government would consider implementing the UN Declaration on the Rights of Indigenous Peoples 2007 and ratify the ILO Convention 1969.
- **Rights on land:** An appropriate land policy will be formulated which can deal with land disputes involving ethnic peoples. A secure land tenure system will be introduced in Chittagong Hill Tract. Representatives of the ethnic people will be included in undertaking development projects in their areas.
- **Empowering ethnic communities:** The government will ensure participation of local governments in the management of natural resources and will recognize the traditional knowledge of ethnic peoples. The government will ensure community involvement in the adoption of technologies without competing with their traditional food production system.
- **Human development programs:** Existing human development programs will address the special needs of ethnic people. Monitoring and supervision will be strengthened so that education, health and maternal child health services, and nutrition and housing facilities reach them.

- **Language and access to education:** A national language policy will be formulated to safeguard the languages of ethnic peoples. An action plan on mainstreaming the education of their children will be implemented.
- **Electrification and telecommunication:** The national power grid and distribution system for electricity supply in different Upazilas of hill districts will be expanded. The government will consider the feasibility of raising electricity generation capacity of the Kaptai Hydroelectric Power Station and setting up a grid substation in the hill districts to meet the demand for electricity
- **Preferential access to social protection programs:** Social protection assistance will be provided in hill districts to strengthen their capacities to cope with any sudden decrease of their income due to damage to Jhum crops caused by floods and droughts.
- **Rural development and non-farm economic activities:** In the hill districts, income generating activities through small and cottage industries, trading, and poultry and livestock rearing will be expanded. The income of poor people will be enhanced through social forestry in hilly areas and cultivation of fruits and medicinal plants. Measures will be taken to support EPB's 'one district one product' initiative under which 'Textiles for Rangamati', 'Pineapples for Khagrachari' and 'Rubber for Bandarban' have been finalized.
- **Expansion of micro credit:** Micro credit activities for the poor people will be expanded and vocational training will be provided to the poor. The development of rural roads, hats, and bazaars for marketing of agricultural products will continue. Action will be taken to eliminate barriers so that agriculture and local products have easy access to national and international markets.
- **Development of tourism:** Private investment will be encouraged to develop sustainable tourist facilities in Rangamati, Bandarban, Khagrachari, Cox's Bazar, Sylhet and Kuakata (Patuakhali)

### **Persons with Disabilities**

The Government envisions promoting and protecting rights of persons with disabilities and facilitate their full participation and inclusion in mainstream social, political and cultural lives. They will be enabled to lead productive and meaningful lives through access to education, health care, food and nutrition, employment and protection, and security in society. The Government is strongly committed to the advancement and rights of persons with disabilities by virtue of the Constitution which enshrines equal rights and status for every citizen and by signing the UN Convention on Rights of Persons with Disabilities and the Beijing Proclamation on the Full Participation and Equality with Disability in Asia and the Pacific Region.

A National Disability Action Plan has been formulated involving all related ministries. The Ministry of Social Welfare has taken up programs for enabling and integrating persons with disabilities with mainstream of society through various programs including stipend programs for students, subsistence allowance, skill training, and interest free micro credit. In addition to its own initiatives, the government provides funds to NGOs to provide education facilities to persons with mental disability.

Despite some progress, access to special education, training and rehabilitation, equal opportunities, creation of employment and income generating opportunities, social security, accessibility to physical facilities, fixation of quota, and prevention of disabilities are not yet fully ensured since different ministries are not legally responsible for addressing disability issues in their action plans. Proper supervision and monitoring of NGO activities is essential.

**Proposed actions:** Along with expansion of integrated education program for visually impaired children, existing institutions for hearing impaired and mentally retarded children will be expanded. New institutions will be established to provide access to more children with disabilities at primary, secondary and tertiary levels. A collaborative effort among the government, NGOs and the private sector will be encouraged to expedite the expansion of the existing institutions, establish new institutions, and undertake teachers' training and action researches on disability.

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Action will be taken in the health sector to (i) strengthen early detection of symptoms of disability and provide primary medical rehabilitation; (ii) undertake a nutrition program for pregnant women; (iii) appoint trainee doctors, nurses and other caregivers to deal with disability issues; and (iv) introduce support services of assistive devices and equipment at the health centers.

Measures will be taken so that persons with disabilities can have access to all physical facilities and information and communication. Inclusion of persons with disabilities in various national and community level decision making processes that affect their lives would be ensured. Services like early detection and timely medical intervention, fitment of artificial aids and appliances, educational services in special and integrated schools, vocational rehabilitation and micro credit will be provided to persons with disabilities through community based rehabilitation (CBR) program in the rural areas.

The requirements of the poor and vulnerable, including women and children, will be prioritized in all activities implemented under the action plan. The Climate Change Action Plan comprises immediate, short, medium and long-term programs.

The serious consequences of climate change, including especially the consequences for Bangladesh, lead naturally to the question of what should be our response. Two types of response need to be considered. The first relates to adaptation, i.e., measures that have to be taken given the very high likelihood that climate change will occur and will have adverse effects. The second relates to mitigation, i.e. steps to be taken that might reduce the extent of climate change.

The Bangladesh Disability Welfare Act would be amended to clarify definitions of disability and make it consistent with standards set out internationally on disability rights. The National Coordination Committee for persons with disabilities would be strengthened to monitor and coordinate activities of different ministries/divisions.

### **Disadvantaged and Extreme Poor Groups**

There are some disadvantaged and stigmatized groups (such as dhopa, muchhi, napit, and other traditional low caste people) who are subject to social injustice and are marginalized, and have little opportunities for overcoming their harsh realities. The vision for these disadvantaged and extreme poor groups is to include them into the mainstream of society by ensuring their

participation in socioeconomic activities and to promote and protect their human rights, reduce their persistent poverty, and ensure education and skill training for income generating activities.

Several actions are already in progress for the development of the disadvantaged groups. Among the coastal fishing communities various activities such as savings/credit schemes, promotion of alternative income generating schemes for men and women, improving access to social services and building their capacity to face and survive natural disasters have been introduced. Development activities for the sweeper community have been undertaken by NGOs. The owners of tea gardens have entered into agreement with the trade union of tea garden workers to enhance their wages and provide subsidized food. Similarly, communities like kaibarta/namasudra, jalo (fishermen), dhopas, napits and other groups face decaying occupations. The Ministry of Social Welfare has implemented capacity and livelihood development program for socially disadvantaged women with a view to creating employment/self-employment of sex-workers and their children in selected cities.

**Proposed actions:** The cooperation and involvement of local bodies i.e. Upazila and Union Parishads and NGOs will help to locate/ identify the disadvantaged people to enable them to participate in development activities. Government functionaries at upazila, district, and divisional/national level will coordinate their activities. The Ministry of Land would give priority to allotting khas land to people of the disadvantaged communities for settlement under the Asrayan project. For the tea garden workers, planters/owners would be encouraged to earmark land within the estates so that they can build their own dwelling.

## **SOCIAL PROTECTION PROGRAMS FOR THE POOR AND VULNERABLE**

### **The Importance of Social Protection**

The diverse underlying causes of poverty in Bangladesh include vulnerability, social exclusion, and lack of assets and productive employment; although the main symptom is often hunger. The extreme vulnerable poor can potentially lift themselves out of poverty with appropriate short to

medium-term support. The extreme dependent poor, who are old, disabled or chronically sick, will depend on long-term social protection to survive. The children of the extreme poor, who are stunted or malnourished, are vulnerable to harassment, and have limited, or no access to education. A sharp rise in inequality would not only undermine the impact of growth, but may also threaten social cohesion and breed instability and discontent. Both poor and non-poor families are vulnerable to shocks (e.g. natural disasters, health problems) that can return them quickly into extreme poverty.

There are four major concerns that the current rate of progress in reducing extreme poverty may not be maintained: (1) slowdown in the global economy together with domestic factors; (2) growing population density is likely to force more of the poorest people to live in the most

vulnerable areas; (3) climate change will exacerbate the vulnerability of poor people to environmental shocks, with the predicted increase in extreme climate events; and (4) demographic and social changes may further increase vulnerability and social exclusion.

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

Effective policy initiative based on a holistic approach to social protection will require a sharper profiling of risks, old and new. These include disasters, anticipated risks such as *monga* and seasonal poverty, public health risks associated with the urbanization process, social ills such as dowry, erosion of family-based safety nets and emergence of new vulnerable groups such as the elderly and the disabled, and, the uneven globalization process which may give rise to new categories of poor whether in terms of worker displacement, livelihood losses or victims of environmental disasters. An important corollary of moving towards a comprehensive approach to social protection programs is the need to streamline the institutional strategy for implementation. The potential of local government bodies, particularly the Union Parishad, to coordinate a streamlined institutional strategy needs to be actively explored.

### **The Government's Social Protection Programs**

The Social Protection Programs address basic needs of the poor and vulnerable people, namely food, shelter, education and health. Among the primary government programs are: Food for Works (FFW), Vulnerable Group Development (VGD), Vulnerable Group Feeding (VGF), Open Market Sales (OMS), Cash for Work (CFW), Gratuitous Relief (GR), 100 days employment guarantee scheme, old-age allowances, and allowances for retarded people, allowances for widow and distressed women, and grants for orphanages. There are also micro-credit programs, allowances for freedom fighters, programs for the physically challenged, and so on. Distressed people particularly women, children and disabled persons have been given priority. Programs are implemented through both non-development budget and development budget.

The Government views poverty from two broad perspectives – income poverty and human poverty. It identifies direct and indirect social protection programs to address these two types of

poverty, where the direct measures (income/ employment generating programs) are considered as those that are targeted towards the poor, and indirect measures (human development program) are growth oriented and hence expected to leave indirect effects on poverty reduction. Examples of indirect or growth oriented measures cover mostly infrastructural development and rehabilitation programmes. However there are also safety net programs that merge the two concepts of direct and indirect measures. For example, a direct measure like Food for Work program that is targeted towards the poor is also used to construct infrastructural services, falling in the category of indirect measure. Table 6.6 presents the names and examples of major types of social protection programs in Bangladesh.

**Table 6.6: The Main Types of Social Protection Programs in Bangladesh**

Type	Program Examples
Cash transfers	Old Age Allowance Widowed and Distressed Women Allowance Disabled Allowance
Conditional cash transfers	Primary Education Stipend Program (PESP) Stipends for Female Secondary Students
Public works or training based cash or in kind transfer	Rural Maintenance Program; Food-for-Work Vulnerable Group Development (VGD) Employment Generation Programme (EGP)
Emergency or Seasonal Relief	Vulnerable Group Feeding (VGF) Gratuitous Relief (GR); Test Relief (TR) Open Market Sale (OMS)

*Source: Ministry of Finance*

Apart from their poverty focus, a part of the social protection programs is aimed at addressing the special needs of target groups within the poor and underprivileged group: physically challenged children, disabled persons, socially excluded population in tribal areas. Another part is transitory in nature that comes into play during natural disasters.

For all programs the institutional arrangements are as important as their financing. Evidence suggests that the scope for improving the design of programs, their targeting and associated institutions is substantial. With limited resources, the emphasis on these aspects will be critical.

In addition to these programs, other social protection programs managed by various ministries are the following:

- Programs under Livestock Sector to alleviate poverty
- Grihayan Fund (Fund for Housing the Homeless)
- *Ghore Fera* (Rehabilitation of Slum Dwellers)
- *Ekti Bari Ekti Khamar*
- Rehabilitation and Creation of Alternative Employment for People Engaged in Begging
- Program for Generating Employment for the Unemployed Youth by the Karmashanghstan Bank

- *Asrayan* Project (Poverty Alleviation through Rehabilitation and Income Generation)
- National Service (Skill Development for Employment of Unemployed Youths)
- Fund for Mitigating Risks due to Natural Disasters
- Program for Mitigating Economic Shocks
- Programs for Reducing Poverty and Generating Employment under the Ministry of Women and Children Affairs

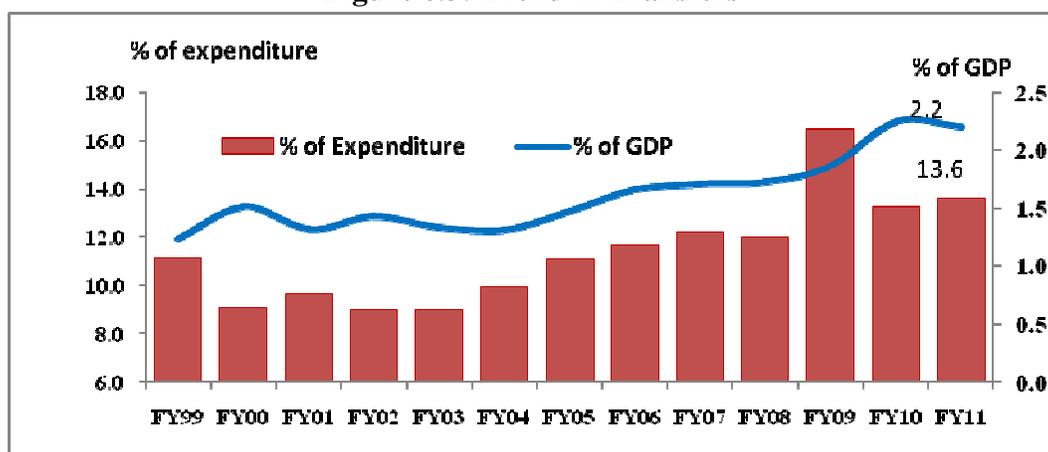
A range of specialized institutions manage the various social protection programs:

- Information and Communications Technology (ICT) for Poverty Alleviation
- Rural Infrastructure Development Program
- Palli Daridrya Bimochan Foundation (PDBF)
- Bangladesh Academy for Rural Development (BARD)
- Comilla Rural Development Academy (Bogra)
- Department of Social Services
- Palli Karma-Sahayak Foundation (PKSF)
- Ministry of Food and Disaster Management

### Public Spending for Social Protection

Expenditure on social protection programs is increasing over time. Fig 6.3 shows the trends in transfers as percentage of total expenditure and as percentage of GDP.

**Figure 6.3: Trend in Transfers**



Source: Ministry of Finance

Monthly allowances along with allocation in the programs also increased. Table 6.7 shows the trends in old age allowance program.

**Table 6.7: Trends in Old Age Allowance Program**

<b>Fiscal Year</b>	<b>Fund (million BDT)</b>	<b>Monthly Allocation per person (BDT)</b>	<b>No. of Beneficiaries (in millions)</b>
1997-1998	125	100	0.4
1998-1999	485	100	0.4
1999-2000	500	100	0.4
2000-2001	500	100	0.4
2001-2002	500	100	0.4
2002-2003	750	125	0.5
2003-2004	1800	150	1.0
2004-2005	2604	165	1.3
2005-2006	3240	180	1.5
2006-2007	3840	200	1.6
2007-2008	4485	220	1.7
2008-2009	6000	250	2.0
2009-2010	8100	300	2.2

*Source: Ministry of Social Welfare*

The key challenges of implementing SSNPs are coverage issues, targeting beneficiaries, leakages, and disparity in regional distribution. These are discussed below.

While coverage is relatively low, a significant number of households gain access to multiple programs. Data from a study of transfer programs shows that about a quarter of households were receiving transfers from more than one safety net program. Analysis of the HIES also showed that over 11% of households were participating in at least two of the three programs – VGD, FFE and FFW. Coverage in urban areas remains low.

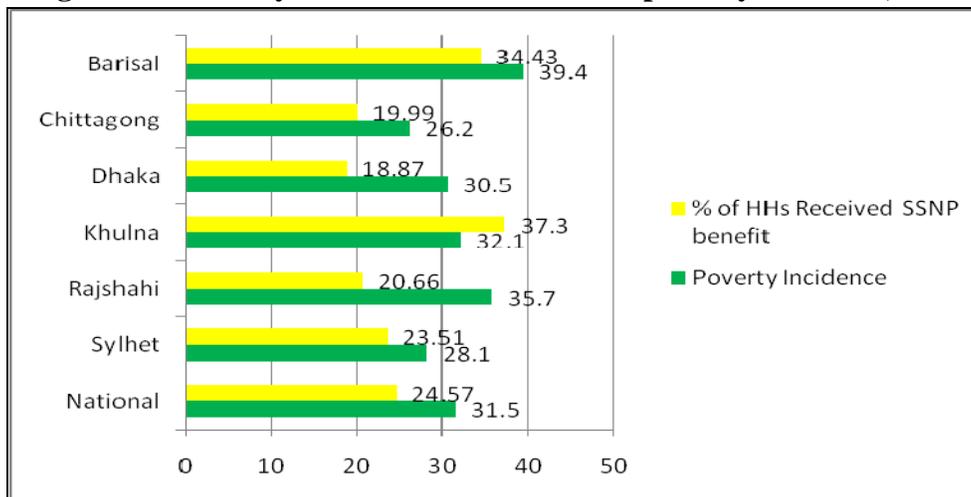
Data indicate that 27% of VGD beneficiaries are not poor. 11% of participants of the PESP meet none of the eligibility criteria for program participation while almost none of the beneficiaries meet at least three criteria. Almost 47% of beneficiaries of the PESP are non-poor and incorrectly included in the program. All households within less-poor Upazila are denied assistance, including those with very high food insecurity.

Leakages in the FFW program have been estimated to be 26%. Leakage in the female stipend programs is in the 10-12% range. A PERC report (2003) shows that about 20-40% of the budgetary allocations for the female secondary stipend program does not reach the beneficiaries. Leakages from programs show a strong correlation with the number of intermediaries in the transfer process.

HIES 2005 showed that there was regional disparity in distribution of households receiving social protection benefits. Barisal and Rajshahi divisions, with the highest incidence of poverty, did not have the correspondingly higher number of social protection beneficiaries. In contrast, Sylhet Division, with the second lowest poverty incidence had the highest proportion of social protection recipients. However, the 2010 HIES data suggest that this anomaly was corrected. Khulna, Barisal and Rajshahi divisions have experienced considerable rise in the coverage of

SSNP (Figure 6.4). This partly explains the larger reduction in poverty in these three divisions in 2010.

**Figure 6.4: Poverty Incidence and SSNP Recipient by Divisions, 2010**



*Source: HIES 2010, Rajshahi Division includes Rangpur Division*

### **Social Protection Strategy in the SFYP**

The main challenges of implementing social protection programs are coverage issues, targeting beneficiaries, leakages, and disparity in regional distribution. The SFYP will address these problems with the aim of using resources effectively for poverty eradication. Given the large demand for social protection support and the present low coverage, public expenditures on social protection programs will be increased from 2 percent of GDP in 2009 to 3 percent by the end of the SFYP. At the same time, efforts will be made to make the existing and new programs much better focused on reaching the intended beneficiaries and serving the needs of long term poverty reduction strategy.

Over the years, social protection programs in Bangladesh have been substantially expanded. While the Government will continue to give priority to core social protection programs, efforts will also be made to find ways to move to contributory social protection programs as in advanced countries. This is important to ensure the sustainability of an expanding social protection program. Also, the possibility of introducing a National Pension Plan will be explored. These schemes and possible options will draw on good international practices.

A coherent and integrated national social protection strategy based on a comprehensive mapping of existing and emerging vulnerabilities will be developed. This strategy will also draw on good international practices. The strategy will decide the variety of social assistance and the social insurance programs to be undertaken during the plan period. The coverage of existing programs which have proven track records will be expanded. The labor laws of the country that already have provisions for several types of social insurance related to employment will be reviewed,

further strengthened as needed, and implemented. A rigorous evaluation of current programs will be done to identify weaknesses and improve their effectiveness. Programs which address emerging vulnerabilities such as urban poverty, livelihood loss due to economic integration and policy reforms, and disadvantaged groups not covered by existing programs will be developed. At the same time, holistic strategy will be developed to provide long-term solutions to entrenched problems such as seasonal poverty in northern districts and other affected areas. Targeted programs in health and nutrition aimed at reducing maternal mortality and improving child nutrition will be given priority. An example of this is the setting up of a viable school meal program. The strategy will also facilitate the growth of insurance programs targeted to the poor and vulnerable groups as viable alternatives for their social protection needs. In addressing all of the above, gender concerns will be accommodated as a matter of priority.

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

# CHAPTER 7: MANAGING REGIONAL DISPARITIES FOR SHARED GROWTH AND SUSTAINED POVERTY REDUCTION

## **Introduction**

Bangladesh has traditionally been viewed as a country with a common language, culture and heritage and a land which is mostly a deltaic plain formed at the mouth of the mighty rivers, namely the Ganges (Padma), the Brahmaputra (Jamuna) and the Meghna. This simplistic narrative of the country, viewed as a single homogeneous entity, actually has masked remarkable heterogeneity in socioeconomic outcomes in different regions.

Regional disparity in the course of economic development is a common observation in all the countries throughout the world, developing as well as developed. This is to a large extent unavoidable due to differences in initial conditions including location, human development and infrastructure. Some regions grow faster as compared to others, for a number of reasons, including but not limited to, better communication facilities, access to energy and natural resources, higher concentration of entrepreneurs and skilled labor force, etc.

The Government is very much concerned about regional disparities and is committed to take all necessary steps to reduce disparities. The Sixth Five Year Plan provides a strong platform to develop a strategy for lowering regional disparities over the longer term and to provide a policy framework for initiating proper actions. As a reflection of its concern and strong commitment, the Government has decided to put special focus on this subject in the Sixth Plan.

## **ASPECTS OF REGIONAL DISPARITY**

### **Income, Growth and Poverty Indicators**

#### **Incidence of Poverty**

As noted earlier, Bangladesh has made impressive gains in terms of poverty reduction over the last two decades. But the commendable performance in terms of poverty reduction at the national level has not been equally shared among its different components at the sub-national level. Table 7.1 shows that large differences exist between the rural and urban areas. This is also evident that the pace of poverty reduction differed among different divisions. For instance, between 2005 and 2000, the poverty head count rates fell less rapidly for the divisions of Barisal, Khulna and Rajshahi, and in some categories, these rates even increased. This is in sharp contrast to the cases of three other divisions, namely, Dhaka, Chittagong and Sylhet, which have experienced faster poverty reduction.

Head-count poverty measure of the recently conducted HIES 2010 data suggests reversal of poverty reduction trend found between 2005 and 2000. More specifically, between 2005 and 2010, head-count poverty declined more rapidly for the divisions of Barisal, Khulna and Rajshahi (i.e. more than 12 percentage points over the five year period). In contrast, the rate of poverty reduction is only 1.5 percentage points for the Dhaka division. The trend in poverty reduction rates between 2005 and 2010 suggests that regional disparity observed in previous household surveys with respect to head count poverty has narrowed significantly. A number of important factors contributed to this reversal:

- Public policy emphasis and support for agriculture.
- Easier communication between the North-West region to the rest of Bangladesh due to more efficient operation of the Jamuna Bridge.
- Private sector investment as well as activities geared up in the North-West region taking advantage of the easier communication.
- Increased coverage of the public sector infrastructure and safety net programs for the Southern region.
- Migration of poor people from less economically active regions (i.e. Barisal and Khulna) of the country to Dhaka city.

