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**Bangladesh Development Forum (BDF: 15-16 February 2010)**

## **Business Session-I: Development Strategies, Governance and Human Development**

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### **1. The Development Vision of the Present Government**

The present government has placed elimination of poverty and inequity at the forefront of its development strategy. The thrust has now shifted to putting Bangladesh into a trajectory of high performing growth, stabilizing commodity prices, minimizing income and human poverty, securing health and education for all, enhancing creativity and human capacity, establishing social justice and social inclusion, reducing social disparity, achieving capacity to tackle the adverse effects of climate change, and firmly rooting democracy in the political arena.

The above vision for the development of the country would be translated into reality through a Perspective Plan 2010 - 2021, which is under final stage of preparation. The Perspective Plan envisages strong enough link in order to enhance the overall strength of the economy to achieve some of the following objectives:

- Eliminate illiteracy by 2014
- Attain cent percent enrolment in the 12th class by 2021 with gender parity
- Reduce poverty to 15% by 2021
- Strengthen information technology to establish a digital Bangladesh
- Emphasise energy availability to provide per capita energy consumption of about 600 kWh by 2021
- Generate per capita income of about \$1100 by 2015 and \$1800 by 2021

The Perspective Plan 2010 – 2021 has placed strong emphasis to make productive use of Bangladesh's human and physical capital as strategies for accomplishing the targets. The thrusts of the plan are:

- Accelerated growth rate
- Building an equitable and pro-poor, inclusive, secular, progressive, participatory, tolerant, democratic welfare state
- Stable macroeconomic framework
- Ensuring good governance, social justice and curbing corruption
- Ensuring adequate supply of electricity and fuel

- Ensuring food and nutrition security
- Sustaining Human development
- Building infrastructure for sustainable economic growth
- Pursuing environmentally sustainable development
- Building Digital Bangladesh

The long term vision of the government would be realized initially through the NSAPR II ending in June 2011, and through the implementation of the Sixth Five Year Plan (FY 2011-2015) and Seventh Five Year Plan (FY 2016 – 2020).

The main thrusts of the medium term plans would be to achieve higher growth in excess of 10 percent and to ensure its distributional justice so that the poorer sections get a proportionately greater share of the benefits of growth that can lead them out of poverty. A level playing ground for the private sector would be created to harness their full potential to supplement public sector efforts in economic development. In the Sixth Five Year Plan (SFYP), the role of the public sector in generating growth would be important for several reasons. First, public investment in infrastructure like transport and communication, power and energy, ports, and human capital would be critical to enhancing the efficiency of private investment. Second, the government needs to support the private sector through facilitating development-friendly institutions– well defined property rights, rule of law, market-oriented incentives, sound monetary policy, sustainable public finances, and governance. Finally, public investment will determine the structure of growth by allocating resources to the social sectors like education, health, and rural infrastructure.

Basic characteristics of the Sixth Five Year Plan would be:

- Inclusive Economic Growth
- Accelerated Economic Growth
- Employment Creation
- Universal Social Protection for the Hardcore Poor
- Emphasize role of Market, State and Community in Economic Growth
- Public Private Partnership
- Regional and Sub-Regional Planning
- Gender Responsive Plan and action
- Technology Base for ‘Digital Bangladesh’
- Human Resource Development
- Environment and Climate Change
- Good Governance, Human Rights and Maintaining Democratic Polity
- Establishing operational linkage between Planning and Budgeting
- Stronger Regional/Sub-Regional Economic Integration
- Least-cost National Security
- Implementation and Effective Monitoring

## NSAPR-II (Revised)

The Government has approved the document titled “Steps towards Change: National Strategy for Accelerated Poverty Reduction (2009-11) (revised)” that has been recast in line with the election manifesto, development vision and people’s aspiration. However, the NSAPR II shall remain in force until June 2011.

## **2. Progresses in achieving development strategies, governance and Human Development**

**2.1 *Macroeconomic resilience:*** The economy of Bangladesh continues to demonstrate considerable resilience during 2008-09 despite the twin shocks arising from global recessions and the adverse effects of the consecutive floods and the cyclone-Sidr of the fiscal year 2007-08. The economy is expected to grow at a rate of **6.0** percent, slightly below the growth rate 6.2 percent of 2007-08. The key feature of the economic performance during 2008-09 is the strong recovery in agriculture sector supported by moderate growth in industry and service sector. The contributions of the agriculture, industry and services sectors are estimated respectively at 4.6 percent, 5.9 percent and 6.3 percent growth, indicating strong move of all the three broad sectors. The share of services in GDP amounted to 49.7 percent followed by industry at 29.7 percent and agriculture by 20.6 percent at constant prices. The impact of the ongoing global financial crisis on Bangladesh would be minimal in the short run given that her financial sector is not fully integrated with the world system. In the long run the country’s export, remittance and investment flows are likely to be affected unless the world recovery process is accelerated. The investment climate slightly affected during 2008-09, as indicated by a deceleration in the ratio of total investment to GDP to 24.18 percent from 24.21 percent in 2007-08. Showing an upsurge in remittance inflows, gross national savings in 2008-09 increased to 32.4 percent of GDP. The per capita GNI and GDP are USD 690 and USD 621 respectively during 2008-09. On a cumulative basis, however, export growth in 2008-09 *was 10.3, decelerated from 15.8* percent in the previous fiscal year in the context of the contraction of global trade volume. **At this difficult time, the developed countries should allow uninterrupted entry of Bangladeshi exports duty and quota free access to their markets.** The lower growth in imports driven by the sharp decline in food-grains imports and fall in of oil price in the recorded level after first half of 2008. Import of intermediate goods and industrial raw materials recorded moderate growth of 20.2 percent and 10.5 percent respectively compare to 2007-08, while import of capital machinery declined only by 0.8

percent. Total remittance receipts during 2008-09 rose by 22.4 percent and number of manpower export decreased by 43.4 percent over the preceding fiscal year.

**2.2 *Progress in poverty reduction:*** The incidence of poverty has been declining in Bangladesh. The national head count index of poverty measured by the upper poverty line declined from 56.6 percent in 1991-92 to 40.0 percent in 2005. However, the poverty has been estimated at 38.0 percent in 2008. During 1991 to 2005, urban poverty reduced at a faster rate than rural poverty. Social safety net programme for alleviating poverty and providing livelihood support for the hard core poor directly and programmes for income generation in the rural area are continuing. Cash transfers programme, Food security programme Vulnerable Group Development Programme, Routine Maintenance Programme, special programmes for poverty alleviation and micro-credit programmes for self-employment are worth mentioning. These programmes covers 22.50 lakh beneficiaries under old-age allowance programme, 7.50 lakh beneficiaries under the widowed and women deserted by their husbands, 1.0 lakh insolvent freedom fighters and disadvantaged persons who are receiving financial assistance directly. Under the Abashan Project, 65 thousand landless, homeless and rootless families are receiving the benefits of health and family welfare services and other facilities including income-generating activities. At the same time, all indicators of human poverty like life expectancy at birth, infant mortality rate, population having access to drinking water, and adult literacy rate have shown improvements.

**2.3 *Progress in achieving MDGs particularly in health and education:*** Bangladesh has successfully achieved gender parity in primary and secondary education. The country is on track to achieve the targets of halving the proportion of people living below the poverty line. The Head Count Rate (HCR) of the incidence of poverty, using the upper poverty line, has been declining in Bangladesh since the 1990s. If this trend continues, the estimated poverty level in 2015 would be less than 30 percent, equal to the MDG target. The prevalence of underweight children was 48 percent at the national level in 2005. The best fitted trend (exponential) shows that the prevalence of underweight children at the national level will be 36.5 percent in 2015, which is relatively close to the target of 33 percent. The net enrolment ratio in primary education in 2007 was 91 percent and if this trend continues, complete coverage in primary enrolment will be achieved within 2010. In 2007, the under-five mortality rate was 60 and if this trend continues, the under-five mortality rate will reach a number even below the target (48 on thousand live births) within 2010. By 2013, every household will be brought under hygienic sanitary facilities.

However, there are some lagging areas like primary school completion rate, adult literacy rate, access to safe drinking water by the rural people, and maternal mortality ratio, gender based discriminatory social practices linked to health and education which indicate the need for sustained government efforts and generous donor support.

**2.4 *Return to democracy:*** The Awami League (AL)-led grand alliance's sweeping victory in the 9th parliamentary elections witnessed the return of democratic rule in Bangladesh with a remarkable participation of women and young voters after nearly two years of an army-backed caretaker government. With the return to democracy, the people's hopes and aspirations have also been substantially raised certainly in areas such as good governance, strong stance against corruption and clear vision for economic development. The election manifesto of the Awami League, called 'A Charter for Change', promised to address five priority issues. These are maintaining economic stability and controlling commodity price hikes in the face of global financial crisis; taking effective action against corruption; addressing the power and energy crisis; eliminating poverty and inequality; and establishing good governance.