**Table 7.1: Incidence of Poverty (head count rate) by Divisions, 1995-96 to 2010**

	2010			2005			2000			1995-96		
	National	Rural	Urban									
<i>Upper Poverty Line</i>												
<b>National</b>	<b>31.5</b>	<b>35.2</b>	<b>21.3</b>	<b>40.0</b>	<b>43.8</b>	<b>28.4</b>	<b>48.9</b>	<b>52.3</b>	<b>35.2</b>	<b>53.1</b>	<b>56.7</b>	<b>35.0</b>
Barisal	39.4	39.2	39.9	52.0	54.1	40.4	53.1	55.1	32.0	59.9	60.6	47.7
Chittagong	26.2	31.0	11.8	34.0	36.0	27.8	45.7	46.3	44.2	44.9	47.2	29.2
Dhaka	30.5	38.8	18.0	32.0	39.0	20.2	46.7	55.9	28.2	52.0	58.9	33.6
Khulna	32.1	31.0	35.8	45.7	46.5	43.2	45.1	46.4	38.5	51.7	51.5	53.3
Rajshahi	29.7	29.0	32.6	51.2	52.3	45.2	56.7	58.5	44.5	62.2	65.7	33.9
Rangpur	42.3	44.5	27.9	-	-	-	-	-	-	-	-	-
Sylhet	28.1	30.5	15.0	33.8	36.1	18.6	42.4	41.9	49.6	--	--	--
<i>Lower Poverty Line (Extreme Poverty)</i>												
<b>National</b>	<b>17.6</b>	<b>21.1</b>	<b>7.7</b>	<b>25.1</b>	<b>28.6</b>	<b>14.6</b>	<b>34.3</b>	<b>37.9</b>	<b>20.0</b>	<b>35.6</b>	<b>39.8</b>	<b>14.3</b>
Barisal	26.7	27.3	24.2	35.6	37.2	26.4	34.7	35.9	21.7	43.9	44.8	28.9
Chittagong	13.1	16.2	4.0	16.1	18.7	8.1	27.5	30.1	17.1	32.4	35.3	12.1
Dhaka	15.6	23.5	3.8	19.9	26.1	9.6	34.5	43.6	15.8	33.0	41.5	10.8
Khulna	15.4	15.2	16.4	31.6	32.7	27.8	32.3	34.0	23.0	32.2	33.2	25.8
Rajshahi	16.0	16.4	14.4	34.5	35.6	28.4	42.7	43.9	34.5	41.6	44.4	19.2
Rangpur	27.7	29.4	17.2	-	-	-	-	-	-	-	-	-
Sylhet	20.7	23.5	5.5	20.8	22.3	11.0	26.7	26.1	35.2	--	--	--

Source: HIES Reports, Various Years, Bangladesh Bureau of Statistics.

In terms of number and density of poor population, Dhaka division has the highest density of poor population – 477 poor persons per square kilometer (Table 7.2) surpassing Rajshahi division which had the highest density of poor population in 2005 (i.e. 495 poor persons per

square kilometer. Dhaka division has the highest figure for density of poor population, but at the same time it has the highest density of population per square kilometer, thus it has a higher number of poor people not because of higher level of poverty incidence, but because of large concentration of people, since it includes the geographical boundary of Dhaka city and its neighboring areas. Sylhet division has the lowest concentration of poor persons per square kilometer. Thus according to HIES 2010, Dhaka division is the most poverty-concentrated region in the country, followed by Rajshahi (including Rangpur), Barisal and Khulna divisions.

**Table 7.2: Number and Density of Poor Population by Division, 2010**

Division	Area		Population		Poverty Incidence	Poor Population		Population Density (per sq. km)	
	Sq.Km	Percent	Million	Percent	Percent	Million	Percent	Poor	All
Barisal	13,297	9.01	9.34	6.29	39.4	3.68	7.86	276	703
Chittagong	33,771	22.88	28.29	19.05	26.2	7.41	15.84	219	838
Dhaka	31,120	21.09	48.64	32.76	30.5	14.85	31.73	477	1563
Khulna	22,273	15.09	17.68	11.91	32.1	5.67	12.12	255	794
Rajshahi*	34,514	23.39	35.35	23.81	35.7	12.60	26.94	365	1024
Sylhet	12,596	8.54	9.18	6.19	28.1	2.58	5.52	205	729
Bangladesh	147,571	100	148.48	100.00	31.5	46.79	100.00	317	1006

Source: HIES 2010. \*including Rangpur Division

### Regional Disparities in Human Development

The regional disparities in human development are less of a problem as compared with poverty. The results are seen in terms of education and health outcomes. The better-than expected achievements of the poorer divisions in terms of human development indicators is partly explained by the active role and presence of the NGOs in the relatively disadvantaged districts/Upazilas of the lagging regions.

**Education achievements:** Barisal, Khulna and Rajshahi divisions outperform the richer Dhaka, Chittagong and Sylhet divisions on most indicators of education achievements (Table 7.4). Indeed, Sylhet shows the worst performance in terms of education achievements.

**Table 7.3: Key Education Outcomes, 2009**

Division	Net Intake Rate in Primary Education	Net Primary School Attendance Rate	Net Secondary School Attendance Rate	Proportion of Pupils Starting Grade 1 who reach Grade 5	Gender Parity Index: Primary School (Girls/Boys)	Gender Parity Index: Secondary School (Girls/Boys)
Barisal	76.0	84.7	52.2	81.2	1.03	1.20
Chittagong	63.2	78.4	45.5	80.2	1.02	1.19
Dhaka	68.2	82.5	48.1	79.9	1.02	1.13
Khulna	73.6	87.0	57.9	74.2	1.03	1.20
Rajshahi*	66.3	81.3	52.3	81.4	1.04	1.18
Sylhet	55.9	74.2	36.9	80.6	1.03	1.16
National	66.8	81.3	49.0	79.8	1.03	1.17

Source: MICS (2009). \*including Rangpur Division

**Health outcomes:** In the area of health, Barisal and Khulna again show better performance than Dhaka, Chittagong and Sylhet (Tables 7.5-7.7). The poor performance in the relatively prosperous Sylhet is surprising. However, health outcomes are pretty bad in Rajshahi, which is a particularly poor division.

**Table 7.4: Trends in Infant Mortality Rate by Division, 1996-2008<sup>1</sup>**

Division	1996			2003			2008		
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban
Barisal	67	75	51	56	59	44	35	40	18
Chittagong	68	76	50	46	48	36	34	34	33
Dhaka	66	78	52	59	64	40	44	48	35
Khulna	65	75	49	46	49	36	35	32	41
Rajshahi*	69	76	50	55	58	40	51	50	55
Sylhet	66	74	49	58	60	48	39	35	55

Source: SVRS (2008). \* including Rangpur Division

**Table 7.5: Under 5 Mortality Rate, per 1,000 Live Births, 2008<sup>1</sup>**

Division	Total	Category	Total
Barisal	60	Male	72
Chittagong	57	Female	55
Dhaka	67	Rural	66
Khulna	57	Urban	53
Rajshahi*	67	within urban:	
Sylhet	74	Municipality	59
		City Corporation	42
National	64	Slum	95

Source: MICS (2009). \*including Rangpur Division

**Table 7.6: Maternal Mortality Ratio by Division, 2003 and 2008<sup>1</sup>**

Division	2003			2008		
	Total	Rural	Urban	Total	Rural	Urban
Barisal	4.67	4.68	4.54	3.77	4.41	2.02
Chittagong	4.60	5.13	2.49	3.57	4.03	2.37
Dhaka	2.87	3.09	2.41	3.30	3.81	2.36
Khulna	3.05	3.22	2.24	3.39	4.14	1.97
Rajshahi*	3.91	4.04	2.81	3.49	3.74	2.80
Sylhet	5.07	5.17	3.94	3.81	3.84	3.70
Total				3.48	3.93	2.42

Source: SVRS (2008). \* including Rangpur Division

<sup>1</sup> Divisional Level Mortality Data beyond 2008 not available

## FACTORS AFFECTING REGIONAL DISPARITY

A large number of factors have played a role in shaping the regional disparity in the country. These are briefly reviewed below.

### Access to Growth Centers

An important factor that may have contributed to the differences in regional poverty indicators is the issue of the “east-west” divide in terms of access to growth centers. This divide is defined in

terms of location of the divisions with reference to the three rivers: the Jamuna, the Padma and the Meghna. Three divisions are on the western side of the rivers: Rajshahi, Khulna and Barisal. The other three divisions, Dhaka, Chittagong and Sylhet, are on the eastern side of the rivers.

Both the capital city Dhaka and the port city Chittagong are located on the eastern side of the natural barrier, and there are no cities on the western side which are as comparable to these cities. The primacy of Dhaka has been well established for a while. Chittagong also has grown in importance over time owing to the location of the country's primary seaport. Both cities have large industrial areas surrounding each of them, and trade and services have flourished. The differences between these city locations and other lagging regions in terms of living standards are also noticeable. One finding mentions that households in Dhaka metropolitan city on an average have a consumption level that is 78 per cent higher than that of the rural households in Rajshahi division. On an average, travel time to Dhaka city is smaller for the eastern region districts than for the districts on the western side. Also there are differences in terms of percentage of mouzas with electricity connections, presence of Bangladesh Krishi Bank, any Commercial Bank, market or bazaar and any bank in the mouza in between the eastern part and the western part, and more favorable results for the eastern part. Finally, on average, a higher share of public spending tends to concentrate in these two cities.

Until recently the physical access of the cities of the Western Divisions to the growth centers of Dhaka and Chittagong was constrained by the dividing rivers. As transport infrastructure developed, especially as major bridges like Jamuna Bridge got built, the transport barrier was lowered and communication got better. The easier access to these two growth centers in recent years for the western districts has on average contributed to a more rapid expansion of economic activities resulting in better economic outcomes and causing a reduction in the living standard gaps between the western and eastern divisions indicated by the HIES 2010<sup>21</sup>.

### **Natural Disasters and Weather Factors**

Natural disasters such as flood and cyclones bring catastrophic damages to human, dwellings, crops, livestock, fisheries, physical assets etc. almost every year in some parts of Bangladesh. Natural disasters like floods and cyclones damage physical infrastructure as well as transport and communication system of the affected areas. Therefore the overall economies of the areas are destructed by these adverse events. Other types of natural disasters include drought, riverbank erosion and landslide etc. With a history of repeated cases of natural disasters, most disaster prone areas in the country are more likely to be poorer compared to other areas.

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<sup>21</sup> The qualifier "on average" is important because there are a number of very poor districts on the Eastern side of the country. Also, on average eastern districts tend to be more densely populated than the western districts making poverty reduction that much more challenging in the eastern districts.

Bangladesh is divided into three zones according to flood inundation classification: 80 percent floodplains, 12 percent hills and 8 percent terraces. Monsoon or seasonal floods are generally beneficial for soil fertility and agricultural output. Floods turn into natural disasters when water level rises higher than the expected level and occur earlier or later than the usual timing. In the past two decades three major catastrophic floods affected a large portion of Bangladesh, damaging crops, livestock, houses and other infrastructure. According to Bangladesh Water Development Board, floods in 1988, 1998 and 2004 affected 84 percent, 68 percent and 36 percent of total area respectively.

Southern parts of Bangladesh especially coastal districts of Chittagong, Barisal and Khulna western districts catastrophic cyclone in the last two decades which caused death of more than 138 thousand people. More recently cyclone *Sidr* destructed a major portion of Khulna and Barisal Division in November 2007. Due to some protective measures adopted by the government and local people it is now possible to minimize human casualties during catastrophic cyclones.

Western districts of Bangladesh are susceptible to drought due to lack of rainfall. Prolonged rainless days during Kharif or Rabi season can appear as drought. Drought prone areas are divided into five classes according to their severity. About 0.58 million hectare land in Rajshahi and Nawabganj districts are considered as the most severely drought prone areas. Drought may cause fall in agricultural production if it continues for long extended period.

### **Access to Energy**

Availability of energy plays a critically important role in helping develop regional economies. Due to the primacy of Dhaka and Chittagong, the availability of electricity has been more pronounced in the eastern districts than in the western and southern districts. Similarly, there are substantial differences in terms of availability of natural gas. Large areas of the northern and the southern parts of the country still do not have natural gas coverage.

### **Availability of Transport and Communication System**

Table 7.7 provides data of road density of districts measured in terms of meters of road per square kilometer area. Evidence shows that on average the southern and western districts tend to have lower road density than the eastern districts<sup>22</sup>. However, more recently, with the construction of the Jamuna Multipurpose Bridge, the western and north-western districts have been better connected with the capital, which definitely has contributed to the regional development of the north western areas.

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<sup>22</sup> Data are for roads maintained by the Roads and Highways Department only and does not include rural roads and town roads maintained by the Local Government and Engineering Department

An important communication infrastructure with substantial positive spillover effects on economic growth is the location of the port facilities. Bangladesh has two sea ports, one in Chittagong and the other in Mongla (Khulna). For over a long time Chittagong continues to dominate the handling of international trade. Indeed, the share of Mongla port is actually shrinking both in terms of the absolute values and the relative shares. The rapid loss of importance of Mongla port needs to be reversed both for helping the growth of Bangladesh as well as contribute to more balanced regional development.

**Table 7.7: Road Density by District, 2000 to 2009 (in meter per sq km)**

Ranking	District	Total Roads and Highways			
		2000	2004	2005	2009
1	Shariatpur	41.73	41.73	34.05	34.47
2	Rangamati	40.55	40.55	45.48	42.35
3	Bhola	149.87	149.87	74.49	70.23
4	Chuadanga	97.58	97.58	79.60	79.45
5	Sunamganj	72.21	72.21	78.78	82.02
6	Khulna	71.22	71.22	85.50	85.32
7	Thakurgaon	86.79	86.79	92.10	91.21
8	Patuakhali	87.05	87.05	93.85	96.10
9	Maulavibazar	120.04	118.97	97.33	97.18
10	Bagerhat	88.66	88.66	102.39	102.30
11	Bandarban	113.64	113.64	102.85	102.70
12	Chittagong	232.44	232.44	179.15	103.54
13	Barguna	122.27	122.27	104.50	104.26
14	Noakhali	122.74	122.74	107.51	108.03
15	Mymensingh	148.98	148.98	116.19	112.08

*Source: Estimates based on Statistical Yearbook of Bangladesh, 2009, BBS.*

### Availability of Financial Infrastructure

Financial institutions (e.g. banks, MFIs) can play an important role in reducing poverty and regional inequality. High density of bank branches is indicative of vibrant economic activities. The density of bank branches varies from as high as 12.4 (number of bank branches per lac population) in Dhaka district to as low as 2.30 as in Kurigram district (Table 7.8). In general, the spread of banking activities tend to be tends to be much more concentrated in Dhaka and Sylhet divisions as compared with Rajshahi and Khulna.

Table 7.9 shows per capita deposits and advances as on June 2010. The Table shows that there are large differences among the divisions in terms of both per capita advances and deposits. Advances and deposits in all the other divisions are very low relative to Dhaka and Chittagong indicating the low level of depth of financial intermediation in the lagging districts. Sylhet division exhibits high per capita deposits but low per capita advances. This is explained by the fact that Sylhet receives huge amount of remittances from abroad and possibly require less loans from banks in relation to available economic opportunities.

**Table 7.8: Density of Bank Branches (Branches per 100,000 population)**

Ranking	District	Division	No. of Reporting Branches	Availability (Per 100,000 Population)
1	Kurigram	Rajshahi	48	2.30
2	Mymensingh	Dhaka	129	2.48
3	Sherpur	Dhaka	37	2.54
4	Netrokona	Dhaka	59	2.60
5	Gaibandha	Rajshahi	72	2.90
6	Kishorganj	Dhaka	86	2.91
7	Bhola	Barisal	59	3.01
8	Lalmonirhat	Rajshahi	41	3.22
9	Jamalpur	Dhaka	83	3.39
10	Nilphamari	Rajshahi	63	3.47
11	Sunamganj	Sylhet	81	3.51
12	Satkhira	Khulna	76	3.52
13	Tangail	Dhaka	136	3.57
14	Khagrachhari	Chittagong	22	3.58
15	Madaripur	Dhaka	48	3.61
	National		7390	5.12

Source: Scheduled Bank Statistics, April-June 2010, Bangladesh Bank.

**Table 7.9: Per Capita Deposits and Advances by Division, 2009 and 2010**

Division	30th June 2010		30th June 2009	
	Per Capita Deposits	Per Capita Advance	Per Capita Deposits	Per Capita Advance
Barisal	5,807	2,831	5,037	2,464
Rajshahi	6,863	4,985	4,800	3,531
Sylhet	17,187	4,461	15,605	3,703
Khulna	8,239	6,618	7,112	5,621
Chittagong	23,036	18,240	19,274	14,714
Dhaka	48,286	38,170	39,891	31,502
Rangpur	3,803	3,614		
National	23,438	17,854	19,622	14,681

Source: Scheduled Bank Statistics, Bangladesh Bank, Various Issues.

A review of micro-credit coverage however suggests that the coverage is relatively higher in the lagging regions. For example, around 28 percent of population (economically active) is covered in the Rajshahi division whereas the corresponding figure for Chittagong division is 17 percent.

This is not a surprising finding. Microcredit programs are designed to improve the access to finance for the rural poor. As such, microfinance coverage is expected to be high in poor areas and low in well-off areas. Nevertheless, the demand for microcredit much exceeds the present supply and coverage of microcredit schemes. As a result, some of the poorest districts have very low coverage of micro credit programs. These include all the three hill districts of Chittagong division, Habiganj and Sunamganj districts of Sylhet division, and Mymensingh district of Dhaka division. All these districts have high incidence of poverty ( $HC > 0.47$ ) but have relatively low coverage of micro credit programs.

## Access to International Migration and Foreign Remittances

Inflow of foreign remittances is the single most important informal safety net program in Bangladesh. It has been a major factor in helping Bangladesh to reduce poverty since the 1990s. According to Ministry of Expatriates' Welfare and Overseas Employment 5.575million Bangladeshi workers were working abroad as of June 2009 and every year around 0.5 million people are migrating with overseas employment. In the fiscal year 2009 the country received 9.7 billion USD as workers' remittances, which is 151 per cent higher than the comparable figure of 2005. Remittance is now contributing 11.15% to the GDP which is 6 times higher than the ODA and 13 times higher than the FDI. Such growth of workers' remittances contributed to the well being of remittance receiving households. Since households having expatriate workers are highly concentrated in some areas of the country relative to others, the excluded or marginally included regions have gained little from inward foreign remittances of the country (Table 7.10). Chittagong and Dhaka divisions dominate the share of expatriate workers; around 78 per cent of total expatriate workers belong to these two divisions. In terms of total population Chittagong division has the highest proportion of its population working abroad (7.7 per cent) followed by Sylhet division (4.28 per cent), both surpassing Dhaka division (4.04 per cent). On the other hand, less than one per cent of Rajshahi division's and little less than 1.5 per cent of Khulna division's population are working abroad. Barisal does better, but still lags behind the more prosperous eastern divisions.

**Table 7.10: Division Wise Distribution of Expatriate Workers 1976-2007**

Division	No. of Expatriates	As Per Cent of Population	As Per Cent of total expatriates
Barisal	193,510	2.06	4.0
Chittagong	2,135,498	7.70	42.2
Dhaka	1,806,593	4.04	35.7
Khulna	235,546	1.41	4.7
Rajshahi	316,300	0.91	6.3
Sylhet	391,087	4.28	7.7
Total	5,078,534	3.57	

*Source: Ministry of Expatriates' Welfare and Overseas Employment.*

Empirical evidence shows that there is a significant correlation between district level poverty head count rates and share of expatriate workers. Data pertaining to district wise distribution of migrant workers shows that most of districts of Rajshahi divisions have less than one per cent of their population working abroad. Though Chittagong division has the highest share of expatriate workers, the three hill districts of these divisions have very small number of expatriate workers. Indeed, a key factor underlying the more favorable poverty outcomes in Sylhet is the large inflow of remittances that have helped finance consumption even though per capita income flows have grown below the national average.

## SPECIFIC TARGETS FOR REDUCTION OF REGIONAL DISPARITY IN THE SFYP

The Government of Bangladesh is committed to economic development with equity and social justice. Accordingly it is conscious of the need to take all possible measures to ensure that the benefits of development are distributed equitably across regions. Efforts to reduce regional imbalances in growth and poverty will be redoubled during the Sixth Plan period.

In order to measure progress with reduction of regional disparities, the Sixth Plan will establish benchmarks and targets for poverty reduction, income and human development at the regional level. These targets are indicative in nature and are used to provide a reference point to measure progress rather than fixed commitments.

### Target 1: Poverty Head Count Rates

The first target is for the poverty line (Table 7.11) for the plan period. For the base year 2010, the divisions of Barisal, Khulna and Rajshahi have poverty head count rates higher than the national average, while, Chittagong, Dhaka and Sylhet divisions have lower head count rates

**Table 7.11: Target 1- Head Count Poverty**

Target 1.1 Upper Poverty Head Count															
	2000			2005			2010 (Base)			2015 (Projected)			2015 (Target)		
	National	Rural	Urban	National	Rural	Urban	National	Rural	Urban	National	Rural	Urban	National	Rural	Urban
National	48.9	52.3	35.2	40	43.8	28.4	<b>31.5</b>	<b>35.2</b>	<b>21.3</b>	24.8	28.3	16.0	22.5	25.3	14.1
<b>Barisal</b>	<b>53.1</b>	<b>55.1</b>	<b>32</b>	<b>52</b>	<b>54.1</b>	<b>40.4</b>	39.4	39.2	39.9	<b>31.0</b>	<b>31.5</b>	<b>29.9</b>	<b>24.9</b>	<b>27.4</b>	<b>18.4</b>
Chittagong	45.7	46.3	44.2	34	36	27.8	26.2	31	11.8	20.6	24.9	8.9	19.4	23.4	8.4
Dhaka	46.7	55.9	28.2	32	39	20.2	30.5	38.8	18	24.0	31.2	13.5	22.6	27.3	12.7
<b>Khulna</b>	<b>45.1</b>	<b>46.4</b>	<b>38.5</b>	<b>45.7</b>	<b>46.5</b>	<b>43.2</b>	32.1	31	35.8	<b>25.3</b>	<b>24.9</b>	<b>26.9</b>	<b>23.4</b>	<b>23.4</b>	<b>17.6</b>
<b>Rajshahi*</b>	<b>56.7</b>	<b>58.5</b>	<b>44.5</b>	<b>51.2</b>	<b>52.3</b>	<b>45.2</b>	35.7	36.6	30.7	<b>28.1</b>	<b>29.4</b>	<b>23.0</b>	<b>24.1</b>	<b>26.9</b>	<b>16.7</b>
Sylhet	42.4	41.9	49.6	33.8	36.1	18.6	28.1	30.5	15	22.1	24.5	11.3	20.8	23.1	10.6
	<b>48.9</b>			<b>40</b>			<b>31.5</b>			<b>24.8</b>			<b>22.5</b>		
Target 1.2 Lower Poverty Head Count															
	2000			2005			2010 (Base)			2015 (Projected)			2015 (Target)		
	National	Rural	Urban	National	Rural	Urban	National	Rural	Urban	National	Rural	Urban	National	Rural	Urban
National	34.3	37.9	20	25.1	28.6	14.6	<b>17.6</b>	<b>21.1</b>	<b>7.7</b>	12.3	15.6	4.1	<b>11.5</b>	<b>14.7</b>	<b>3.5</b>
<b>Barisal</b>	<b>34.7</b>	<b>35.9</b>	<b>21.7</b>	<b>35.6</b>	<b>37.2</b>	<b>26.4</b>	26.7	27.3	24.2	<b>18.7</b>	<b>20.1</b>	<b>12.8</b>	<b>13.9</b>	<b>16.7</b>	<b>6.2</b>
Chittagong	27.5	30.1	17.1	16.1	18.7	8.1	13.1	16.2	4	9.2	12.0	2.1	9.2	12.0	2.1
Dhaka	34.5	43.6	15.8	19.9	26.1	9.6	15.6	23.5	3.8	10.9	17.3	2.0	10.9	16.0	2.0
<b>Khulna</b>	<b>32.3</b>	<b>34</b>	<b>23</b>	<b>31.6</b>	<b>32.7</b>	<b>27.8</b>	15.4	15.2	16.4	<b>10.8</b>	<b>11.2</b>	<b>8.6</b>	<b>12.0</b>	<b>11.2</b>	<b>5.2</b>
<b>Rajshahi*</b>	<b>42.7</b>	<b>43.9</b>	<b>34.5</b>	<b>34.5</b>	<b>35.6</b>	<b>28.4</b>	21.6	22.7	15.6	<b>15.1</b>	<b>16.7</b>	<b>8.2</b>	<b>13.0</b>	<b>15.9</b>	<b>5.1</b>
Sylhet	26.7	26.1	35.2	20.8	22.3	11	20.7	23.5	5.5	14.5	17.3	2.9	12.9	16.0	2.9
	<b>34.3</b>			<b>25.1</b>			<b>17.6</b>			<b>12.3</b>			<b>11.5</b>		

Source: HIES various rounds and SFYP Projections. \* including Rangpur Division

than the national average. The first regional disparity reduction target is to reduce the gap between the poverty head count rates of lagging divisions with the average national head count rates by 75% over the end of the SFYP period (FY15). What this implies is that the SFYP will seek to achieve the target set for overall national poverty reduction in a manner such that poverty reduces at a faster pace in the lagging regions as compared with the leading regions. The targets are defined with reference to both the upper and lower poverty lines.

### Target 2: Monthly Household Income

Poverty reduction target cannot achieve or sustained unless this is backed up by policies and measures to increase the income of the target group. Table 7.12 illustrates the target monthly average household income so as to reduce the gap by 75% between the values of monthly household incomes in the lagging regions and that of the national average.

**Table 7.12: Target 2 Monthly Household Income (Taka)**

		Base	Projected	Target
	2005	2010	2015	2015
National <sup>23</sup>	7,203	8,881	10,950	11,239
<b>Barisal</b>	<b>6,094</b>	<b>7,514</b>	<b>9,264</b>	<b>9,686</b>
Chittagong	8,654	10,670	13,156	13,156
Dhaka	7,949	9,801	12,084	12,084
<b>Khulna</b>	<b>6,006</b>	<b>7,405</b>	<b>9,130</b>	<b>9,585</b>
<b>Rajshahi*</b>	<b>5,864</b>	<b>7,230</b>	<b>8,915</b>	<b>9,423</b>
Sylhet	8,315	10,252	12,641	12,641

\*Including Rangpur Division

### Target 3: Health Outcomes

Three targets have been constructed for health outcomes to be achieved by the end of the sixth five year plan period. These targets concern maternal mortality rate, infant mortality rate and under-five mortality rate. Targets here are aimed at reducing gaps between the outcomes in the lagging regions and that of the national average (Tables 7.13-7.15).

**Table 7.13: Target 3.1 Maternal Mortality Ratio**

Division	2007			2010 Projected			2015 Projected			2015 Target		
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban
Barisal	5.4	5.5	5.2	5.2	5.2	4.9	4.8	4.8	4.6	3.5	3.6	3.4
Chittagong	3.0	3.3	1.9	2.9	3.2	1.8	2.7	2.9	1.7	2.7	2.9	1.7
Dhaka	2.7	3.1	1.6	2.6	3.0	1.5	2.4	2.8	1.4	2.4	2.8	1.4
Khulna	4.9	4.9	4.7	4.7	4.7	4.5	4.3	4.4	4.2	3.4	3.5	3.3
Rajshahi	3.5	3.8	1.4	3.4	3.7	1.4	3.1	3.4	1.3	3.1	3.4	1.3
Sylhet	5.6	5.7	4.5	5.3	5.5	4.3	4.9	5.1	4.0	3.6	3.7	2.9
<b>National</b>	<b>3.5</b>	<b>3.9</b>	<b>2.2</b>	<b>3.4</b>	<b>3.6</b>	<b>2.4</b>	<b>3.1</b>	<b>3.3</b>	<b>2.2</b>	<b>2.9</b>	<b>3.1</b>	<b>2.0</b>

<sup>23</sup> National average household monthly income was TK. 5,842 in 2000.

**Table 7.14: Target 3.2 Infant Mortality Rate**

Division	2007			2010 Projected			2015 Projected			2015 Target		
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban
Barisal	37	38	25	37.9	39.8	27.0	30.9	32.4	22.0	30.9	32.4	22.0
Chittagong	42	44	36	34.2	35.4	29.6	27.9	28.8	24.1	27.9	28.9	24.1
Dhaka	46	46	44	40.3	42.1	33.8	32.9	34.3	27.6	31.5	32.9	26.4
Khulna	27	26	35	30.8	31.7	27.5	25.1	25.9	22.5	25.1	25.8	22.4
Rajshahi	48	46	58	41.1	42.7	33.1	33.5	34.8	27.0	31.6	32.9	25.5
Sylhet	46	49	18	40.8	42.1	33.8	33.3	34.3	27.6	31.6	32.5	26.2
National	43	43	42	38.0	39.7	32.4	31.0	32.4	26.4	30.0	31.4	25.6

**Table 7.15: Target 3.3 Under Five (5) Mortality Rate**

Division	2007			2010 Projection			2015 Projection			2015 Target		
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban
Barisal	63.3	65.8	46.0	53.6	55.7	39.0	40.1	41.7	29.2	38.6	40.1	28.0
Chittagong	66.5	69.7	54.6	56.3	59.0	46.3	42.1	44.1	34.6	39.1	40.9	32.1
Dhaka	59.4	60.8	56.0	50.3	51.5	47.4	37.6	38.5	35.5	37.6	38.5	35.4
Khulna	40.1	40.0	40.7	34.0	33.9	34.5	25.4	25.3	25.8	25.4	25.3	25.8
Rajshahi	65.0	64.7	67.5	55.1	54.8	57.2	41.2	41.0	42.8	38.8	38.6	40.3
Sylhet	57.6	63.3	20.4	48.8	53.7	17.3	36.5	40.1	12.9	36.5	40.1	12.9
<b>National</b>	<b>60.1</b>	<b>61.6</b>	<b>54.2</b>	<b>50.9</b>	<b>52.2</b>	<b>45.9</b>	<b>38.1</b>	<b>39.0</b>	<b>34.3</b>	<b>36.7</b>	<b>37.7</b>	<b>33.1</b>

**Target 4: Education Outcomes**

Three targets have been constructed for education outcomes to be achieved by the end of the sixth five year plan period, and these are targets in net enrolment rates (in entering the primary education, in class 1, combined of boys and girls) and survival rate in primary education (the rate at which a boy or girl student who gets admitted in class 1 reach class 5 (not necessarily completes class 5, which is a different indicator, called the completion rate)). The targets here are aimed at reducing gaps between the outcomes in the lagging regions and those of the national average (Tables 7.17- 7.18).

**Table 7.16: Target 4.1 Net Enrolment Rate**

Division	2006	2007	2010 Projected	2015 Projected	2015 Target
Rajshahi	90.3	90.8	93.2	99.5	100.0
Khulna	95.3	94.3	97.6	100.0	100.0
Dhaka	89.4	89.9	92.3	98.5	100.0
Chittagong	90.5	89.8	92.8	99.1	100.0
Barisal	93.8	95.0	97.2	100.0	100.0
Sylhet	90.7	91.7	93.9	100.0	100.0
National	90.9	91.1	93.7	100.0	100.0

**Table 7.17: Target 4.2 Survival Rate in Primary Education**

Division	2006	2007	2010 Projected	2015 Projected	2015 Target
Rajshahi	45.5	47.5	48.7	51.2	55.3
Khulna	55.0	56.5	58.4	61.4	61.4
Dhaka	51.0	51.0	53.4	56.1	56.5
Chittagong	55.2	56.2	58.3	61.3	61.3
Barisal	52.7	57.7	57.8	60.8	60.8
Sylhet	45.6	50.1	50.1	52.7	55.6
National	50.7	52.2	53.9	56.6	57.9

## SFYP STRATEGIES AND POLICIES TO ADDRESS REGIONAL DISPARITIES

Achievement of the specific targets for reducing regional disparities will require well thought out strategies and policies in the Sixth Plan to ensure that the growth process is inclusive and that the human development and other poverty reduction policies are sensitive to the needs of the lagging regions. In addition to national policies, the location of most lagging regions on the border areas with India suggests that a policy of more and better regional cooperation with India will help promote growth and investment in these border districts by strengthening access and connection to growth centers across the border.

On the national policy front public investment and financial sector policies are of particular importance in addressing the lagging regions problems. Available recent data from the Ministry of Finance indicate that the lagging districts get a relatively lower share of the development expenditures in per capita terms. Lagging areas also have limited access to finance relative to economically more advanced areas with substantially lower per capita deposits and advances as well as lower density of bank branches. Both these issues bear critical policy implications for balanced regional growth strategies.

One important policy initiative to address regional disparity would be to establish a separate fund in the framework of the annual development program for supporting the development of the lagging regions. In addition, emphasis should be given to projects that address regional inequalities in the selection of projects.

In view of the importance of addressing the lagging regions problem, the idea of setting up an institutional arrangement will be explored to oversee the progress of regional development and formulate strategies, policies and programs towards equalizing growth within the country. Any policy intervention at the regional level should be backed by adequate data and related information. Therefore a set of indicators at the regional level and other policy related dataset should be created to formulate policy and monitor the development process. In this regard, the Government will place special emphasis to tackle the special problems of the coastal regions such as Barisal that face tremendous risks of natural disasters owing to geography (Box 7.1).

### **Box 7.1: Paying Special Attention to the Problems of the Coastal Region of Barisal Division**

Despite recent progress, the head count poverty is the highest in Barisal, which is predominantly a coastal region. Among other adverse factors, the large incidence of natural disasters is a major detrimental factor to growth and poverty reduction in Barisal. The onslaught of the Sidr and Aila cyclones and associated damages to the Barisal economy in the recent years are striking examples of this vulnerability. Moreover, being a coastal region, Barisal faces a higher risk of the adverse effects of climate change.

To address these concerns, in addition to policies and programs to remove the constraints of lagging regions in general, the Sixth Plan will seek to reduce the vulnerabilities of Barisal and other coastal belt regions through focused programs in agriculture, environment, climate change and disaster management.

Specifically, the comprehensive program will include: (i) development of infrastructure; (ii) increasing crop and non-crop agriculture production that are best suited to the climate of the coastal belt; (iii) development of small and cottage industries using the energy from the solar system; (iv) provision of agricultural credits and micro-credits (v) improvement of existing waterways; (vi) programs to strengthen human development focused on the poor; (vii) ensuring better access to safe drinking water; and (viii) enhanced preparedness for natural disasters.

Some of the specific policies and actions that will be taken in the SFYP to address the regional disparity issue are discussed below.

### **Development of Infrastructure**

Improvement of infrastructural facilities is one of the key interventions that will open the door of economic opportunities in the lagging regions. Following measures will be taken.

- Communication system between the better off regions and lagging regions would be improved in order to increase economic activities in the lagging regions. One of the major communication projects, construction of Padma Bridge, is expected to open a new door of opportunities for the south-west region.
- Better connectivity with growth centers in neighboring countries through regional cooperation efforts will be important.
- Appropriate measures would be adopted for intensive utilization of Mongla port. The implementation of transit access to the neighboring countries (India, Bhutan and Nepal) will be of immense benefit to the revitalization of the Mongla Port.
- Creation of export oriented industrial zone near the Mongla port will be considered with special emphasis to direct foreign investment.
- Supply of electricity would be increased in the lagging regions on a priority basis.
- Construction of gas transmission line to the lagging regions would be expedited.
- Both inter district and intra district road communication system would be developed to increase economic mobility within the lagging regions.
- Intensity of bank branches would be increased in the lagging divisions to increase financial services for general people as well as investors of the regions.
- Communication system in three hill districts would be developed to create economic opportunities for these areas.
- The long-term dredging programs of inland waterways would be expedited.
- Block allocation for local government institutions for infrastructure development in lagging regions, particularly in lagging districts, would be enhanced.
- Emphasis will be given to the completion of the upazila connecting roads in Barisal, Rajshahi and Khulna divisions.

### **Industrialization in Lagging Regions**

- Industrialization will be promoted in the lagging regions to create jobs. Since private investment has less of an incentive to locate itself in these regions, this process needs to be implemented with the help of government support at least in the initial stages.
- Industrial policy would be made flexible to support investment in lagging regions.

- Industrial zones would be established in lagging regions with all adequate infrastructural facilities so that entrepreneurs can get benefit from economies of scale. Construction of industrial park at Sirajganj would be expedited and other industrial zones would be established. Promulgation of special incentive for prospective investors would proceed simultaneous to encourage faster investment in this industrial park.
- Small and medium enterprises would be encouraged with low cost financing facilities. Rate of interest for bank finances would be lower in the lagging regions which will increase investment,
- Special fiscal incentive such as tax holidays would be offered on a selective basis for high-priority private investment in the lagging districts.
- Steps would be taken to establish indigenous and export oriented industries in the lagging regions of the country.
- SME credit facilities will be used to promote indigenous small and medium industries in the poorer divisions, which use local raw materials such as food processing to meet the local demand. This will facilitate the use of local raw materials and employment generation which in turn will reduce poverty.

### **Development of Agriculture and Rural Economic Activities**

Even though the share of agriculture in GDP is shrinking over time, still this is the focus point of the rural economy. Special emphasis will be given to development of agro-processing, non-farm economic activities in the lagging regions. Following steps can be taken:

- Careful attention would be given to removing the specific constraints and vulnerabilities to farm production and agricultural incomes in the lagging regions in terms of weak rural infrastructure (power, rural roads and irrigation) and adverse effects of natural disasters (floods and droughts). This would be done in the context of allocation of Sixth Plan resources as well as through special programs for the lagging regions. Improved farm productivity and income in the lagging regions will go a long way to reduce regional imbalances and lower rural poverty.
- The farmers in the poorest Upazilas would get priority in terms of agricultural subsidy. The Government will explore the possibility of increasing the provision of agricultural loan at a lower interest rate in the poorest Upazilas.
- Efforts will be made to expand BR-33 rice and cassava cultivation in the lagging regions, especially in the Monga areas.
- Emphasis will be given to support the expansion of storage facilities for the poor and marginal farmers to for preserving their fish and agricultural products in order to get suitable price for their product in the market.

- Microfinance institutions will be encouraged to operate in poverty prone areas by providing special incentives, e.g. providing fund to MFIs at low rate of interest if they disburse this fund in poor regions.
- Policy measures will be taken to attract microfinance in environmentally vulnerable areas such as cyclone prone coastal areas, land logged and other flood prone areas and Monga prone areas.
- Nonfarm economic activities will be promoted in the lagging districts through providing training and financing facilities. Partnership between the government and MFIs/NGOs can play an important role in this regard.
- Local government institutions such as Union Parishads would be strengthened to conduct rural development activities of the government through these institutions.

### **Creating Opportunities for International Migration**

The flow of remittance earnings is amongst the most potent way for improving the local economy. As was noted earlier, the flow of remittance earnings is low in the lagging regions. Following measures would be taken to promote labor migration from lagging regions:

- Technical and vocational training institutions for specific skills would be established in the lagging regions based on a careful review of the external demand for skills.
- Special financing scheme would be directed to support prospective migrants from lagging regions.
- Special attention would be given to export manpower on a large scale from Monga and other under-privileged areas.
- Logistic support and technical advice will be provided to potential migrant workers through establishment of foreign employment exchanges in the lagging districts in cooperation with private sector.

### **Human Development and Social Protection Policies**

An important way to redress the lagging regions problems is to offset the initial disadvantage in regards to human capital. As noted many of the lagging divisions have already made progress in improving human development and even having better performance than the better off divisions. The target for human development will be set for lagging regions at the district and upazila level. With proper investment in human capital, the skills constraint in the lagging can be substantially eased.

- Priority will be given to the lagging districts/Upazilas in the location of school and health facilities. Additionally, policies will be taken to ensure the availability of teachers and medical personnel in the lagging regions.

- Special emphasis will be placed on girl's education in lagging regions. This will help increase female labor participation as well as improve family welfare.
- The design of social protection schemes including employment guarantee schemes would consider the location issue very carefully, putting priority to the availability of these schemes in the lagging regions.
- Partnerships with NGOs will be particularly helpful in reaching out the lagging regions, especially those areas that have geographical disadvantages in terms of small size and dispersed population as well as distance and remoteness.

### **Monitoring and Evaluation**

- A well-functioning institutional mechanism would be established within the government (possibly assigned to the Planning Commission) to address all issues of spatial inequality in Bangladesh. The designated institution would monitor regularly the situation of the poverty stricken areas including the Monga areas and suggest measures for early preparation.
- The institution will monitor and coordinate implementation of on-going projects and programs in these areas.
- Solid analytical work on various dimensions of lagging regions and possible policy options would need to be developed to help the government in designing specific interventions.
- A proper benchmark and database of indicators will be established to monitor implementation progress.

# CHAPTER 8: ENVIRONMENT, CLIMATE CHANGE AND DISASTER MANAGEMENT FOR SUSTAINED DEVELOPMENT

## OVERVIEW

In 1987, the United Nations released the Brundtland Report<sup>24</sup>, which defines sustainable development as 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs'. This report was the result of a realization by the world community that economic progress, which brought material prosperity to large sections of the world population, also imposed costs on current and future generations in terms of environmental degradation. Consequently, there was broad consensus that the environment and production systems should be tailored to minimize damage to the environment to ensure the sustainability of development.

Environmental degradation has posed as a pressing development concern for Bangladesh. Economic progress, accompanied with rapid urbanization and industrialization, had left its toll on Bangladesh's own ecosystem. This was evident from natural calamities, loss of bio-diversity, deforestation, destruction of wetlands and inland fisheries, arsenic contamination in the ground water in the many parts of the country, soil nutrient depletion and inland salinity intrusion in the South West region, and creeping desertification in the Northern region. Bangladesh is also one of the most natural disaster prone areas that suffer from ravages of floods, cyclones, storm surges and drought. In urban areas, air pollution, sound pollution and waste load from industries, hospitals, and municipalities are a matter of great concern.

One major threat for the country that has recently emerged is the predicted climate change and sea level rise due to global warming. Climate change scenarios such as a sea level rise, increased air and sea surface temperatures, enhanced monsoon precipitation and run-off, reduced dry season precipitation, heat waves and increase in the intensity of tropical cyclones and storm surges, floods, and prolonged droughts have all been experienced in the recent past, which have significantly affected the country's development processes. According to Intergovernmental Panel on Climate Change (IPCC), Bangladesh will be among the worst victims due to climate change. Sea level is apprehended to rise on account of escalating atmospheric temperature and the frequency of cyclone-storms will increase. As projected, the impacts of climate change will force millions of people to migrate, squeeze settlements and resource-use patterns, and have

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<sup>24</sup> United Nations. 1987. "Report of the World Commission on Environment and Development". General Assembly Resolution 42/187, 11 December 1987.

serious implications on the physical and natural environment. Food and energy security will be threatened leading to rise in different types of diseases and frequency of natural calamities. To top at all, the high density of population will make the problem worse.

Understandably, the adverse interactions of environmental degradation and climate change could have severe consequences for citizen's welfare, especially for the poorer segment that may not have adequate access to coping mechanisms. Climate change under a business-as-usual scenario will threaten the significant gains made in poverty reduction over the past two decades and disproportionately impact the life and wellbeing of vulnerable groups that include women, children, elderly and ethnic minorities and constrain progress toward achieving the millennium development goals. Indeed degradation of land, water pollution and arsenic in ground water, floods and cyclones, rising levels of sea water can easily threaten the sustainability of poverty reduction strategies unless appropriate measures are taken to protect the environment and address the climate change issues. An adequate disaster management strategy to tackle associated challenges is equally important.

## **ENVIRONMENTAL MANAGEMENT**

### ***Progress with Environmental Management***

Degraded environment implies that there are fewer resources available not only for the present but also for future generations, creating adverse impact on both production and consumption activities of the people. In this context, the Ministry of Environment and Forests (MOEF) has been working for the conservation of environment and undertaking various activities to prevent environmental degradation.

### ***Government Programs for Protecting the Environment***

The MOEF is formulating and implementing policies and programs that ensures a balance between the existing livelihood requirement of the people and sound environmental resource management that can ensure sustainability. Programs undertaken by the DoE include raising awareness on environment, implementation of the international conventions and protocols signed by the government, environmental management and its monitoring and overseeing the implementation of existing environmental laws of the country.

During the Fifth Plan period, DoE implemented two major projects: Air Quality management Project (AQMP), and Bangladesh Environment Management Project (BEMP). The objective of the AQMP was to develop components of an air quality management system to reduce human exposure to vehicular air pollution in Dhaka, Chittagong and Khulna. The key components were improved enforcement; setting appropriate air quality standards; better monitoring and dissemination of information; and overall evaluation. The BEMP was implemented with the goal of increasing the capacity for sustainable environment management in Bangladesh by enabling

the DoE to exercise its legislative powers and functions as expressed under various environmental laws.

One specific program being implemented is the Clean Development Mechanism (CDM), which is among the three mechanisms adopted under the Kyoto Protocol toward abatement of GHG emissions. As provided in CDM, industrial establishments belonging to the developed world will be able to accumulate their Certified Emission Reduction (CER) credit under their respective heads of account through investment in developing countries in lieu of reduction of GHG emissions from their industries located within their respective own countries. With a view to developing management of waste of the city of Dhaka under the auspices of CDM, 700 MT of decomposable waste is being collected from kitchen markets of various locations to prepare compost fertilizers. Such a program will save cost of waste collection and transportation and will simultaneously ensure the availability of environment-friendly organic fertilizers produced from the above collected kitchen market wastes.

Besides completing a large number of projects during the previous plans, DoE is engaged in implementing a number of programs to improve as well as to protect the environment. A brief listing of these programs is:

- Control of Air Pollution
- Controlling Industrial Pollution
- Conservation of Ecosystem
- Partnership Program for Environment Protection
- Conservation of Biological Diversities
- Protection of the Ozone Layer
- Measures toward Management of Wastes
- National Bio-Safety Framework
- Control of Noise Pollution
- Saving the River
- Generating electricity from waste
- Declaring Ecologically Critical Areas
- Reduction in the Production and Use of Black Polythene
- Poverty-Environment-Climate-Disaster Nexus Initiative in National Planning Process

### ***NGO Activities for Conservation of Environment***

In alliance with the Government, a good number of NGOs/CBOs have been working to address environmental problems and to improve environmental system of the country since long. The NGOs/ CBOs play an important role in motivating people at the grass root level to protect environment and take coordinated efforts in solving environmental problems. Besides taking part in various environmental protection related activities NGOs/CBOs have been participating in all international negotiations on climate change as part of the government delegation.

### ***Conserving Forestry Resources***

The Forest Department plays an important role in the development of physical, socio-economic development, maintenance of environmental balance and sustainable land based production system. There is an estimated 2.52 million ha of land as forest land which is only 17.49 percent of the total land area of the country. Out of this total forest land 2.25 million ha. is owned by the government as classified and unclassified forests and 0.27 million ha is owned privately. Government forest land, managed by the Forest Department, covers both natural and plantation forest. Out of 64 districts, 28 districts had no public forest in the past. But now almost all districts have been brought under forest coverage through social forestry program. In the past plans, the main emphasis was to expand forests and to increase supply of timber and wood. The ever increasing population of Bangladesh is creating pressure on existing government managed forest resources and has resulted in over exploitation of such resources. With a view to bringing the government owned fallow khas land under forestry coverage participatory social forestation program has been introduced in early eighties. The present government has amended the rules and according to amended rules unlike previous regime only marginal poor are eligible to participate in the program. Besides, government has also significantly increased the profit margin for the participating poor that have increased people's participations in forest management. Based on the implementation of the Social Forestry Program through people's participation, about 0.40 million ha. of land has been brought under forest cover. Nevertheless, wide-spread destruction, clearing of forest land for agriculture and homestead etc. seriously impedes achieving of target of 20 percent forest coverage by the end of 2015.

With a view to intensify forest management in the government managed forest area, a number of Integrated Management Plans for different Forest Divisions have been prepared. A number of feasibility study report, base line survey report and technical report have been produced for future activities. During the Fifth Five Year Plan due attention was given to afforestation of the newly accreted lands. Green belt was established in the coastal zone to serve as shelterbelt during cyclone and tidal surge. Qualitative improvement of natural forest through artificial regeneration was also given priority. In support of environmental and biodiversity conservation, extraction in the natural forest was discouraged. World Heritage Site has been declared in the Sundarbans. Emphasis was given and accordingly initiatives have been taken to establish national park,

botanical garden and eco-park in selected areas. Establishment of regional botanical garden has been proposed in connection with biodiversity conservation in the country. Participation in the national and international seminar, workshop, symposium and conference has strengthened the knowledge base. Finally, human resources have been developed and the efficiency and effectiveness of forest management have improved.

To promote conservation of biodiversity the government has declared 28 Protected Areas which were on the verge of losing important biodiversities. The Forest Department has also identified 58 areas which have potentials of developing as ecotourism sites. Efforts have been made to implement various activities for biodiversity conservations in these areas and sites. With a view to reducing dependency of people living around forests on forest resources different types of alternative livelihood programmes for these people are being introduced. Various endeavors will also be undertaken for maintaining ecological balance in the Sundarban mangrove forests and protect it from the impacts of climatic adversities. In confirmatory to developing cooperation with the neighboring countries in the field of biodiversity conservation a regional wildlife protection project has been undertaken with support from the World Bank. Along with Bangladesh the other partner countries in this project are India, Nepal, and Bhutan. The main objectives of the project have aimed at conserving the biodiversity and protecting the wild life of this region through mainly sharing of information, checking poaching and illegal trade of wild animals and their parts.

### **Research and Development in Forestry**

The forest in Bangladesh is characterized by immense biotic pressure, low productivity and acute degradation. Despite the efforts to afforest the land by planting trees, loss of natural forests continues unabated. The direct causes of degradation are poverty, landlessness, dependence of livelihoods on forests, lack of proper land use planning, uncertainties in land tenure system, biotic interferences, inadequate institutional capacity and lack of restrictive covenants and punitive legislations. The research support to the issues of forest productivity, protection and conservation, utilization and substitution of forest products, ecosystem management and newer dimensions of forestry are, therefore, urgently needed to reverse the trend of degradation and to make available forest products for meeting increasing demand of the country.

Bangladesh Forest Research Institution (BFRI), only government organization for conducting various researches on forestry, has been providing up to-date research based innovative technological support to the Department of Forest (FD) and Bangladesh Forest Industry Development Corporation (BFIDC) and other actors working in the forest sub-sector since 1955. The institution conducts pilot researches in the field of development of quality planting materials, plantation technique & forest management, bamboo and non timber based livelihood development approach as well as modern forest inventory management.

Besides, adequate attention to transfer the technology from BFRI laboratory to the field has yet not been done effectively. Research extension linkages in terms of sharing of information and technology transfer are still very weak. Research results are not adequately transferred to the grass roots level. One of the root causes of such a situation is the lack of institutional capacity of BFRI. In this context, the Ministry of Environment and Forest (MOEF) is planning to implement a Project for Modernizing BRFI with an estimated cost of TK. 10879.00 during SFYP period. It is expected that successful implementation of the proposed BFRI modernization project will greatly contribute to build the overall capacity of BFRI.

### ***Managing Environmental Health***

Environmental health relates to those aspects of human health and disease that are determined by factors in the environment. Important sources of environmental health risks include industrial and medical waste, air emissions and water discharges, human waste, consumer products, living conditions, and ionizing and non-ionizing radiation. Plausible effects of degraded environment include various health impacts of climate change, cancer, cardio-pulmonary diseases, asthma and other respiratory diseases, allergies, neuro-toxicity and neurological impairment, gastro-intestinal diseases, developmental and congenital abnormalities, and acute and chronic poisoning.

Although potentially environmental-related disease in Bangladesh is likely to be significant, Bangladesh lacks sufficient expertise to assess this burden and has only limited environmental and health policies to address this. The core functional components of a national environmental health program should include an integrated research strategy, capacity development to monitor, assess and reduce environmental health risks and hazards, and academic and technical training for the expertise required to inform policy, develop regulatory standards, and guided decision-making.

### **Ecosystem Management in Wetlands:**

Bangladesh is endowed with huge wetland resources that include haor, baor, beels, floodplain and other natural water bodies. Wetlands provide short and long term benefits and services to the people of Bangladesh including crop and fish production, swamp forest and reed land maintenance, regulation of water flow as well as biodiversity conservation. Besides being rich in fish resources, it has other functional values like flood water retention and ground water recharge, etc. It provides refuge to thousands of inland and migratory birds. Wetlands are under threat from encroaching and competing forms of land use. Most of the wetlands are subjected to rapid degradation due to population pressure, massive withdrawal of resources in unscientific methods and destruction of swamp forest. In almost all cases, the resources are exploited in unsustainable ways, like leasing system. To protect the wetlands' resources and conserve its biodiversity participation of the community people in management of wetlands has been recognized as the most efficient and acceptable system worldwide. Considering the importance of wetlands, the Government of Bangladesh ratified the Ramsar Convention in 1992. As a

signatory to the Convention, government is committed for wise use and sustainable management of wetlands according to 'Ramsar Wise Use Guidelines'. Through this declaration, Government of Bangladesh has committed to conserve and manage the wetlands in a sustainable way. Instead of continuation of traditional leasing out system government has endeavored developing co-management systems comprising of different concerned stakeholders especially the local community people for the management of some wetlands such as in Tanguar Haor in Sunamgonj district. Through the initiative a co-management system is established and functional for conservation, stabilization and sustainable use of the natural resources of Tanguar Haor that generates opportunities for significant improvements in the livelihoods of rural communities. Towards this, the Government has banned the leasing system and successfully stopped the unsustainable harvesting of resources from Tanguar Haor. During the SFYP period, government is very keen to see the change in management paradigm and to consolidate the co-management system not only in the Tanguar Haor but also for overall wetland management in Bangladesh.

### ***The Bangladesh National Herbarium***

The Bangladesh National Herbarium (BNH) is a research organization under the Ministry of Environment and Forest which deals with the exploration, collection, identification and preservation of plant resources of the country. It plays an important role in the conservation of biodiversity and environment. The collection of the herbarium is a national property that goes down to the posterity through generations and work as reference materials on the flora of the country.

The net result of the various environment protection and control measures over the next five years will be to ensure a cleaner environment and a more sustainable ecosystem around the country. But this is not solely dependent upon the performance of DoE. With the enactment and enforcement of law, rules and regulations DOE would act as a conduit. But the main responsibilities lie with the polluters. So, there should be coordinated efforts from all stakeholders to produce a cleaner environment which would help maintaining sustainable ecosystem in the country.

Despite progress made in strengthening the implementation of environmental protection program, there is a substantial unfinished agenda that will need to be addressed in the SFYP. Amongst the most important challenge is proper waste management that continues to pose serious health risks. Environment and waste management and weak basic services including sanitation still remains as formidable challenges. Limited capacity of local government institutions such as the municipalities is a matter of concern. These institutions seriously lack capacities in managing household waste through effective participation from community people. The air pollution is another top ranking health concern that requires more attention. The DoE needs to be considerably strengthened, particularly to enable it to undertake environmental impact assessment as mandated by the Environment Conservation Rules promulgated under the

Environment Conservation Act 1997. Enforcement of environmental standards is also a serious challenge. The role of local government institutions also needs to be strengthened in managing urban waste and drainage.

### ***Mainstream Poverty-Environment-Climate Nexus in National Planning Process***

Poverty environment-climate mainstreaming of Planning Commission aims to reverse environmental degradation in ways that will benefit the poor, and to enable sustainable economic development. Any poverty reduction effort must fully take into account the country's vulnerability, susceptibility and capacity to manage environmental and climate risks and adaptation. This requires changing processes and decisions that impact on the environment. However, past experience suggests that many of these processes and decisions are outside the direct control of environment institutions. In Bangladesh, key institutions that impact on pro-poor environment outcomes include Planning Commission, Ministry of Planning, Ministry of Environment and Forest and Ministry of Finance. So it is vital that environment and climate issues that matter to the poor are "mainstreamed" into these institutions and their political and economic processes and decisions. The indicators for successful PECM are institutions, policies and investments that do not undermine pro-poor environment outcomes, instead positively contribute to livelihoods of both men and women.

### ***Environmental Management Objectives in the SFYP***

While perceiving the long-run consequences of environmental degradation to the country's ecosystem and citizen's welfare, the Government has set a number of goals to attain a sustainable environment and to address the fallout of climate change. With a view to attaining these goals, the main objectives relating to environment and climate change under the SFYP can be described in the following manners:

- To promote appropriate environment management system for mitigation and adaptation to climate change.
- To promote appropriate environment management system for sustainable development.
- To preserve, protect and develop the natural resource base.
- To ensure conservation of biodiversity and its sustainable utilization.
- To ensure active participation of the poor, especially the women in environment management activities at all levels.
- To promote environment friendly activities in development of interventions.
- To monitor, control and prevent environmental pollution and degradation related to soil, water and air.
- To strengthen the capability of public and private sectors to manage environmental concerns.

- To initiate actions with regard to obligations under international treaties and conventions for minimizing adverse impact on global environment.
- To promote cooperation with regional and international institutions/organizations to address local, regional, and global environmental problems.
- To build capacity in the area of environmental health through both public and private sectors.
- To undertake research and development for innovating technology in national perspective and application of modern technology, information exchange and benefit sharing with other countries.
- To create public awareness, in order to participate in environment promotion activities.
- To undertake Environmental Assessment and environmental reporting.
- To promote 3R (Reduce, Reuse and Recycle) waste management strategy.
- To improve air quality through clean fuel and vehicle.
- To promote public-private partnership in environment management.
- To reduce dependency on fossil fuel by promoting solar/green energy.
- To improve air quality in major cities through monitoring and prevention measure.
- To establish Environment Management System (EMS) in Industries for pollution control.
- To mainstream poverty-environment-climate-disaster nexus in the development project design, budgetary process, project implementation and monitoring process.

### **Environmental Management Strategies in the SFYP**

The significance of attaining a sustainable environment can hardly be over-emphasized. In this context, the Government is undertaking the following policies, strategies and programs during the SFYP:

- Environment committees at Division, District and Upazila levels will be activated with the participation of all stakeholders.
- National Environment Council headed by the Prime Minister and executive committee of National Environment Council headed by the Minister for Environment and Forests would be activated.
- Drafting of EIA guidelines for all sectors under the Environment Conservation Act (ECA) 1995 will be formulated in order to ensure effective enforcement of EIA.
- Existing environmental laws and regulations will be amended to address new environmental issues.

- Department of Environment will be strengthened in the light of existing Environment Policy, Environmental Act, Rules and Environment Management Action Plan in order to coordinate, monitor and implement these activities.
- ‘Polluters Pay Principle’ will be followed in order to ensure strict compliance of environment legislation.
- Sectoral legislations are to be reviewed and redrafted in light of Bangladesh’s commitments expressed through signing and ratifying of a number of International Conventions and Protocols on environment.
- Incentives, in the form of tax-rebate, tax-holiday etc. will be provided and incremental cost incurred by the Environment-friendly entrepreneurs will be met in various forms/sources.
- Environmental Impact Assessment will be made while processing each development project requiring approval of the Government.
- ‘National Environment Fund’ will be established in order to provide assistance to the victims of environment degradation caused by the natural disasters and anthropogenic activities.
- Enhance national capacity to mainstream poverty-environment-climate nexus in the development project design, budgetary process, project implementation and monitoring process.

### ***Capacity Building***

Proper management of environmental degradation requires substantial capacity in the public sector as well as interaction and cooperation with the citizens. Accordingly, the Sixth Plan will take a number of initiatives to strengthen environmental capacities. In the public sector efforts will continue to strengthen the Department of Environment and other ministries dealing with environment including Agriculture, Land, Water, Energy, Industry and Local government. For the private sector, emphasis will be placed on environmental research and development, strengthening educational programs that promote broad-based awareness of environmental concerns, and strengthening the dissemination of environmental knowledge through ICT and mass media.

### ***Financial Management***

Implementation of NEMAP, Forestry Master Plan, National Conservation Strategy and a number of development activities related to environment will require adequate financing. The shared responsibility for improvement of the environment by all partners in development including various government organizations, local government bodies, NGOs, research and training institutes will be strongly emphasized. Private sector will be increasingly involved in providing support to the environment protecting programs under the Sixth Plan.

## *Forestry Sector*

### *Objectives under the SFYP*

The main objectives during the Sixth Five Year Plan are to expand forest resources, make forests productive, develop institutional capabilities, and to encourage people's participation. About 20 percent forest coverage by the end of 2015 has been expected in the Twenty Years Master Plan (1995-2015) prepared for Forestry Sub Sector. Accordingly the plantation target had been fixed in the last Three Years Rolling Plan, MTBF and Fifth Five Year Plan. Under the present trend of allocation, it is not possible to achieve that target of 20 percent forest coverage by the end of 2015. Despite 91 percent utilization of allocation which was 72 percent of the planned allocation, only 1 percent new forest coverage has been created. Considering the allocation constraints this Sixth Five Year Plan has been estimated only with 4 percent target of new forest coverage that will be created through different types of forest plantations.

However this small target might be increased to 4 to 5 percent depending on the foreign investment. As the investment policy is favorable, investment from donors are still expected to increase the plantation target during the Sixth Five Year Plan. National responsibilities and commitments will be fulfilled by implementing various international efforts and government ratified agreements relating to global warming, clean development mechanism, desertification and control of trade and commerce of wild life birds and animals. Tissue culture, root trainer nursery development, vegetative propagation etc will receive due attention:

- Conserve and protect the eco-system for bio-diversity and overall environmental stability;
- Watershed management and soil conservation;
- Ensure greater contribution of the forestry sector in the economic development;
- Continue and expand people-oriented aforestation program for poverty alleviation and increased employment opportunity including women;
- Achieve meaningful participation of local people, local government bodies, NGOs and government agencies in forestry program;
- Promote multiple land use technology like agro-forestry to ensure increased productivity and supplement agricultural production;
- Strengthen forestry extension activities to transfer improved technology and research information to end-users, e.g., local people and private homesteads;
- Increase facilities for education, need-oriented co-oriented research and experimental works;
- Human resources development;
- Encourage private plantation of rubber, teak, mango, jackfruit and other high-value trees;
- Facilities for eco-tourism and recreation;
- Mass initiative to be taken under Clean Development Mechanism and REDD;

### ***Forestry Management Policies, Strategy and Programs***

In line with the above objectives, policies, strategies and programs for the forestry sub-sector during the Sixth Five Year Plan will be as follows:

- a. An estimated 250,000.00 ha. land of hill forest and 7000.00 ha. of plain land forest will be planted during the plan period. Productivity of plantations will have to be increased manifold. Multi-purpose trees will receive special attention to increase the productivity of land under forest.
- b. Moratorium on felling in the natural forest will continue. Existing scattered and denuded hill forests will be replanted to increase productivity. Scientific management principles will be strictly followed to restore productivity of these lands.
- c. People's participation will be incorporated in all forest development activities. Integration of tree plantation and crop cultivation will be practiced. Program to rehabilitate the sal forests will be taken up as part of important development activities.
- d. The existing coastal afforestation and enrichment plantation will also be continued. The existing mature coastal plantations will remain. Some 40,000 ha. will be planted and replanted in the coastal areas. SRF is presently engulfed with severe ecological problems. Special attention will be given to the Sundarbans Reserve Forest (SRF) for its biodiversity conservation.
- e. To prevent the extent of damage by cyclones and tidal surges, Coastal Green Belt will be created and seedling will be raised to distribute or sale in the coastal zone.
- f. The redlands of Sylhet has long been lying unutilized. Under the Sixth Five Year Plan 5000 ha. of redlands will be planted.
- g. Development and establishment of different eco-parks and botanical gardens, safari park, national park have already been initiated during the Fifth Five Year Plan. Such activities will be continued under this Sixth Five Year Plan. Establishment of regional botanical garden will set uniform biodiversity conservation initiative in the country.
- h. Social forestry has now become a social movement in Bangladesh. Social forestry program will continue for expansion and strengthening of thana nurseries, union level nurseries, expansion and strengthening of forest extension and nursery training centers. Local government bodies will co-ordinate the afforestation program at the grassroots level under this program. During the Sixth Plan, NGOs will be more directly involved in afforestation program. They will motivate people through informal training and other extension sources and will help the Forest Department to implement such program.
- i. Past record indicates that wood energy contributes 13 percent of the total fuel consumption of the country. For the prevailing demand through social forestry, short/medium rotation fast

growing tree species have been planted along the roads and embankments, and on marginal and follow lands with active participation of local people.

- j. Non-wood forest products have substantial potentials for economic benefit. Bamboo, cane, murta, medicinal plants, honey, wax, gol-patta, etc. will be developed during the Sixth Five Year Plan in a systematic way.
- k. Emphasis will be given for forest land survey and updating the land record. Initiative has been made through formulating project which is expected to be implemented during the Sixth Five Year Plan. Forest areas will be demarcated to avoid unlawful encroachments.
- l. Presently, only 1.70 percent of the total land area falls under protected land area category which is about 10 percent of the total forest land. The protected area will be increased to 15 percent of the total forest land during the Sixth Five Year Plan period. Effective management for all the protected areas will be established.
- m. Regional botanical garden will be established in the northern and southern region. People's participation will be effectively utilized in conserving resources in the respective zones. Ban on the use of fuel wood in brick fields will continue and be made more effective and other modes of efficient use of energy will be promoted, e.g., improved cooking stove. Moreover, programs will be developed and implemented to protect the threatened, endangered species of flora and fauna and the fragile eco-system. Wildlife farming of deer and reptile like crocodiles, iguana, snakes and frogs, etc., will be encouraged and promoted on a commercial basis through private initiatives.
- n. Watershed management, wetland conservation etc. will be initiated in the new area and also will be intensified in the old area for better conservation of nature in the country during the plan period.

### **Private Forests**

In Bangladesh the village forest area is computerized of only 0.27 million ha. But this forest has been meeting most of the demand for forest products like timber, firewood etc. Over the years the village forests including the homesteads have grown into a major source of forest products especially with the initiative and involvement of local people. However, during the earlier plan periods, supports were preceded from the government mainly in terms of technical back-up and extension services. Extension, training and credit facilities will be provided to encourage the private sector to undertake rubber, teak, jackfruit and other high value crop plantation on a commercial basis.

### **MANAGING CLIMATE CHANGE**

Bangladesh is one of the most climate vulnerable countries in the world and will become even more so as a result of climate change. Floods, tropical cyclones, storm surges and draughts are likely to become more frequent and severe in the coming years. It is therefore essential that

Bangladesh prepares now to adapt to climate change and safeguard the future well-being of its citizen. Recently the issue of protection of the environment assumed special importance because of the accumulation of evidence of global warming and the associated climate change that it is likely to accompany. Climate Change is not the only problem of environmental degradation, the problem runs far deep and its reach in destabilizing many of the natural systems is potentially immense.

The challenge Bangladesh faces is to scale up investments to create a suitable environment for the economic and social development of the country and to secure the well-being of the people, especially the poorest and most vulnerable groups, including women and children. The Government of Bangladesh's Vision is to eradicate poverty and achieve economic and social well-being for all the people. This will be achieved through a pro-poor Climate Change Management Strategy, which prioritizes adaptation and disaster risk reduction, and also addresses low carbon development, mitigation, technology transfer and the mobilization and international provision of adequate finance.

### ***Implications of Climate Change in the Context of Bangladesh***

Human-induced changes in the global climate and associated sea level rise are widely accepted by policy makers and scientists. The Intergovernmental Panel on Climate Change (IPCC) concluded that “the balance of evidence suggests a discernible human influence on global climate”. The exact magnitude of the changes in the global climate is still uncertain and subject of worldwide scientific studies. It is broadly recognized that Bangladesh is very vulnerable to these changes because it is low-lying, located on the Bay of Bengal in the delta of the Ganges, Brahmaputra and Meghna and densely populated. Its national economy strongly depends on agriculture and natural resources that are sensitive to climate change and sea level rise.

Studies on climate change in Bangladesh report that the surface average temperature has been rising, though there is no agreement in these studies on the rate of change. Available literature suggests that a general warming is expected in future, where the rate of warming will be higher for the winter months (i.e., December, January and February) than the monsoon months (i.e., June, July, August).

There is a great deal of local-level perception-based evidence that the rainfall pattern has become erratic in recent years, if not in recent decades. However, the official agency has ruled out any possibility of drastic change in rainfall patterns beyond climate change. Intriguingly, a bi-modal shift in rainfall behavior has already been reported and rainfall may contribute to recent shifts in hydrological peaks in various rivers of Bangladesh. Local level experience and anecdotal evidence clearly show that in both Gaibandha and Jamalpur, people now observe two to three flood peaks instead of one, as the latter had been regularly observed decades ago.

**Increased susceptibility to natural disasters:** All the above phenomena clearly highlight the increased hazard susceptibility in terms of flood, drought, storm surge and salinity ingress in Bangladesh. As it has been reported in many articles, floods will be more intense, will inundate more areas and occasionally will perhaps prolong to devastate people's livelihoods, national economy and infrastructure. Similarly, literature suggest that the central western region will be hit hard due to exacerbated drought and marginal farmers would not be able to maintain livelihood thrusts by switching technologies to offset moisture stress. Simultaneously, increased salinity would tend to reduce crop suitability throughout the southwestern region and perhaps appear to be a deterring factor for industrial activities in the affected areas.

**Coastal impacts - water logging:** A northward shift in isohaline lines under climate change would compound the already alarming effect of water logging in the southwestern region. It has been reported that the sea surface temperatures along the northern Indian Ocean (i.e., Bay of Bengal) has gradually been rising steadily. Though there is no evidence that the frequency of occurrence of cyclone along the Bay of Bengal has actually changed over the past five decades due to rising sea surface temperatures that cyclone intensity might be increased by as much as 10% due to increased warming. A devastating example that Bangladesh has been observing in this regard is the Aila affected areas in Satkhira, Khulna and Bagerhat district.

**Coastal impacts-rough seas and cyclones:** There is a strong correlation between increasing sea surface temperatures and the occurrence of too many rough sea events in the recent years. High wind actions have been causing economic damage to fisher folks by quickly damaging the traditional boats.

High wind actions have been eroding sea-facing coastal islands; even embankments located far inland than the open sea. Sudden breaches in embankments have been destroying standing crops, inundating crop lands with saline water, thereby diminishing economic potential of the coastal lands, and forcing poor people to out-migrate from the affected areas by destroying their livelihoods.

A potential implication would be that future storm surges might be even higher than those observed currently. About 1.2 million hectares of arable land are affected by varying degree of soil salinity, tidal flooding during wet season, direct inundation by saline water and upward and lateral movement of saline ground water during dry season. Inundation of brackish water for shrimp farming is key causes for secondary salinisation of coastal lands. The severity of salinity problem has increased over the years and expected in increase in future due to sea level rise.

**Increased drought posed higher risks:** North-western region (Barind tract) of Bangladesh is normally drought prone. Droughts are associated with the late arrival or an early withdrawal of monsoon rains and also due to intermittent dry spells coinciding with critical stages of T. Aman rice. Droughts in May and June destroy broadcast *Aman*, *Aus* and jute. Inadequate rains in July delay transplantation of *Aman* in high Barind areas, while droughts in September and October

reduce yields of both broadcast and transplanted *Aman* and delay the sowing of pulses and potatoes. *Boro*, wheat and other crops grown in the dry season are also periodically affected by drought.

**Global Response to Climate Change & its Implication for Bangladesh:** The first definitive action came in 1992 at the UN Conference on Environment and Development held in Rio de Janeiro. The Conference established the United Nations Framework Convention on Climate Change (UNFCCC, or, Convention) which came into force in 1994. Countries which have signed the Convention and ratified are called Parties (194 in number). A Conference of Parties takes place every year. Linked to the Convention, a protocol has been signed in 1997 in Kyoto (hence called Kyoto Protocol) which came into effect much later in 2005. The Kyoto Protocol is a legally binding instrument under which industrialized countries committed themselves to a lowering of emission on an average of 5% below the 1990 level. The first commitment period ends in 2012. Bangladesh is among the least responsible countries for polluting stratosphere with GHG but it is the worst recipient of stress from the climatic perturbations.

The Bali Action Plan and Subsequent Developments: The thirteenth Conference of Parties in Bali saw some path-breaking changes in the negotiations for mitigation (i.e., emission reduction). The actions adopted in the Conference, known as the Bali Action Plan, calls for a *global shared vision and enhanced actions on 4 areas*, (i) mitigation (i.e., emission reduction), (ii) adaptation, (iii) finance and (iv) technology transfer and development as well as capacity development. The most interesting aspects were the decisions which dealt respectively with mandatory mitigation commitment by developed country parties and voluntary mitigation actions by developing country parties. All country parties are expected to reduce emission. Much of the debate that is going on since then revolves around the conditions under which these should become operational. Specifically, the relationships of these with the commitments under Kyoto Protocol beyond 2012, and the level of reduction pledged given the scientific evidence that there has to be drastic cuts in emission and its peaking within 2015.

Operationalizing Bali Action Plan in Bangladesh context: The Bali Action Plan makes it clear that the developing countries responsibilities and actions have to be looked at within the framework of sustainable development. Bangladesh, in subsequent submission regarding how to operationalize the Bali Action Plan, has put it in terms of ensuring four types of security. These are food security, water security, energy security and livelihood security (including health). Given that agriculture is expected to be heavily adversely affected, food security becomes the most important issue for Bangladesh. On the other hand, much of what happens to various sectors due to climate change relates to water, too much or too little of it or its spatial distribution between and within years. Furthermore, water is also a shared natural resource for Bangladesh with some of the country's neighbors which calls for regional actions for ensuring availability. Water security is thus absolutely essential. Livelihood security relates to the ultimate well-being of the people without which development is meaningless. As health becomes a major issue under

climate change, this is also included as part of well-being under climate change.

The issue of energy security is interesting in Bangladesh context. Given that Bangladesh is a low energy consumer while her demand for energy is increasing with development, the country must be allowed to consume as much energy as necessary for development. While this may seem obvious, a potential conflict may arise with the decision 1b(ii) under the Bali Action Plan that calls upon all developing countries to contribute, as their situations permit, to lower emission which means in many cases lowering energy consumption. But this may conflict with the right to development. Bangladesh has made it clear that while it will use energy in the most efficient way, it will not compromise with the needs for energy for development. Indeed, the four securities are inviolate principles of development which has been later incorporated in the Bangladesh Climate Change Strategy and Action Plan.

The Cancun Climate Agreement 2010: After two weeks of intensive negotiations amongst nearly two hundred countries taking part in the sixteenth conference of parties of the United Nations Framework Convention on Climate Change in Cancun, Mexico the Cancun Climate agreement has been reached

The Cancun agreement created a new Green Climate Fund to receive and distribute up to \$100 billion a year from 2020. Although this fund will take some time to actually be set up and start distributing funds to vulnerable developing countries the transitional committee to set it up has been agreed.

For the shorter term the developed countries have pledged and already started disbursing the \$30 billion of ‘fast start finance’ which was pledged in 2009 in the Copenhagen Accord.

There were also significant agreements reached on three of the negotiating tracks namely reducing emissions from deforestation and land degradation, technology transfer and adaptation.

On adaptation the Cancun Adaptation Framework was adopted with a high-level adaptation committee to oversee support for adaptation in vulnerable developing countries.

However, the mitigation targets under the Kyoto Protocol and establishing a new legally binding agreement was not resolved in Cancun but shall remain in play to be resolved at COP17 in Durban, South Africa in December 2011.

Against this backdrop it is crucial that Bangladesh positions itself strategically and take steps towards more effectively addressing its climate change-induced vulnerabilities particularly when related to disaster hazards.

### **Bangladesh Climate Change Action Plan**

Bangladesh prepared the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) in 2008 and revised it in 2009. This is now an approved document of the Government. This is

expected to be the blue print for subsequent integration of climate change issues such as adaptation, technology transfer, mitigation and development, and capacity building into the mainstream planning process.

The BCCSAP takes the Bangladesh submission on Bali Road Map, particularly the 4 securities, as the starting point and develops a sustainable development strategy centered on climate change. The programs mainly fall under development of crop varieties and development of technology suitable for agricultural production under various adverse climatic conditions that are likely to materialize in future. Three of the themes including food and livelihood security fall under adaptation, which is the prime need of the country. The other two adaptation programs concern construction and maintenance of necessary infrastructure, especially for water management. The third important area is disaster management as disaster risk reduction and post-disaster rehabilitation are going to engage a lot of energy and resources of the country due to climate change. Under the action plan, there are six major themes and 44 programs (Table 7.1):

- Food Security, Social Protection and Health: The very first relates to ensuring food and livelihood security, especially for the poorest and most vulnerable in society, including women and children. It focuses on the needs of this group for food security, safe housing, employment and access to basic services, including health.
- Comprehensive Disaster Management: This is to further strengthen the country's already proven disaster management systems to deal with increasingly frequent and severe natural calamities.
- Infrastructure: This Action Plan is to ensure that existing assets (e.g. coastal and river embankments) are well-maintained and fit-for-purpose and that urgently needed infrastructure (e.g. cyclone shelters and urban drainage) is put in place to deal with the likely impacts of climate change.
- Research and Knowledge Management: This is to predict the likely scale and timing of climate change impacts on different sectors of the economy and socioeconomic groups; to underpin future investment strategies; and to ensure that Bangladesh is networked into the latest global thinking on science, and best practices of climate change management.
- Mitigation and Low Carbon Development: This is to evolve low carbon development options and implement these as the country's economy grows over the coming decades and the demand for energy increases.
- Capacity Building and Institutional Strengthening: This is to enhance the capacity of government ministries and agencies, civil society and the private sector to meet the challenge of climate change and mainstream them as part of development actions.

The serious consequences of climate change, including especially the consequences for

Bangladesh, lead naturally to the question of what should be our response. Two types of response need to be considered. The first relates to adaptation, i.e., measures that have to be taken given the very high likelihood that climate change will occur and will have adverse effects. The second relates to mitigation, i.e. steps to be taken that might reduce the extent of climate change.

### **Adapting to Climate Change**

Supporting communities and people in rural areas to strengthen their resilience and adapt to climate change will remain a high priority in coming decades. However, with increasing urbanization and economic growth, the type of risks Bangladesh faces will change. New urban areas must be built to be climate resilient. This will call for better planning to ensure that the pattern of urbanization takes account of the likely risks from climate change.

The direct annual cost to the national economy of natural disasters over the last 10 years (damage and lost production) is estimated to be between 0.5% and 1% of GDP. As the economy grows, these costs are likely to increase in absolute terms and also as a proportion of GDP, if climate change is not factored into long-term economic planning.

Over the decades, the Government, with the support of development partners, has invested in:

- Flood management schemes to raise the agricultural productivity of many thousands of kilometers of low-lying rural areas and to protect them from extremely damaging severe floods.
- Flood protection and drainage schemes to protect urban areas from rainwater and river flooding during the monsoon season.
- Coastal embankment projects, involving over 6,000 km of embankments and polder schemes, designed to raise agricultural productivity in coastal areas by preventing tidal flooding and incursion of saline water.
- Over 2,000 cyclone shelters to provide refuges for communities from storm surges caused by tropical cyclones and 200 shelters from river floods.
- Comprehensive disaster management projects, involving community-based programs and early warning systems for floods and cyclones.
- Irrigation schemes to enable farmers to grow a dry season rice crop in areas subject to heavy monsoon flooding and in other parts of the country, including drought-prone areas.
- Agricultural research programs to develop saline, drought and flood-adapted high yielding varieties of rice and other crops, based on the traditional varieties evolved over centuries by Bangladeshi farmers.
- Coastal ‘greenbelt’ projects, involving mangrove planting along nearly 9,000 km of the shoreline.

These investments in ‘climate proofing’ have resulted on major impacts on economic growth and

poverty reduction. Over the last 10-15 years, the number of fatalities from natural disasters has declined, as the country's ability to manage risks, especially floods and cyclones, has improved and community-based systems have been put in place.

Over the decades, Bangladesh has also learnt how to plan and implement these programs more sustainably (e.g. to integrate capture and culture fisheries into the design and operation of flood management projects) by involving communities in planning, construction and management. We must undertake climate change investments with communities, learn from them, build on their knowledge of their local environments, and ensure that proposed investments meet their needs.

The Government recognizes that tackling climate change requires an integrated approach involving many different ministries and agencies, civil society and the business sector. There is also a need to strengthen the capacity of Government and other organizations to plan and implement development programs. Development organizations need to strengthen their capacity so that they can implement their regular programs more effectively and rise to the challenge of climate change.

### **Mitigation Activities**

Even though Bangladesh's contribution to the generation of GHGs is miniscule, the country wishes to play its part in reducing emissions now and in the future. The mitigation activity must be consistent with the country's energy security as the demand for energy will increase with the quickening of the pace of development. GoB, therefore, encourages increased energy and cost efficiency in the development and utilization of conventional energy. Emphasis is also given to the development of renewable energy, particularly solar homes and biogas plants so that the emission is as small as possible without jeopardizing the access to energy. In partnership with civil society, a major nationwide program of social forestry has also been implemented and coastal 'greenbelts' has been planted as a key adaptation-mitigation strategy. As Bangladesh industrializes and develops coal reserves, the country will seek the transfer of state-of-the-art technologies from developed countries to ensure that the country follows a low-carbon growth path. Bangladesh is also committed to reducing GHG emissions from agriculture and urban waste management. The country is further committed to the development of forestry resources and in this regard is exploring all avenues including the mechanisms under REDD (Reducing Emission from Deforestation and Forest Degradation).

Currently Bangladesh has two Clean Development Mechanism (CDM) projects concerned with solar energy and waste management. It looks forward to increasing the number of similar programs and experimenting with new instruments to generate carbon credits and facilitate carbon market financing in the future.

## Climate Change Benchmark and Targets for the SFYP

It is important to recognize that climate change is not something for which any quantitative benchmark in physical terms can be set. The agenda is large and involves creation and management of knowledge, formulation policies, and development of institutions. It also requires coordination and collaboration with regional and global partners. The BCCSAP 2009 provides a very convenient framework to build on the climate change agenda for the SFYP. Given the large agenda, it would be prudent to prioritize the urgent tasks that need to be taken up and may be completed, by and large, within the next five years. As such, the following may form part of target programs of the SFYP, listed in accordance with approved themes (Table 8.1).

**Table 8.1: Sixth Plan Benchmark and Proposed Target Programs**

Theme	Program	Benchmark	Target
<i>Food security, social protection and health</i>	Institutional capacity for research on climate resilient cultivars and dissemination	Capacity exists; certain new varieties released recently	Extension service to be geared up
	Adaptation against drought, salinity resistance and heat	Very limited experience	To be started
	Adaptation in fisheries sector	Very limited experience	Initial studies for ideas on adaptation
	Adaptation in livestock sector	Very limited experience	Initial studies for ideas on adaptation
	Adaptation in health sector	Very limited experience	Initial studies for ideas on adaptation
	Water and sanitation programs for climate-vulnerable areas	Limited experience	Immediate actions needed
	Livelihood protection in ecologically fragile areas	Little experience	Initial interventions to be made
	Livelihood protection of vulnerable socio-economic groups	Major experience	To be made immediately
<i>Comprehensive disaster management</i>	Improvement of cyclone and storm surge warning	Limited experience	Needs review for improvement
	Awareness raising and public dissemination	Some experience	Needs review for improvement
	Risk management against loss of income and property	Limited experience	Needs review and pilot intervention
<i>Infrastructure</i>	Repair and maintenance of existing flood embankments	Limited activity	To be taken up immediately
	Repair and maintenance of existing cyclone shelters	Limited activity	To be taken up immediately
	Repair and maintenance of existing coastal polders	Limited activity	To prioritize and taken up immediately
	Urban drainage needs assessment	Limited activity	To prioritize and taken up immediately

<b>Theme</b>	<b>Program</b>	<b>Benchmark</b>	<b>Target</b>
	Adaptation against Floods and constructing new embankments and flood shelters	Limited activity	Needs review for improvement & construction
	Adaptation against tropical cyclones and storm surges through land use planning	Limited activity	To be taken up immediately
	Planning & Design of river training and bank erosion mitigation works	Major experience with limited success	Needs review for significant improvement
	Resuscitation of rivers and khals through dredging	Limited activity	To prioritize and taken up immediately
	Earthquake resilient structure and land slide protected structure have to be constructed and retrofitted	Limited activity	To prioritize and taken up immediately
<i>Research and knowledge management</i>	National Centre for research, knowledge management and training on disaster and climate change	Limited activity	Scope to be extended immediately
	Climate change modeling and their impacts	Limited human and institutional capacity	Training to be arranged for imparting skill
	Preparatory studies for adaptation against SLR	Capacity exists; limited experience of adaptation	To be initiated and continued
	Research on the climate change adaptation for knowledge and technology generation	Capacity exists, some technologies are in use	To be expanded the scope and ongoing effort
<i>Low carbon development</i>	Renewable energy development	Limited experience	To be expanded
	Management of urban waste	Limited experience	To be taken up immediately
	Aforestation and reforestation	Some experience	To be taken up immediately
	Rapid expansion of energy saving devices	Some experience	To be taken up immediately
	Improving energy efficiency in transport sector	Limited experience	To be introduced in phases
<i>Capacity building</i>	Revision of sectoral policies for climate resilience	-	Immediate need
	Mainstreaming CC in national, sectoral and spatial development programs and policies	-	Immediate need; BCCSAP to be part of National Plan
	Strengthening human resource capacity	Limited capacity	To be started
	Gender considerations in CC	-	To be started
	Strengthening institutional capacity	Limited capacity	To be started
	Mainstreaming CC in media	Limited experience	To be started

The Climate Change impacts that Bangladesh may face present a daunting challenge for policymakers. Adaptation is the prime need right now as any delay will create havoc with the growth prospects of the economy and deny millions of people even their basic necessities.

International support might come eventually but may be woefully inadequate given Bangladesh's enormous requirement of resources annually to combat the menace of Climate Change.

In this situation, the Sixth Plan will place first priority on the repair and maintenance of coastal polders and defenses which have been washed away first by Sidr and then by Aila. The second priority will be to mainstream Climate Change issues of adaptation, mitigation and capacity building based on the actions identified in Table 7.2.

Bangladesh will continue its active dialogue and participation in international forum to ensure compliance with the agreed global agenda while at the same time ensuring that Bangladesh's rights to seek progress with economic growth and social development are protected. Similarly, Bangladesh will work hard to ensure that equitable solutions are found to help Bangladesh finance appropriate adaptation measures resulting from past global actions. Nevertheless, it is recognized that the financing needs for proper adaptation are large and that global funding will be limited. Proper funding of priority adaptation programs will be a key policy focus in the SFYP.

### **Implementing the Strategies**

The Government recognizes that it needs to strengthen existing institutions and may also need to create and develop new ones to respond effectively to the enormous challenges of climate change. A National Steering Committee on climate change has been established to coordinate and facilitate national actions on climate change. It is chaired by the Minister of the Ministry of Environment and Forests and comprises the Secretaries of all climate-affected Ministries and Divisions, and representatives of civil society and the business community. It reports to the National Environment Committee, chaired by the Prime Minister.

The National Steering Committee on Climate Change also provides guidance on international climate change negotiations, including bilateral, multilateral and regional programs for collaboration, research, exchange of information and development. A Climate Change Unit will be set up in the Ministry of Environment and Forests, to support the National Steering Committee on Climate Change. It will work with Climate Change Focal Points to be set up in all ministries. In fact, eight are already in place.

The Bangladesh Climate Change Strategy and Action Plan was originally developed through a participatory process involving all relevant ministries and agencies, civil society, research organizations, the academia and the business community. Programs funded under the Action Plan will be implemented by the line ministries and agencies, with participation, as appropriate, of other stakeholder groups, including civil society, professional and research bodies and the private sector.

While adaptation and mitigation are the main tasks, finance and technology are the means to

achieve them. The two areas have therefore attracted much attention during the climate change negotiations from the beginning. The broad principles are clear. First, the present day climate change is the result mainly of historical GHG emission by Western and other industrialized countries. The finance for adaptation and mitigation therefore has to come mainly from these countries which does not preclude national action by the affected countries on their own. How the funding may be generated is a matter of international negotiation. However, Bangladesh wishes that it be under a new financial architecture in which LDCs, G-77, China and other groups will have voice in generating, allocating and disbursements of the funds.

All funds for adaptation has to be on a purely grant basis as the need for adaptation arise because of climate change due to the historical emission of GHGs by the industrialized countries. Mitigation depends mainly on energy production, distribution and consumption technology. Often the most efficient technologies are expensive. Bangladesh wishes to do her bit, however small, in the global effort to minimize GHGs emission by adopting such energy-efficient technology. However, unless the additional costs of adopting efficient technology is not paid for through the international financial mechanism, Bangladesh will not be able to adopt them. Like adaptation, this part of the additional cost of procuring efficient technology should be financed on a grant basis.

The Government has established a National Climate Change Fund. The Government desires that all development partners who so wish will contribute to this fund. Exactly what would be the operational modality may be worked out by the government and the particular development partner. But the cardinal principle of the operation of the fund shall be that it will be used solely to finance activities under the Action plan. Secondly, this contribution will not be a substitute for other normal funding for development by the development partners.

## **DISASTER MANAGEMENT**

Bangladesh, because of its geo-physical location, topography and high population density is at risk of recurring natural and human induced hazards with an average 10 million people affected every year. Frequent floods, cyclones, river bank erosion, water-logging, drought and tornadoes significantly disrupt Bangladesh's economy and the lives and livelihoods of its population. Bangladesh is in the top of the list of 10 most disaster affected countries. During 1990-2008 the country incurred annual loss of US\$2,189 million (1.8% of annual GDP) from disasters. Climate change is adding a new dimension to the current risk environment with global predications suggesting that the country could expect more intense cyclones, storm surge and flooding (disaster)-and that a rise in sea levels could have a significant impact on the lives and livelihoods of up to 30 million people.

Disaster management has assumed an important concern for the government and the people. The Government of Bangladesh sets the **Disaster Management Vision** as *“to reduce the risk of people, especially the poor and the disadvantaged, from the effects of natural, environmental and*

*human induced hazards, to a manageable and acceptable humanitarian level, and to have in place an efficient emergency response system capable of handling large scale disasters.”*

Disaster Management in Bangladesh is guided by a number of national and international drivers which among others includes a) the Standing Orders on Disasters first introduced in 1997; b) the Millennium Declaration of September 2000 to protecting the vulnerable from the consequences of natural disasters; c) the Hyogo Framework for Action (HFA) 2005-15; and) the SAARC Framework for Action (SFA) 2006-15. Bangladesh recognizes that disaster management, which includes both risk reduction and response management, is the responsibility of all sectors, all organizations and all agencies. Disasters can either be human induced, natural or even arising out of technological causes; the risk is dynamic and changing. Therefore, mainstreaming risk reduction efforts within the government, NGOs and private sector is critical to achieving sustainability in all hazards risk-reduction interventions.

In last few years, country’s emphasis has been placed to create a foundation to achieve a paradigm shift in disaster management from a conventional relief and response practice to a more holistic risk reduction culture. To achieve this paradigm shift, the Standing Orders on Disasters (SOD) was revised and the National Plan for Disaster Management 2010-15 (NPDM) was introduced. In April 2010 the National Disaster Management Council approved the Revised SOD and NPDM which will guide Government sectoral ministries and departments, NGOs, civil society organizations and public representatives to carry out disaster risk reduction and climate change adaptation functions. Disaster management has become an integral part of the educational curricula at primary, secondary and tertiary levels as well as major training courses of all public training institutions. The Executive Committee of the National Economic Council (ECNEC) on 8<sup>th</sup> October 2007 meeting approved the decision to include information on “lessons learnt from the previous project” as well as “Risk Identification and Risk Mitigation” in all Development Project Proposal (DPP) and Working Paper for the ECNEC as the first milestone achieved to ensure the integration of risk management in the development activities.

Bangladesh has also achieved a number of other milestones. The country has established a planning and strategic framework with the following seven strategic goals which were set as the basis of action matrix under the NPDM:

- Professionalizing the disaster management system
- Mainstreaming disaster risk reduction and climate change adaptation
- Strengthening institutional mechanisms
- Empowering at risk communities
- Expanding risk reduction programming across all hazards and all sectors
- Strengthening emergency response systems

- Developing and strengthening regional and global networks.

### **Disaster Management Strategy in the SFYP**

The SFYP will carry forward the implementation of the approved National Disaster Management Plan 2010-2015. It will continue the comprehensive all hazard, all risk and all sector approach and be built on the foundations laid in the last several years and learn from the positive experiences. The Bangladesh Disaster Management Model which made the basis for revising the disaster management policy and planning documents has mainly comprised of two inter-related elements: Disaster Risk Reduction and Emergency Response. The plan will focus more on Disaster Risk Reduction (DRR) in order for reducing the relief and recovery needs and also be prepared to deal with any emergencies.

### **The DRR Activities**

These include:

- Professionalizing the Disaster Management systems and institutions through execution of the Disaster Management Regulatory Framework already established.
- Strengthening the Disaster Management Bureau's capacity to monitor and take part in cross-government mainstreaming of disaster risk reduction through pre, during and post disaster assessment.
- Strengthening institutional capacity of government sectoral ministries, departments and other technical and academic actors in ensuring inclusion of DRR and Climate Change Adaptation (CCA) issues and agendas within their respective sectoral policies, plans, programs and allocations of businesses.
- Empowering at risk communities to withstand and cope up with the disastrous situations through community and household level risk reduction interventions and livelihood support services.
- Reducing vulnerabilities of at risk communities through social safety nets – ensuring protection of women, children, the aged and differently able people giving due attention to their special needs.
- Preparedness for Earthquake and Tsunami risks through
  - vulnerability and risks assessments and mapping,
  - hazard land zoning,
  - Land use planning
  - contingency planning,
  - strengthening search and rescue capacity of fast responding institutions and

- mass public awareness
- Building Knowledge on DRR and CCA through
  - piloting and adaptation research
  - Establishing an Integrated Approach to disaster management including Climate Change and climate variability impacts
  - Developing climate change scenarios and accordingly anticipated hazard risks following climate change
  - Updating hazard maps such as flood, cyclone, drought, earthquake and tsunami
- Strengthening national capability to reduce the risks of Chemical, technological and biological hazards; Infrastructure collapse; Fire; Road accidents; Launch capsizes and Landslide.
- Strengthening national capacity for erosion prediction and monitoring.
- Developing and establishing policy and planning frameworks to incorporate all hazard risks.
- Establishing public - private partnerships for disaster risk reduction.
- Supporting regional and global risk reduction initiatives and ensure representation that is consistent with the government integrated all sector risk reduction approach at all levels.

### **The Emergency Response Activities**

These include:

- Strengthening and improving an all Hazard Early Warning Systems through technical, technological and physical capacity strengthening of Bangladesh Meteorological Department and Flood Forecasting and Warning Center.
- Establishing and strengthening regional networks for real time data/information sharing
- Establishing an effective Community Alerting System through capacity strengthening of Cyclone Preparedness Program and Disaster Management Committees (DMC) at District, Upazila and Union levels.
- Introducing Contingency Planning and Disaster Preparedness across all sectors and at all levels.
- Establishing and improving Search and Rescue Mechanism by: (i) preparing a potential search and rescue scenario; (ii) strengthening Search and Rescue capability of first responding institutions by providing training and equipments support; (iii) establishing an all hazard volunteer groups for Search and Rescue operations; (iv) establishing an effective command and control system and, (v) construction and maintenance of sufficient multi-

purpose disaster shelters.

- Strengthening GO-NGO and private sector co-ordinations on relief and emergency management.
- Developing and establishing a well coordinated multi-sectoral post-disaster recovery and reconstruction mechanism.
- Establishing and operational a National Disaster Management Information Centre connected with all the 64 Districts and high-risk Upazila DMCs to: (i) archive and share disaster risk reduction information; (ii) to produce and share policy briefs; (iii) to receive and disseminate early warning information; and (iv) to receive and disseminate information on emergency need assessments and management.

**Strengthening institutional process in disaster management:** Various government and non-government organizations are working in the field of disaster management and mitigation. A key effort in the SFYP will be to strengthen the inter-ministerial coordination as well as coordination with the NGOs.

As per the revised SOD and NDMP the Disaster Management and Relief Division, Ministry of Food and Disaster Management is the focal agency for disaster risk reduction and emergency management. The focal point for disaster management is the Ministry of Food and Disaster Management and the Disaster Management Bureau under the Ministry. The Bangladesh Meteorological Department (BMD) is responsible for forecasting natural disasters, particularly cyclones, droughts, storms etc. The Bangladesh Space Research and Remote Sensing Organization (SPARRSO) is responsible for providing satellite images while the Flood Forecasting and Warning Centre (FFWC) of Bangladesh Water Development Board is entrusted with the responsibility of forecasting flood. A number of institutions and Bureaus under different ministries such as the National Disaster Management Council headed by the Prime Minister, the Directorate of Relief and Rehabilitation, the Directorate General of Food, Department of Public Health Engineering, The Local Government Engineering Department, Water Resources Planning Organization (WARPO) and Armed Forces Division are involved in disaster management. Given these multitude of governmental organizations, better coordination will increase the effectiveness of the response as well as cut inefficiencies and wastage.

## **CHAPTER 9: IMPLEMENTING THE PLAN: THE CHALLENGES OF GOOD GOVERNANCE, ADMINISTRATIVE CAPACITY, AND MONITORING AND EVALUATION**

Along with sound development strategy, good programs and good policies, the ability to implement the Plan and evaluate the results of the Plan are critical determinants of the success of the planning effort. Proper implementation of the Plan requires attention to good governance, public administration capacity and monitoring and evaluation. The challenge of ensuring good governance in Bangladesh is well known. Low public administration capacity, occasional weaknesses in economic management and corruption lie at the heart of the overall shortcoming in national governance. As a result, the public sector has not been able to play as effective a role as could have been the case in providing services and creating an environment for growth.

The Government understands that without fundamental reforms of core institutions, improvement in public administration capacity and a strong anti-corruption strategy, the ability to implement Vision 2021 and the underlying five year development plans will be seriously compromised. Similarly, an effective monitoring and evaluation (M&E) system is essential to monitor the implementation of the plan and associated programs. Without a solid M&E capability, there is a risk that resources might get locked in over the medium-term into programs that are not working or relevant in the changing economic environment. A strong M&E capacity is therefore an urgent national priority. The Government also recognizes that these are long-term challenges and require long-term coordinated and sustained efforts.

### **THE GOVERNANCE CHALLENGE IN BANGLADESH**

Governance has been conceptualized in a variety of ways and ranging from a very narrow to a very broad definition. Broadly defined governance reflects all rules and procedures, formal and informal, in economic, political and administrative spheres, organizational entities entrusted with formulating and implementing such rules of the game as well as macro, micro, or economy wide policies. A recent World Bank study outlines the principal dimensions of governance or institutional quality that includes: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption<sup>25</sup>.

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<sup>25</sup> Kaufmann, D., Kraay, A. and Mastruzzi, M (2005). The Worldwide Governance Indicators: Methodology and Analytical Issues, Policy Research Working Paper 5430, The World Bank: Washington DC.

From a pragmatic point of view the quality of governance depends on the quality of institutions. A country that has good governance also has good institutions. Effectiveness of government institutions is imperative for good governance through which a country could achieve its policy targets and development goals. The governance issues, particularly the quality of government institutions, have important implications for long-term economic growth and poverty reduction in Bangladesh and other developing countries.

### **Measurement of Governance**

The World Bank has developed quantitative indicators of governance covering the three dimensions of governance: political, economic and institutional, each of which is represented by two indexes.<sup>26</sup>

- The political dimension, which is indicated by the two indexes namely, voice and accountability and political stability, relates to the process by which governments are selected, monitored and replaced.
- The economic dimension, which is also indicated by two indexes, viz, government effectiveness and regulatory quality, represent the ability of the government to design and execute policies and deliver public services. Government effectiveness is a composite measure of efficiency and independence of the bureaucracy, the quality of the public service provided and the credibility of polices. The regulatory quality indicates the degree of market friendliness of the policies or the distortions introduced by them.
- The institutional dimension of governance is summarized by the rule of law and control of corruption. The rule of law index reflects to what extent rules are adhered to, contracts are enforced and deviations are penalized. It encompasses the juridical environment in which the economic activities are carried on. The control of corruption refers to the extent to which incumbents use public office for private gain; it includes petty and grand corruption and the degree of state capture.

The rankings for Bangladesh on these governance indicators ranking are low. Moreover, there has been little improvement over time. The coexistence of poor governance as measured by this approach with good progress with most development indicators in Bangladesh has led many to think of Bangladesh as a development paradox. However, there are many unanswered questions including the appropriateness of the governance indicators, measurement biases and causality, to draw such a drastic conclusion. The progress with past development is explained by the

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<sup>26</sup> However, these are not the only types of governance indicators available. There are other governance data available including compendium by OECD, Arndt ad Oman (2006). Uses and Abuses of Governance Indicators; the EC and UNDP (2004). Governance Indicators: A User Guide; and the World Bank (2006) Global Monitoring Project. The type of governance data available can be categorized as, features of political system, features of legal and regulatory systems, investment climate surveys, governance diagnostic surveys. For a summary see Kraay, A. (2008). "Governance Indicators: where are we, where we should be going?" MPRA Paper 8212, University Library of Munich: Germany

implementation of many good policies and some institutions that have grown well. All these suggest that looking for simple correlation between any specific quantitative measures of governance and development progress is fraught with risks.

Governance, which mostly deals with institutions, is a long-term challenge. There is very little debate that good institutions are necessary for sustaining higher growth and progress with other indicators of development including poverty reduction and social equity. Bangladesh has instituted good policies and made progress with a number of institutions that have helped secure progress with development since independence. But there is a long way to go to achieve middle class status and further progress with the development of good institutions will be critical for that. So, the governance challenge moving forward is the need to establish institutions that support the sustainability of the development effort including restoring the gains from missed opportunities. These require that governance, measured in terms of progress with institution building and reduction of corruption, must improve continuously. Good institutions like the rule of law, a functioning judiciary, accountable and effective public service agencies, sound government agencies dealing with finance, taxation, planning, public administration and monetary policies are essential to ensure sustained progress with development.

### **Sixth Plan Strategy for Addressing the Governance Challenges**

The Government recognizes that the lack of good governance is felt in all sectors of the economy to a varying degree and their manifestations are also different. Unless there is improvement in overall governance poor people will suffer from deprivation, service delivery will be remain poor, and economic opportunities will be limited. To achieve the goals of vision 2021 and underlying development plans and programs it is imperative to improve governance by strengthening institutions and reducing corruption.

The Government also recognizes that Bangladesh's citizens are entitled to expect good governance as an end unto itself. Citizens expect the Government to ensure the delivery of key public goods and services, such as safety and security of person and property or regulation of elements of the market. Citizens can also expect that the Government carries out its duties transparently, without corruption, and in due consultation with stakeholders in society. Attaining better governance requires stronger public sector institutions which are able to carry out their functions effectively and in the public interest. Institutions need an effective system for recruiting and retaining human resources, efficient deployment of these resources at national and local levels, and ever increasing capacity, including through the use of ICT. At the same time, institutions need to have robust accountability mechanisms, both through checks and balances within the government and feedback mechanisms for society at large. Accountability spurs better performance and counters corruption and inefficiency.

The Plan prioritizes actions to build underlying systems for the public sector's operation which over time should lead to better performance. It also focuses on strengthening some key institutions which are critical to good governance. Improving governance is a continual process that is not linear, with sustained achievement occurring gradually over a long period of time. The Plan will put into motion feasible actions in the next five years that in turn will lead to better practices and stronger institutions of governance.

**The Vision:** The vision envisages a public sector with strong independent institutions of accountability, a high degree of transparency and responsiveness to the people, strong systems for managing human and financial resources which ensure delivery of quality services to the people's doorsteps.

### **Governance Achievements to Date**

A number of important steps have taken place in recent years to improve governance. Notable among these are:

- Implementing Digital Bangladesh, a comprehensive set of initiatives to massively expand the Government's use of ICT to improve efficiency and effectiveness as well as institute greater transparency and improved communications mechanisms with citizens.
- Safeguarding electoral democracy through ensuring a strong, independent Election Commission which has overseen free, fair, competitive elections at national and multiple local levels.
- Developing a national identification system and cards which eases transactions for citizens.
- Streamlining and simplifying institutions (establishments, conventions and rules and regulations), eliminating administrative barriers, deregulating bureaucratic procedures.
- Developing one-stop services, modernizing administration through regulatory reforms.
- Increasing transparency and accountability in the budget and procurement processes, government auditing, and customs and tax administration.
- Improving the ability of elected local government to contribute to local development and to be responsive to citizens' needs and priorities, including through an enhanced transfer system and reinstating elected government at the upazila level.
- Working with the business community to implement codes of conduct and undertake deregulation and legal/procedural reform;
- Building a coalition with the media, and civil society and the private sector to strengthen their role as watchdog and also undertake public awareness campaigns and advocacy programs.

- Establishing a framework to counter prevention of money laundering and financing of terrorism.
- Establishing and operating a legal framework to counter corruption through national and international channels, including joining and regularly reporting on the UN Convention Against Corruption (UNCAC).
- Introducing the ‘Citizen Charter’ by the ministries and agencies to enhance accountability.
- Passage of a strong Right to Information Act and corresponding rules and a strong program for implementation in which over 7000 information officers have already been designated in public authorities ensure that their services reach the people.

The Government recognizes that while these are important building blocks to better governance, further efforts are needed to establish a coherent governance improvement plan with well defined priorities and concrete actions. During the Sixth Plan the efforts to improve governance will focus on the following priority areas.

#### **a) Making parliamentary process effective**

The Parliament plays a pivotal role in promoting good governance through its ability to legislate and to hold the executive accountable through the budget process and scrutinizing actions undertaken by the Government. Measures to be taken to strengthen Parliament’s role are:

- i) Increasing the number of hearings open to the public, particularly of important budgetary committees such as the Public Accounts committee.
- ii) Promoting standards for policy debate.
- iii) Ensuring greater cross-party representation in standing committees and encouraging multi-party participation in formal reviews of Government actions.

#### **b) Strengthening local governments**

The current local governance initiatives if well implemented could develop effective systems of public participation as well as accountability that will ensure that government servants are responsible to elected officials, and elected officials are in turn responsible to their constituency. The Government has already been taking steps to strengthen local governments. Efficient and dedicated local government bodies can deliver services and generate social and economic awareness to achieve the national goals. Local government reforms are discussed in greater detail in Section 2.

### **c) Reforming public services**

The public service reform aimed at establishing a high performing civil service is fundamental to improving the governance scenario. This is one of the core government strategies to improve governance. A strong civil service will be of utmost importance to strengthening implementation capacity of the government at both the national and local levels. The reform includes improving recruitment and promotion procedures that emphasize quality and merit, ensure increased participation of women at decision making levels through application of quota, undertaking of continuous on the job training, defining civil service code of conduct to address problems of corruption, and developing institutional mechanisms to reduce patronage and political pressure. Formulations of the Civil Service Act addressing promotions, transfers and placement policies and the Public Administration Reform Road Map (2010-2014) are underway. Besides, capacity building initiatives of the administration on gender related issues will also be mainstreamed in the process. Civil service reform issues are reviewed in greater detail in Section 2.

### **d) Controlling corruption**

Corruption wastes national resources, causes social inequities, and creates distrust among people. The Government recognizes the importance of tackling corruption and is aggressively seeking to reduce the opportunities for corruption through increasing use of e-governance tools, mandating the development of citizens charters that spell out what citizens can expect, as well as shifting the operations of Government onto a more transparent basis and providing citizens with a mechanism to exercise their right to information. The Government has also acceded to the UN Convention against Corruption and is working to improve the legislative framework and capacity in government counter money laundering, a key feature that encourages corruption to fester. These efforts will be sustained.

The Government recognizes that in addition to preventive efforts there needs to be a credible threat of prosecution for corruption in order to deter officials from abuse. At the same time, there must be a strong framework for investigating and prosecuting corruption that allows for enforcement while at the same time ensuring due process and accountability of the entity fighting corruption. The Anti-Corruption Commission will thus be put on a more sustainable footing by providing it with clear independence to carry out investigations and prosecute, but with high levels of accountability to other public authorities to ensure that its actions are unbiased and in the public interest.

At the same time, the Government will initiate a sustained campaign to create public awareness and education in preventive measures, creating the right conditions for the public sector to enhance public service delivery. The Government will put in place some key reforms, such as introducing legislation and practices that will enhance the transparency of fiscal operations of the government.

### **e) Strengthening the Election Commission**

As a flourishing democracy, in Bangladesh elections are the fundamental mechanism for ensuring government accountability. It is through the people's choice through free and fair elections that government has legitimacy. It is through these same elections that the people are able to communicate their needs and aspirations which in turn must be met by government. The integrity of the electoral process is of utmost importance in ensuring good governance in Bangladesh.

There have been strong strides in developing electoral democracy. The establishment of a reliable voter lists and issuance of individual ID cards were major achievements that underpinned the widely acclaimed 2008 Parliamentary elections. Subsequent elections to various tiers of local government as well as by-elections to Parliament have been held in an open, free, competitive, and highly credible manner. The Government remains committed to ensuring that elections in the future meet the highest standards of fairness and openness.

The key institution ensuring the high quality of elections has been the functioning of a nonpartisan, competent Election Commission which serves as custodian for the voter list and the election process. The Government will establish a mechanism for selection of members of the Commission that lays out clear criteria for nonpartisanship, competence, and independence in order to sustain the independence of the institution.

### **f) Judicial Reforms**

An effective system for ensuring justice is a critical component of a well-governed state. An effective judiciary is able to enforce common "rules of the game" which increases investor confidence and economic activity that leads to growth and ultimately poverty reduction. At the same time, an impartial judiciary is integral to ensuring the protection of the rights of citizens especially the vulnerable group including the poor, the women, and other socially disadvantaged groups.

The Government and the Judiciary itself have supported several steps to improve the quality and pace of the civil justice delivery system as well as make the system more accessible to the users, particularly to the disadvantaged, women and children. In particular, it has supported the development of alternative dispute resolution (ADR) mechanisms, legal aid services and training programs for the judges and court support staff. There has also been an attempt to bring the legal community including the judges and the people of the legal profession under the canopy of the National Legal Aid Organization having the responsibility of offering pro-poor services to the impoverished and the vulnerable people. The judiciary was also separated from the executive with effect from 1 November 2007. All courts have been placed under the Supreme Court.

Despite this progress the Government is aware of the need to further strengthen the judiciary to improve the quality and pace of service delivery. The separation of judiciary from the executive has not yet brought expected results as there remain a number of areas that need to be resolved.

The vision for the development of the Judiciary is to have a more efficient, transparent system of delivering justice for the citizens of Bangladesh. In this context the key reforms envisaged under the Sixth Plan include:

- i. Appointment of an Ombudsman with sufficient staff as guaranteed by the Article 77 of the Constitution.
- ii. Establishing clear, transparent criteria and process for the recruitment and selection system ensuring competent judges are selected.
- iii. Ensuring that the incentives in terms of pay and service conditions are appropriate to create an environment for dedicated services.
- iv. The Judicial Service Commission and its Secretariat will be equipped to monitor the performance of all judges and undertake evaluation on the basis of objective criteria.
- v. Improving the work environment in the courts with proper office equipment and required support staff.
- vi. Establishing a separate pay commission to formulate a separate salary structure for officials of judicial services reflecting the nature of their job and consistent with public sector compensation policy.
- vii. Similar to the case with other public officers, introducing a system where judges have to reveal assets and properties belonging to them and their family members at the time of entry, during the tenure intermittently and after leaving the office.
- viii. Streamlining administrative procedure of the court so that they are easily understood, and arbitrary decision making by court staff is minimized.
- ix. Introducing a computerized court case recording and tracking system and make the information accessible to people through the website.
- x. Enable NGOs to work to facilitate access to the judicial system by the poor, women and vulnerable people and in building awareness among them.
- xi. Alternative dispute settlement mechanisms will be strengthened by regulating them by formal and traditional laws. Formal alternative dispute resolution mechanisms could be attached to courts or to government agencies, such as land and labor boards.

### **g) Promoting E-governance**

The Digital Bangladesh initiative championed by the Prime Minister will be a key instrument to improve governance. International experience amply demonstrates the potential of electronic governance (E-governance). In the recent years ICT sector has shown some promise but adoption of ICT has been limited. Recently national broadband policy has been framed. However, to promote E-governance a lot more needs to be done<sup>27</sup>.

The e-governance vision for SFYP is that citizens will be able to receive comprehensive information and conduct most simple transactions with government agencies using ICT. Actions to be undertaken under the Sixth Plan in pursuit of this vision are:

- i. Formulating and implementing a comprehensive strategy to provide the maximum amount of information as well as forms, applications, and other documentation which citizens need to file online by all ministries/agencies.
- ii. Adoption of an ICT legal and operational framework which provides for interoperability of Government systems, privacy and security controls for use of information.
- iii. Establishing a nodal unit responsible for monitoring and evaluating the rolling out of e-governance tools.
- iv. Enhancing local connectivity, including measures to ensure access of the poor and other disadvantaged groups.
- v. Digitizing key records and instituting effective digital processing of ongoing cases/processes and providing for easier access to the public of these records as appropriate, notably property registers, court management, and tax administration.
- vi. Continuing capacity building of officials at all levels.
- vii. Overall coordination of these initiatives, and leadership on developing the legal and operational framework, will be carried out by the Prime Minister's Office with support from the Bangladesh Computer Council (BCC). Implementation of capacity building and improvement of infrastructure will be undertaken by the BCC. Digitization efforts will be the responsibility of the respective ministries/agencies.

### **h) Improving project implementation capacity**

The Government is acutely aware of the need to continuously upgrade project implementation capacity. In this context following measures will be taken:

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<sup>27</sup> The ICT issues are discussed in full detail in Chapter 6 of Part 2 of the Sixth Plan document.

- i. Shifting from the existing project-by-project approach to a more program and results based approach that is better linked with the plan and the medium-term budgetary framework.
- ii. Bringing improvement in project quality through more realistic project design, better assessment of implementation capacity, and more realistic costing.
- iii. Project directors would be given more authority for accelerating the ADP implementation.
- iv. Aid disbursement procedures would be simplified.
- v. Procurement of goods and services would be made on a timely basis with due regard to qualitative and governance aspects of procurement.
- vi. Emphasis will be placed on strengthening the capacity of government officials regarding project implementation through proper assignment of staff, through better training, and through better accountability.
- vii. Management information system would be introduced and made operational so that implementation status is monitored at least on a quarterly basis.
- viii. Greater attention will be given to make project implementation results-based and not just a matter of speedier use of public funds.

**i) Improving sectoral governance**

Corruption at the sectoral and entity levels is also a major governance issue. Therefore sectoral level anticorruption strategies would be formulated that would focus on minimizing risks in the flow of goods and services. Special emphasis will be placed on improving governance in areas where the scope for corruption and rent seeking are particularly prominent, including tax administration, land administration, and basic service delivery institutions such as health, education, population and nutrition. E-governance will be introduced in these areas and capacity of sectoral Ministries and agencies will be strengthened on effective delivery services ensuring participation of beneficiaries.

**j) Enhancing transparency and access to information**

Improving the provision of information by the Government is a key tool for improving service provision and opportunities for the people, especially for the poor. A better informed population is better equipped to make sure that the services provided are done so efficiently and reach their intended beneficiaries. People are also more able to take advantage of the rights afforded to them by the State. A better informed population is also more likely to be in a position to participate constructively in the economy as well as in interacting with Government in policy and decision-making. Greater information about the laws, regulations, and decisions also help citizens comply and serves the purpose of strengthening rule of law.

Transparency is a key instrument for hold Government accountable for its performance. Openness of the budget, financial management, audit, and performance information associated with service delivery empowers the population to ensure that the public sector is working in their interest. It is an important mechanism to deter corruption as well as enlisting society at large in identifying and taking measures against corruption should it occur.

The Government underscored its commitment to transparency in many ways, most notably through passage of the Right to Information Act 2009 which provides a strong framework for citizens to access information. It provides for a detailed process to apply for information from all public authorities and seek remedy when information is not applied. It also places an obligation on all public bodies to disclose proactively a wide range of information. Pursuant to the law, it established an independent Information Commission which has taken an active role in promoting the usage of the Act. A result of the Digital Bangladesh agenda has been the increased provision of information through Government agencies' websites as well as innovative use of SMS over cell phones. In addition, public finances have become far more transparent with the immediate publication and dissemination through its website of quarterly budget execution reports. Government policy has become more transparent with increased use of technology to solicit comments and discussion on drafted bills prior to approval in the Cabinet and discussion in Parliament. The Government wants to build on these initiatives, particularly in carrying out proactive disclosure and encouraging applications for information under the Right to Information Act (RTI).

The Plan's vision is to build a culture of Government openness that guarantees citizens' right to information about the public sector. Important actions to be undertaken in pursuit of that vision are:

- i. Establishing a central office for providing support to, and overseeing implementation of, proactive disclosure of information required by the RTI Act by all Government agencies;
- ii. Ensuring that Government agencies have duly appointed designated information officers with corresponding training and equipment to carry out their functions
- iii. Integrating training on right to information into overall civil service training
- iv. Providing the human and technical resources for the Information Commission to carry out all of its appellate and other responsibilities, including capacity to monitor overall compliance with provisions of the RTI Act.
- v. Developing facilitation centers through public-private partnerships to help direct the filing of information requests in conjunction with the Digital Bangladesh agenda.

The central office to be established to oversee implementation within Government together with the Information Commission will be charged with responsibility for this aspect of the Plan's governance strategy.

### **k) Protecting human rights**

Notwithstanding laws prohibiting discrimination in society, inadequate enforcement brings suffering for the weaker section of the society. Here the state role is central and rights can be safeguarded with an independent judiciary, adequate legislation and establishment of democratic institutions. Although the National Human Rights Commission Ordinance 2007 has been approved and an independent human rights commission exists, occasional violation of fundamental rights does happen. Much has to be achieved in this regard. The Sixth Plan will take further actions to protect the basic rights of the citizens.

### **DEVELOPING ADMINISTRATIVE CAPACITY**

Good governance and sound administrative capacity are interlinked. A government that works in terms of having a solid administrative capacity to deliver basic public services is more likely to earn the respect of the citizens and more likely to be responsive to changing needs than a government with weak administrative capacity. The ability to implement the Sixth Plan will critically depend upon the ability to strengthen public administrative capacity.

### **Public Service Delivery Challenge**

Bangladesh is generally credited with a positive scorecard for putting the broad expenditure priorities on a right track. Successive governments have emphasized social spending relative to defense spending and other non-productive expenditures. This has served Bangladesh well and partly explains why Bangladesh has done well in improving its social indicators. Yet, it is also clear that there is considerable scope for both improving the equity and the quality of public spending in Bangladesh. Evidence suggests that health and education spending are not well targeted to the poor and does not adequately address the gender-based needs. Similarly, there is considerable corruption and leakage in public spending.

The poor quality of public service delivery can be attributed to the inadequate capacity of the civil service as well as to the regulatory burden of many inappropriate policies, rules and procedures. Reports from International NGOs such as the Transparency International Bangladesh (TIB) suggest that corruption in Bangladesh is especially endemic in social sectors including education and health. Absenteeism of service provider is a serious problem in rural Bangladesh. Moreover the service quality of the providers in terms of impact on schooling and health outcomes is often weak. There are similar concerns of poor service delivery relating to electricity, water supply and sanitation.

A part of the reason for weak administrative capacity is the weakness of the civil service system. But another reason is the heavily centralized service delivery mechanism. Public administration in Bangladesh is heavily centralized. Local governments are weak, with little administrative and

financial authority. Consequently, the setting of expenditure priorities, allocation of resources, procurement of goods and services, and the implementation of projects are largely centralized at the ministry level in the capital city of Dhaka.

At both the central and local levels, day-to-day general administration is run by the civil servants. Over time, though, the quality of civil service weakened. The pay and benefits also fell drastically in real terms. Currently, the civil service is facing serious challenges including low quality, poor remuneration, weak accountability and corruption.

### **Sixth Plan Strategy for Public Administration Capacity Development**

Several areas of intervention have been initiated by the Government to bring efficiency, transparency and accountability in public service management. These actions will be further developed and strengthened during the Sixth Plan period. The Government recognizes that capacity creation for implementation of development initiatives should be broadly conceived to develop strategic partnerships with private sector and NGOs who can provide technical, financial and implementation support in a wide range of areas that are traditionally conceived as belonging to the public sector domain. Indeed the positive experience of Bangladesh with public-private partnerships in the delivery of basic education, health and population management services is an excellent example how stronger partnerships would help with the implementation of the Sixth Plan.

The Sixth Plan's strategy for capacity development consists of four key pillars: firstly, strengthening the civil service; secondly, promoting devolution to local governments; thirdly building partnerships with private sector and NGOs; and finally improving the planning and budgeting process.

**a) Civil service reform:** An effective civil service is the backbone of a well-functioning State. This requires having a proper mix of incentives to reward good performance and sanction poor performance and well articulated, functioning systems for recruitment, training, advancement, and retention of civil servants. Achieving these goals require a long-term, gradual effort. Implementation of changes must be carefully planned with flexibility to adjust reforms based on experience and immediate needs for continuity in the functioning of Government. There is no one size fits all approach to civil service reform, but rather a set of principles of well-functioning civil service that can be obtained in a variety of ways. Reforms must be based on homegrown solutions which evolve from within Bangladesh about what works and what does not.

There have been numerous efforts to reform the civil service in the past that have suffered from inadequate implementation. As a result, the civil service system is regulated by a mix of rules and guidelines that provide limited incentives for performance. Systems for setting performance goals and evaluation are weak and opaque resulting in promotion and rotation of staff based on

criteria other than performance. The civil service has also become vulnerable to political interference that at times has clouded its ability to serve the general public interest.

The Government recognizes the need for a long term program to rebuild the civil service in order to provide more structure for the development of the civil service and to put into motion gradual adjustments to the incentives for performance of the civil service. It has developed a Roadmap for Civil Service Reform 2010-2014 that identifies key priorities and areas in which to undertake reform. It has drafted a Civil Service Act, for the first time establishing such a framework in one location at the level of an Act. The draft outlines ethical requirements as well as the framework for promotions and lateral recruitment, as well as mandates the development of detailed rules on all key aspects of the civil service to implement the Act.

The vision for the Sixth Plan is to build a framework for the civil service that systematically rewards performance and merit and reduces external political influence. Achievement of this vision should lead to qualitative improvements in how civil servants carry out their functions and hence improve service delivery. At the same time, the Plan recognizes that reforms in this area are both far reaching and extremely nuanced given that the interests of many individuals are tied up into the system of civil service. Moreover, the reforms must be carried out in a manner which ensures minimum disruption to the ongoing functions of Government. The Plan calls for several actions, implementation will involve an evolutionary approach with substantial testing of changes and widespread consultations.

Key actions to be taken with an indicative timeframe are:

- i. Drafting, consultations, and passage of the Civil Service Act and implementing regulations.
- ii. Drafting rules for recruitment to allow for increased recruitment laterally into mid-level and higher level civil service positions, modernization of testing for new recruit batches.
- iii. Revising rules for the formation of the Public Service Commission to minimize opportunity for political influence, and other measures to increase its capacity (prior to completion of the current term of Commissioners)
- iv. Developing greater opportunities for on-the-job training and classroom-based training with linkage between training and criteria for career advancement.
- v. Revising the civil servants' code of conduct to address issues of corruption, accountability and performance, including consideration of an enhanced asset declaration regime.
- vi. Strengthening and clarifying the Rules of Business so that civil servants could work with clear terms of reference promoting accountability.

- vii. Reforming civil servants' performance evaluation through emphasis on establishing clearer annual work objectives and performance on these objectives and greater differentiation of annual evaluations and having promotion depend more directly on performance evaluations.
- viii. Revising the civil service payment system to allow for less compression of pay and retention of persons with unusual, needed skills, as well as streamlining the system of benefits.
- ix. Institutionalizing the citizen's charter to provide regular feedback on public services.

The nodal agency for carrying out these reforms is the Ministry of Establishment. Reforms to strengthen the Public Service Commission will be led by the Commission itself in conjunction with the Ministry of Establishment.

**b) Devolution to local governments:** A strong local government that has well defined responsibilities and accountabilities can play a major positive role in delivering basic public services. Elected local government is often better positioned to respond to the needs and preference of the local population. Particularly at the lowest Union Parishad level, local government offers an opportunity for genuine popular participation in the public governance. The closeness to the people means that local government can serve as a key instrument to fulfill Government's goal of bringing services to the doorsteps of the people. As it is directly interacting with the people, local government also have an important role in delivering programs and building public awareness which in turn meet national objectives as well, such as poverty reduction, disaster management, delivery of social protection services, and support for local economic development.

Harnessing the potential of local government to improve services for the people requires that it have a legal framework that provides a clear mandate for certain services and the human and financial resources to carry out that mandate. The Government has taken several steps to support local governments. It passed revised legislation providing for the functions and operations of Pourashavas, union parishads, and upazila parishads. It has equipped local governments with equipment, particularly in establishing Union Information Service Centers. Nonetheless, the roles of local government at all levels remain relatively small due to the concentration of resources and service delivery through line agencies accountable to central Government rather than locally elected councils and chairpersons. Local governments play a coordinating role and contribute to local development, but have few responsibilities for ongoing service delivery. Rigid guidelines which limit local discretion in determining staffing needs, particularly for Union Parishads, means that local governments lack flexibility to meet local needs.

Empowering local government to play a more prominent role in local development requires the transfer of authority for some services with commensurate resources. However, this process

should be gradual and allow for constant monitoring of the utility and appropriateness of such a transfer, building on the existing capacity of local governments to taken on new responsibility. This capacity will be dictated by both the skills and ability of the local government officials and the effectiveness of measures whereby the people can hold them accountable to ensure performance which meets most closely the public interest of a given locality.

The vision for the Plan is to have local governments delivering greater volume and quality of public services to their respective communities. There will be differentiation in service responsibilities between urban and rural local government, between large city corporations and Pourashavas. Care will be given to avoid overlap between local governments at the primary level and at intermediate tiers upazilas and eventually zilas.

The main elements of the strategy to achieve this vision for local governments are:

- Enhancing the legal framework for the functioning of local governments at the union, Pourashava, city corporation, and upazila levels through establishing clear service responsibilities, ensuring discretion of local governments to carry out their service responsibilities within national standards, devolution of administrative control over ensuring service provision in the areas which are assigned to respective local governments, providing for a greater discretionary financial base including robust local revenues and a transparent, a predictable system of intergovernmental fiscal transfers with, and provision of greater discretion in staffing to meet the administrative responsibilities at the local level.
- Increasing the transparency and improving the accountability of local governments by establishing indicators and standards for measuring performance in service delivery at local level, broadening the role of oversight institutions which would perform financial and service delivery audits, and investigating corruption and irregularities and make the reports available to public.
- Building the capacity of local governments through assignment of proper officials, technical assistance and training programs.
- Developing planning and budgeting capacities at the local level to help design and implement local level programs.
- Expanding the role of citizen committees and strengthening participation of the citizens from different groups, including women and the poor, in prioritizing, implementing and monitoring of development program and other functions of the local government to ensure that local level development programs are appropriate and that these are well implemented.
- Establishing E-governance at the local level through a well designed program of ICT hardware and software, technical assistance and training programs.

The Local Government, Rural Development & Cooperatives Ministry will have primary

responsibility for implementation of the strategy to strengthen local government. A standing Local Government Commission with representation from key ministries involved with local service provision as well as associations of local governments will design and monitor changes to the legal framework. Implementation of the Plan's elements will have to be coordinated with sectoral development strategies, particularly for social services. As in the case of civil service system, the local government system will need to be commensurate with the socio-political environment and the realities of Bangladesh.

**c) Public-private partnership:** While the Government has primary responsibility for carrying out the Plan, it recognizes the need to tap into the skills and capacity of the private and nongovernmental sector to bring about more effective development. In particular, it will promote public-private partnership as a key element of good governance. The Government has already put emphasis on public-private partnership (PPP) to ensure expeditious development of infrastructure and utility services by attracting local and foreign investment and improving the expertise and technology. Through a well-laid out policy mechanism, private initiative would be encouraged to promote quality service delivery in the area of essential economic infrastructure. The Government is keen to encourage private investments in energy and power, roads, waterways, railways, ports, water and sanitation, telecommunications/ICT, housing and tourism. The Government will explore opportunities to enter into PPP initiatives in the social sector as well. The use of PPP for essential social and economic infrastructure will enhance the quality of services and relieve the strain on the government budget.

Bangladesh has demonstrated significant success in augmenting private investment and fostering public-private partnership to render efficient delivery of utility services. The private sector has presence in road and waterways to cater to the need of transportation of passengers and cargo. Power generation and petroleum exploration have been opened to private operation since the 1990s. Almost one-third of power generation comes from the IPPs. The private companies together supply one-third of gas to the national gas grid. The energy sector will be further liberalized for improving its service delivery to consumers. In the telecommunications sector, private companies dominate the provision of mobile phone services under Government licensing. Private operators are encouraged to extend fiber optic lines across the country for the development of speedy internet facilities nationwide. Certain functions of rail transportation are already privatized. Closed branch lines will be offered to the private sector for resumption of services in those sections. The Government is considering allowing profit-operations of providers of water and sanitation services in Pourashavas and urban slums.

Government-NGO cooperation is fruitful in areas where expectation of profit is not high to attract profit-making private operators. More importantly, Government-NGO cooperation can improve efficiency in the management of service delivery of some essential services. The NGOs are involved in the delivery of several basic services such as education, health, water supply and sanitation. These positive experiences in the social sectors can be utilized to forge wider

cooperation in other areas, such as providing water in Pourashavas and slums, cleaning and waste disposal in cities, rural energy supply programs, creation of service facilities in the urban cities, development of recreational facilities around urban river banks, and building shelter houses for the poor.

The cooperation with NGOs has also been successful in activities like cleaning city roads and disposal of waste under the Clean Dhaka initiative. Some NGOs are processing city wastes for making composts for farming. Several government organizations (REB, BPDB, LGED and IDCOL) and NGOs (Grameen Shakti) have been engaged in popularizing and prorating renewable energy projects/programs in the rural areas. Cities and Pourashavas can undertake joint venture with NGOs for development of urban service facilities like sanitary toilets, auditoriums and libraries. River banks adjacent to cities and towns could be leased out through open solicitation to NGOs and private operators for plantation and development of park and recreational facilities.

During the Sixth Plan the Government will continue to seek and strengthen synergies with the private and nongovernmental sectors to improve service delivery and ensure contribution of all parts of society in the country's development.

**(d) Reforming planning and budgetary processes:** In an environment of weak administrative capacity and limited budgetary resources, efficient planning and budgetary systems can play an important role in helping improve the efficiency of public spending. The Government has been taking a number of steps to improve planning and budgetary processes. One major initiative is the implementation of a move away from the traditional incremental budgeting towards a medium term budget framework (MTBF) process. The MTBF is intended to support the implementation of development plans by (i) ensuring that the government's fiscal management contributes to macroeconomic stability and supports an enabling environment for economic growth and poverty reduction; and (ii) adequate public resources are allocated through a more strategic and policy-led budget planning process directed towards priority programs identified in the context of the approved medium-term development plan. A second initiative is to move away from the traditional public-investment focused plans to more strategic indicative planning process that puts emphasis on strategies, programs and policies for the entire economy. A third initiative is to link better the medium-term development plans to the MTBF process by making the plan a living document with annual review of performance and ensuring the consistency of development resource allocation on an annual cycle with the MTBF and the Plan.

The Sixth Plan will further improve the planning and budgetary processes by building on the above initiatives. Specifically, following actions will be taken:

- The Sixth Five Year Plan already makes a fundamental shift in the planning process by making the public investments as indicative and focusing much more deeply on growth, employment and poverty reduction strategies, policies and programs. This indicative plan

will serve as a living document through instituting a system of annual review of development performance and plan implementation. The performance review will focus on implementation of strategies and policies and look at broad economy-wide and sectoral outcomes rather than simply at financial progress of publicly funded investment projects. The results of the annual reviews will be shared with the cabinet and used to determine changes in plan goals, targets, strategies and policies as necessary in light of the changing global and local economy and the results of the plan implementation.

- The capacities of line ministries will be substantially strengthened to do proper planning and budgeting in the context of the implementation of the MTBF. Line ministries will need to ensure that proposed projects and programs are consistent with the objectives and framework of the Sixth Plan.
- Project approval process will be strengthened and streamlined to reduce delays and proliferation of tiny projects.
- Project approval at the Planning Commission level will be substantially strengthened. All projects that go to the Planning Commission must provide a proper appraisal report along with sound analysis that shows the consistency and relevance of the project to sectoral/economy-wide objectives, strategies and policies. The appraisal report will do proper economic and financial analysis of the proposed project, do gender and environmental analysis as relevant, and show an implementation plan while providing clear evidence of implementation capacity.
- Proliferation of projects and long implementation lags are a perennial problem. The Sixth Plan will seek to break this logjam by doing a proper review of all approved and active projects in the pipeline in cooperation with the line Ministries. The review of this portfolio stock will seek to clean out dormant or irrelevant projects and help line ministries close the projects that are facing implementation problems through restructuring or through other relevant interventions. The results of this exercise will be shared with the cabinet for endorsement and approval.
- The technical capacities of the Ministry of Finance and the Planning Commission will be substantially strengthened through proper staffing and training to ensure the timely implementation of the Sixth Plan and the MTBF. All efforts will be made to strengthen coordination between these two core ministries with a view to avoiding duplication, overlap and delays.

## **STRENGTHENING THE FOCUS ON RESULTS THROUGH ENHANCED MONITORING AND EVALUATION**

The Government of Bangladesh understands that an effective monitoring and evaluation (M&E) system is essential to monitor the implementation of the plan and associated programs. Without a solid M&E capability, there is a risk that resources might get locked in over the medium-term

into programs that are not working or relevant in the changing economic environment. A strong M&E capacity is therefore an urgent national priority. The Government also recognizes that M&E is only useful when accompanied by a results oriented mindset that promotes the use of information for evidence based decision making. An important step in instilling a culture of results across government agencies and programs is the introduction of a development results framework to monitor the core set of development outcomes that the Sixth Five Year Plan seeks to achieve.

Monitoring and evaluation promotes accountability and transparency in public spending, and ensures that resources are adequately used to achieve development results. Governments use different tracking systems as part of their management of development programs and policies. The ‘three legged stool’ of good human resource system, financial system and accountability system are imperative for effective and efficient public sector management. A results-based M&E system links public spending and achievements of objectives, which in turn implies the inclusion of a ‘fourth leg’ into the system that reinforces good governance. Monitoring gives information about the current status of a policy, program, or project relative to respective targets and outcomes whereas evaluation gives evidence of whether targets and outcomes are or are not being achieved.

M&E essentially helps the government to measure the quantity, quality and targeting of outputs (goods and services) and measure how the outputs are impacting the lives of the common masses. M&E can be focused on tracking financial/physical implementation or on results. Implementation-focused M&E are mostly intended to investigate compliance, but results-based approach focuses on outcomes and impact. Of particular emphasis is the need to extend the traditional financial/physical implementation based M&E to focus explicitly on outcomes and impacts.

### **M&E Framework in Bangladesh**

Presently in Bangladesh the main focus of M&E is on tracking spending. The Government’s Implementation, Monitoring and Evaluation Department (IMED) is the apex body that tracks the public sector development programs<sup>28</sup>. The prime function of IMED is to monitor and evaluate the implementation of development projects to ensure their proper implementation. Monitoring is used to oversee the implementation process, identify the challenges in terms of quality, time and costs. In the process it also provides recommendations for improvement.

The key stakeholders for the IMED include NEC, ECNEC, ministries/divisions and other autonomous state bodies. The Project Inspection Instruction Manual (1995) and In-depth

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<sup>28</sup> The IMED was established in 1975 as the Project Implementation Bureau (PIB) and was placed under the President’s Secretariat. Later in 1977, it was placed under the Planning Commission as a separate Division and was renamed as IMED in 1982.

Monitoring Circular (2010) provide the guiding principles for implementation and inspection. IMED has a role in every aspect of the project cycle- from project preparation (pre-project) to project completion and impact evaluation. In the pre-project phase, IMED basically suggests improvement as member of the project approving committees of the Planning Commission and Departmental Project Evaluation Committees (DPEC) of the Line Ministries. During implementation phase, IMED monitors progress to ensure timely and quality implementation. It has evolved a system of information flow from projects, agencies and ministries for effective monitoring which consist of: (a) periodic reports, (b) procurement reports, (c) field inspections, (d) monthly coordination/review meetings, (e) special meetings with the Project Directors. Information so collected are processed and analyzed on a monthly, quarterly & annual basis to review implementation performance of ministries/divisions which is followed by macro reviews at the NEC, the ECNEC and by the Prime Minister. In the post implementation phase, terminal evaluation reports are prepared by IMED on all projects immediately on completion. It contains an analysis of the project progress with recommendations. It also commissions ex-post evaluation of selected projects for assessing their impacts on the community and the lessons learned are used in future project design and implementation.

IMED monitors more than 1200 projects under the Annual Development Program and evaluates around 200 projects on an annual basis. Under the ADP implementation status IMED publishes monthly, quarterly and annual progress reports for all the ministries and also for the top 10 ministries with largest allocations. The main reports emanating from the IMED are: i) Monthly performance evaluation of projects of the Ministries/Divisions, ii) Quarterly performance evaluation reports of ADP included projects, iii) Annual review report on ADP implementation, iv) Annual project evaluation reports, v) Impact assessment reports conducted by the external bodies

The basic thrust of IMED's M&E activities is identification of implementation problems and their timely resolution to accelerate project progress. All the reports prepared by IMED contain implementation problems and suggestions for action. These are discussed in review meetings held at the Ministry, the NEC and the ECNEC. The process is expected to resolve project problems in time.

### **Towards A Results-Based M&E System**

While the IMED plays a useful function in tracking financial and physical implementation of projects, there is a major gap in terms of results-based M&E. In the backdrop of national and international stakeholders seeking increased accountability, transparency and most importantly results from governments and organization, globally the emphasis is shifting more towards results-based M&E system. This demand is also growing in Bangladesh. Accordingly, the Sixth Plan aims to take specific steps to move towards a results-based M&E. The result based system moves beyond the traditional input-output focused M&E and when used effectively helps policy

makers analyze outcomes and impacts. It turns out to be a powerful public management tool that can be used by governments and organizations to demonstrate accountability, transparency, and results. They help the government in building solid knowledge base. The system can also bring about major political and cultural changes in the way governments and organizations operate—leading to improved performance, increased accountability and transparency, learning and knowledge. In the specific context of Vision 2021 and the Sixth Plan, a results-based M&E will be critical to helping the Government track and monitor progress with implementation of the respective targets and take corrective actions when major gaps or divergences emerge.

The evolution of results based M&E worldwide highlights an important issue: countries are at different stages of development and differ in approaches. This suggests that it is important to learn from best practice elsewhere but to tailor activities within the context of a specific country. So the Sixth Plan strategy is to review the steps for building results based M&E on the basis of best practices elsewhere and to adapt those to the specific context and needs in Bangladesh.

In developing an effective results-based M&E for the Sixth Plan following steps will be followed: i) readiness assessment; ii) agreeing on outcomes to monitor; iii) selecting indicators to monitor; iv) establishing baseline data on indicators; v) monitoring for results; vi) emphasizing the role of evaluation; vii) reporting the findings; ix) using the findings; and x) sustaining the M&E system within organization.<sup>29</sup>

**i) *Readiness assessment:*** The readiness assessment describes the political readiness and commitment to institute a results-based M&E. The core issues here are 1) demand and incentives; 2) roles and responsibilities of the key entities involved; and 3) capacity building of the entities involved. The success of the whole M&E initiative critically hinges on political ownership and capacity building within the bureaucracy, the civil society, NGOs, researchers and think tanks, political party, parliament and the supreme audit body. Coordination amongst these actors through an effective dissemination of M&E findings will bring in transparency and accountability within the public management and also develop a feedback mechanism.

**ii) *Agreeing on outcomes to monitor:*** Setting outcomes that will demonstrate success is the next step in building a results-based M&E system. These can be based on identified national priorities, international conventions, political party's election manifesto, refer to the MDGs and Plan documents. A relatively well-designed structure can be developed through consultation with stakeholders, CSOs, NGOs, independent academic/research institutions.

**iii) *Selecting key indicators to monitor success:*** For results-oriented M&E, indicators are imperative and outcomes are translated into outcome indicators. These indicators will inform how the inputs and resources have succeeded (or failed) in achieving the desired outcome. An

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<sup>29</sup> See Kusek, J.Z., and, Rist, R.C., (2004), 'A Handbook for Development Practitioners: Ten Steps to a Result based Monitoring and Evaluation System', The World Bank, Washington D.C.

indicator, which may be either quantitative or qualitative or both, should be clear, relevant, economic, adequate and monitorable.

*iv) Baseline data on indicators:* Data is integral to the M&E exercise. The standard best practice is to start with a pilot for the primary data. Most countries have national institutions dedicated to data collection that conduct regular surveys and census. In some cases secondary data may serve the purpose.

*v) Monitoring for results:* Results monitoring can simply be defined as aligning outputs with the results an organization, sector, or a state intends to achieve. A useful tool is the medium-term budget framework (MTBF) derived from the national plan. The MTBF is an expenditure planning system that assumes sound macroeconomic and fiscal management, sector priority settings, and program performance management.

*vi) Emphasizing the role of evaluation:* Any evaluation conducted should ensure technical soundness, comprehensiveness, impartiality, stakeholder's involvement, and justification for money spent. The timing of evaluation is crucial; for example, evaluation is imperative should there be any divergence between planned and actual outcome, the presence of anomaly in the design and implementation in outcome, if resource allocation is compromised for political reasons, and finally if there is conflicting evidence on outcomes.

*vii) Reporting the findings:* The central purpose of any evaluation is to inform the appropriate audiences about the findings and conclusions resulting from the collection, analysis, and interpretation of evaluation information. In some countries, such as Australia and Chile, M&E reports are demanded by the legislature.

*viii) Using the findings:* Monitoring and evaluation findings are supposed to improve the performance of public service delivery. The usefulness of M&E findings can be seen in many areas; these can be used for justifying the budget request, providing data for in depth evaluation, identifying the performance problems, responding to public demand for accountability, and building public trust.

The performance evaluation implies that public sector managers will be under scrutiny and they will be expecting rewards for improved service and there will be penalty for poor performance. Since the private sector gets involved with the development process through public procurement, the M&E findings also keeps the contractors and grantees under supervision.

One major objective and usage of the M&E findings is to ensure transparency and accountability. A major function of the legislature is to hold the executive into account. The M&E findings are factual evidences which can be used by the legislature. Dissemination of these findings through media and other means implies that the information is in the public domain. This in turn, will generate greater scrutiny and feedback. By bringing all the stakeholders into cooperation this enhances public trust of the government.

*ix) Sustaining the M&E system within the organization:* The sustainability of the results-based M&E system depends on a number of factors. First, there is the need to ensure demand for an effective results-based M&E. The government in isolation cannot ensure the sustainability of demand. The other stakeholders have to reciprocate by imposing more pressure and feedback. Second, there is a need to ensure trustworthy and credible information. The official channels of collating information should be maintained and their dissemination needs to be looked at. The data should be valid, credible and time consistent. Lack of credibility in information flow will not only invalidate the M&E findings but also reduce credibility of the system. Third, is the need to ensure accountability of the government. By ensuring accountability of all the ministries/division, autonomous bodies, central and local government bodies, we can ensure both the demand and the incentives for a results-based M&E. Fourth and finally, continuous capacity building efforts are necessary.

The M&E tools are evolving and practices are taking new shapes. The staff involved in M&E needs continuous support in the form of training and capacity building. Without appropriately trained officials it will become increasingly difficult to run a results-based M&E system. Not least is the need to develop appropriate incentive mechanisms for the bureaucrats for compliance with the M&E system. Lack of incentives implies lack of morale and less productivity, which in turn will lead to poor M&E.

### **Sixth Plan Strategy for Results-Based M&E**

The Government of Bangladesh is keen to develop a results-based M&E framework. With the return of democratic government and the establishment of a range of Parliamentary Committees, the need for results-based M&E has grown. As reviewed above, the establishment of a results-based M&E involves several steps. The political commitment and the ownership of the government is a major step forward. Several other actions have also been taken to help move towards a results-based M&E framework. These include the institution of the MTBF, the initiation of the Digital Bangladesh program, and the strengthening of the Bangladesh Bureau of Statistics (BBS).

However, the lack of capacity and broad-based awareness of the importance of a results-based M&E remain major challenges. Data generation for the huge set of indicators and their useful analysis is a formidable task. There is also a need to develop training modules and manuals for the civil servants for effective understanding of the result-based M&E system.

The Sixth Plan strategy to institute a results-based M&E involves the following actions:

- Assign overall responsibility for instituting a results-based M&E to the Planning Commission. The General Economics Division (GED) in collaboration with the IMED will take the lead responsibility. Technical assistance from a multi-donor Trust Fund is already available for this purpose.

- Availability of reliable data and its timeliness is crucial for policy making and impact evaluation which calls for increasing efficiency of the statistical system. Therefore capacity of the Bangladesh Bureau of Statistics (BBS) will be strengthened to enable it conduct surveys, special surveys and censuses to produce quality data. The publication of HIES, LFS, SMI, Agriculture census etc. should match with monitoring and evaluation circle of the Planning Commission.
- The capacity of the GED and IMED will be strengthened with better staffing, technology, training and technical assistance. In particular, a strong GED is essential to enable it to guide the M&E working groups, coordinate their activities and carryout the analytical work.
- Good practice results-based M&E from international experiences including from those in India, Chile, Malaysia, Korea and Thailand will be reviewed and adapted to the specific context of Bangladesh.
- Good data is essential for an effective results-based M&E. The capacity of the BBS will be further strengthened to generate required data for M&E. This could entail special-purpose surveys and other outcome-oriented data base.
- Strong results-based M&E will require collaboration with the line ministries, research institutions, and civil society. GED will be assigned this responsibility.
- Proper review and dissemination of M&E results is essential to make this a useful tool for policy making. The findings of M&E will be reviewed through workshops and training programs. The dissemination effort will include sending the reports to the cabinet, the Parliamentary committees, the various ministries and also published as reports and posted on the website of the Planning Commission for general public review.

### **Joint Cooperation Strategy for Aid Effectiveness**

Bangladesh is committed to make aid more effective to realize her socio-economic development goals/targets in the spirit of the Paris Declaration. In this context a Joint Cooperation Strategy (JCS) signed on 2<sup>nd</sup> June 2010 is a major step towards strengthening partnership between the Government and its development partners. It will intensify mutual collaboration to improve aid delivery and thereby enhance the prospects for sustained growth and poverty reduction. The JCS sets standards for the effective management and dialogue of development assistance through joint programming, greater use of government's administrative and financial systems, joint appraisal and analytical work for co-financed programmes and joint review of progress in implementing programmes. The overall goal of JCS is to make aid in Bangladesh more effective by creating common platforms for national and sectoral dialogues as well as a country owned change process for improving delivery of aid. Specifically it aims at:

- Reducing project fragmentation and high transaction costs for all partners by strengthening national lead and coordination;
- Focusing more on donor alignment to the GoB priorities and systems;
- Ensuring more accountability and predictability of aid flows;
- Augmenting common agreement of expected development outcomes at national and sector levels for the coming years.
- Agreeing on a common development results framework for expected development outcomes at national and sector levels for the coming years.

### **Developing a Results Framework to Monitor the Five Year Plan**

The Government of Bangladesh is keen to develop a results framework to monitor the implementation of the Five Year Plan as a first step to introduce results based management approach across all levels. A Results Framework will assist the Government in monitoring its own progress towards the targets set in the Plan. It can go a long way in refocusing existing bureaucrat practices on achieving results, moving away from a process-centered mentality. Internationally, countries have also used the results framework as a tool to mobilize external resources around their core development priorities.

Two features of a Results Framework are critical to its strength as a performance measurement tool:

- **Big picture perspective:** A Results Framework identifies a set of measurable indicators to monitor progress towards a limited set of development outcomes. It provides a snapshot of the main macro-level results that the Five Year Plan seeks to achieve. The strength of the tool lies in its capacity to identify a core set of development outcomes that if adequately monitored suffice to judge the level of progress in implementing the strategy. The indicators included in the results framework are only a minor set of the indicators monitored by the broader M&E system to be established for the Plan.
- **Frequent reviews with key stakeholders:** because of the limited size of indicators that it includes, the Results Framework can be reviewed and adjusted annually. Annual reviews serve to assess yearly progress towards the main development outcomes identified in the Plan and to take corrective measures if needed. They also play an important role in providing information to citizens and key stakeholders. In line with the principles of results based management described above, frequent monitoring of results is the single most important step towards achieving better results.

The Sixth Plan strategy to develop a Results Framework involves the following actions:

- Assign overall responsibility to develop the Results Framework for the Five Year Plan to GED and the Economic Relations Division (ERD). As agreed in the Joint Cooperation Strategy (JCS) signed in June 2010 between the Government of Bangladesh and development partners, the latter will assist the Government in developing the results framework.
- Assign overall responsibility to monitor the Results framework to GED, in line with its general responsibilities to institute a results based M&E. GED will act as the clearinghouse for the data and will ensure that adequate roles are assigned to line ministries and other relevant agencies. An existing initiative to create a network of M&E officers across line ministries will form the basis of a monitoring network for the results framework.
- Assign responsibility to ERD, in cooperation with GED, to organize an annual development forum to discuss progress on the results framework with key stakeholders, including development partners and civil society organizations.

A result based framework for monitoring the progress of the SFYP targets has been jointly developed by the Government and the Development Partners, which is shown in Annex Table 9.1.

### **Third Party Monitoring of the Sixth Five Year Plan**

Third Party Monitoring is increasingly being recognized worldwide as integral to the M&E process because it offers new ways of assessing and learning from change that are more inclusive, and more responsive to the needs and aspirations of those most directly affected. In the context of Bangladesh, third party monitoring can help increase the demand for solid information about development results, unleashing external pressures and incentives to ensure sustainability of the M&E enhancements proposed in this Plan.

Third Party Monitoring by qualified civil society organizations complements the efforts of the Government of Bangladesh to monitor the Plan jointly with development partners through the Development Results Framework. It offers the opportunity to complement the analysis of performance indicators with in depth information gathered directly from citizens at the local level. The Government of Bangladesh believes that effective monitoring of the Five Year Plan by third parties will be instrumental in strengthening accountability and transparency; and effective in helping to take corrective actions to improve development results.

**Annex Table 9.1: Monitoring and Evaluation Framework for the Sixth Five Year Plan**

DRF	Outcomes		Indicators	Baseline	Target 2011	Target 2015	Source	#
Income and Poverty	Macro-economy	Prudent macroeconomic environment conducive to growth and poverty reduction, boosted by private sector development and trade	Tax Revenue as % of GDP	9.0 % (2010)	10%	12.4%	NBR and MoF	1
			Average annual CPI Inflation rate	7.3% (2010)	8%	6%	BBS	2
	Private Sector and Trade		Annual amount of remittances (in USD)	10.9 billion(2010)	11.54 billion	17.83 billion	Bangladesh Bank	3
			Private investment as % of GDP	19.4% (2010)	19.5%	25%	BBS, National Accounts	4
			Total export as % of GDP	16.2% (2010)	20.3%	23.9%	Export Statistics, EPB	5
	Poverty	Reduction in poverty, across all groups and regions, while offering effective social protection to marginalized groups, including access to food	Government Spending on Social Protection (excluding pensions) as % of GDP	1.7% (2010 Est.)	2.0%	3.0%	BBS and MoF	6
			Poverty Headcount Ratio (CBN Basis) <sup>i</sup>	31.5% (2010)	29.7%	22.5%	Sim SIP (annual projections) <sup>ii</sup>	7
	Agriculture, Food Security and Rural Development		Rate of growth of agricultural GDP (constant)	5.20% (2010)	5%	4.3%	BBS, National Accounts	8
			Average growth of wages in Kg of rice <sup>iii</sup>	6.4% (07/08-09/10)	≥GDP growth + 0.5	≥GDP growth + 0.5	BBS, National Accounts	9
			Prevalence of underweight in children under five years of age	41% (2007)	TBD <sup>iv</sup>	33%	BDHS/NIPORT <sup>v</sup>	10
Human Resource Development	Education	Quality education for all to reduce poverty and increase economic growth	Grade V completion rate, by gender	Total: 60.2% (2010) Girls: 57% Boys:53%	59% (gender parity)	75% (gender parity)	BANBEIS	11

			Net enrolment rate in secondary education, by gender	Total: 44.8% (2009) Girls: 50.8 Boys: 39.5	50% (gender Parity)	75% (gender parity)	BANBEIS	12
	Health	Sustainable improvements in health, including family planning, particularly of vulnerable groups	% of births attended by skilled health personnel	26% (2010)	31%	50%	MMHS (BMMS)	13
			% of people using modern contraceptives in HPNSDP low performing areas, by gender	Women: Sylhet: 35.7%/ Chitt: 46.8% Male: Sylhet: 4.7%/ Chitt: 3.1% (2010)	Women: Sylhet: 38%/ Chitt: 48% Male: n/a Chitt: n/a (2010)	Women Sylhet and Chitt. 65%  Men Sylhet and Chitt.n/a	UESD	14
<b>Water &amp; Sanitation</b>	Increased availability of safe water and good sanitation facilities, particularly of the poor		% of population using improved drinking water sources (urban/rural)	Urban 93.3%/ Rural 83.8% (2009)	Urban 95%/ Rural 85%	Urban 100% Rural 96.5%	UN JMP	15
			% of population using improved sanitary facilities (urban/rural)	Urban 53.5%/ Rural 54.3% (2009)	Urban 60% Rural 65%	Urban 100% Rural 90%	UN JMP	16
<b>Energy and Infrastructure</b>	Transport	Improved infrastructure for higher economic growth	% of road network in “Good to Fair” condition	66% (2010)	80%	95%	Roads Condition Survey	17
			Kms of railway in usable condition	2835.04 km (2010)	2857 km	4237.04 km	BR	18
	Energy		Per capita consumption of electricity	170 KWh (2010)	196 KWh	390 KWh	Power Cell	19
			Access to electricity	47% (2010)	48.5%	65%	Power Cell	20
<b>Gender Equality</b>	Women and men enjoy equal opportunities		% of women employed in the formal sector	24% (2009)	29%	49%	BBS (LFS)	21

<b>Environmental Sustainability</b>	Environment & Climate Change	The environment is preserved and prevented from degradation and a disaster management strategy exists	Hactre of forest coverage	13.14% (2010)	13.84%	15%	Forest Department	22
	Water Management		Km of waterways navigable year round	3800 km (2010)	3810 km	3910 km	BIWT	23
	Disaster Management		Number of usable cyclone shelters	2,852 shelters (2010)	3352 shelters	5,352 shelters	MoFDM	24
			No. of rural communities with disaster resilient habitats and community assets	90 (2010)	100	300	MoFDM Survey	25
<b>ICT</b>	Increased access to telephone and broadband services		% of people with phone	46% (2010)	55%	70%	ITU Annual Report	26
			% of people with broadband connection	2% (2010)	5%	30%	ITU Annual Report	27
<b>Urban</b>	Reduced urban poverty and improved living conditions through better city governance and service improvements		% of City Corporations' expenditure raised autonomously	38.5% (2009-10)	41.0%	51.0%	CC Budgets	28
			% of urban population with regular employment	55.7% (2006)	77%	100%	LFS & Wage Survey	29
<b>Governance</b>	Democratic Governance	Good governance reforms institutionalized at all levels and institutional capacity of public institutions enhanced	Number of ministry oversight hearings held by the Parliament	0 (2010)	TBD	TBD	TBC	30
	Service Delivery		% difference between actual primary expenditure and budgeted primary expenditure in real terms	9.6% (2010)	8%	5%	CGA	31
			% of contracts awarded within the initial bid validity period for key agencies (RHD, LGED, BWDB, REB)	30% (2010)	40%	60%	Agency's M & E report	32
			% of Local Government Institutions' share of public expenditures	0% (2010)	0.5%	2%	LG Annual Audits	33

	Justice and Human Rights	Number of Case backlogs in the formal justice system (lower and upper judiciary)	1.8 million (2010)	TBD	TBD	Supreme Court MoLJPA	34
		Number of UPR agreed Human Right principles institutionalized in national policy frameworks	0 (2010)	0	6	TBC	35

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- i) Poverty refers to upper poverty line.
  - ii) Actual data is available through HIES every 5 years.
  - iii) A rice wage growth greater than the growth of GDP would entail an increased access to food by wage earners which include the poorest both in urban and rural areas. The average GDP growth was 0.5 percentage points higher than the rice wage growth over the last 3 years. This difference has been taken as the target to ensure increased purchasing power of wage earners over the next five years.
  - iv) A target for 2011 is not available. Given the proposal to utilize a different source compared to the baseline year – i.e. more accurate and produced on a yearly basis (see note 5 below), the reference year for the baseline will most likely be 2011. Despite the difficulty in determining these values at the moment of formulation of the result-framework, the indicator has a large consensus as very appropriate to measure nutritional levels and is among those chosen by SFYP
  - v) These data are only available every three years through the BDHS. However, BBS/HKI will shortly produce indicators that are nationally representative on an at least bi-annual basis. As soon as this is available, this will become the new source of information.