**2.5 *Promoting good governance:*** The promotion of good governance will focus primarily on making parliamentary process effective, ensuring participatory governance, restructuring and strengthening the public service system, reforming the legal and judicial system to ensure judicial help for the disadvantaged groups particularly poor, women and children and other socially excluded groups, changing roles of law enforcing agencies, strengthening financial management, established merit based competitive civil service, strengthening of local government, promoting e-governance, combating corruption, ensuring human rights, accessing information, raising citizens' voice, improving project implementation capacity; and improving sectoral governance, which all will be challenging tasks.

**2.6 *Reforms in the governance:*** In the country Judiciary has been separated from the executive branch of the government. The Anti Corruption Commission has been reconstituted and given independent status to wage combat against corruption. The Anti Corruption Commission Law suffers from some flaws that is being amended to ensure the independence of the Commission in consistent with its public accountability. The Election Commission has been functioning independently and effectively. The Right to Information Act-2009 has been passed in the parliament so that the citizens can enjoy the access to information easily and as part of it an independent information commission has been constituted. Citizen's charter has been developed in all the government entities to apprise the people about their rights and services. **Government is also in the process of finalizing National Integrity Strategy (NIS) to set moral and ethical standards for all government functionaries and for the**

**society as a whole.** A process of establishing Office of the Ombudsman is under consideration.

With a view to maintaining fiscal discipline and to ensure accountability, the government has expanded the Medium Term Budgetary Framework (MTBF) to 32 ministries. All ministries would eventually be brought under this framework. Duration of the MTBF would be of five years to match with the five year plan document. Government has also promulgated a new law titled “Public Money & Budget Management Act-2009” that will ensure accountability of the public resources to the parliament. Under this law, Hon’ble Finance Minister would keep the parliament informed about the utilization of public money on a quarterly basis .

In a bid to strengthening the local government system, Upazila Parishad Election was held in the last year and other local body elections will be held during 2010 and 2011.

**2.7 Ensuring efficient delivery of public services:** Efforts will be made to develop public-private partnership and *GO-NGO* cooperation to improve efficiency in the management of delivery in some essential utility services. However, Building capacity and an improved human resources framework for delivering public services and ensuring sustained and inclusive growth and strengthening accountability mechanisms in order to improve public sector performance would remain as challenge.

**2.8 Promoting Gender Equality:** Since independence Government emphasized women’s advancement issue as one of its priority areas for its national development. The equal rights of men and women and the equity measure to bring advancement of backwards groups in the society have been included in the Constitution of Bangladesh. Gains have been made in advancing gender equality in Bangladesh through policy, legal and institutional measures. As part of the continuing effort, Government introduced quota system in the Parliament and in the government services for women. A number of laws have been enacted to protect women’s interests. The number of reserved seats of women in the parliament has been increased to 45 from 30 and will be increased to 100 in future. Bangladesh has already achieved gender parity in primary and secondary education at the national level. This positive development has occurred due to some public sector interventions focusing on girl students, such as stipends and exemption of tuition fees for girls in rural areas, the stipend scheme for girls at the secondary level, etc. There was a sharp increase in the number of women parliamentarians elected in the most recent general elections. The total number of women parliamentarians in the present national assembly is 64 (19+45), or 19 percent of the total

seats. However, in order to attain gender equality, there is a need to mainstream women in politics. **Gender Responsive Budget preparation system has already been introduced through MTBF to specifically monitor women poverty reduction and their development.** To cope with the gender challenges, NSAPR II (revised) has followed a two-pronged approach for women's advancement to create a society where men and women will have equal opportunities in all spheres of life.

**2.9 Planned development emphasised:** No country, particularly a developing country, can prosper without a long term vision for development. The democratically elected Government of Prime Minister Sheikh Hasina has, therefore, decided to launch a long term Outline Perspective Plan for the period 2010-2021. The long term vision will be implemented by NSAPR II and two successive five year plans.

### 3. Challenges Ahead

**3.1 Enabling macroeconomic environment for pro-poor growth:** The projections of the Medium Term Macroeconomic Framework (MTMF) reflect a cautiously optimistic scenario that is consistent with recent trends and takes into account the commitment of the government to reduce poverty and inequity and maintain macroeconomic stability and steer the economy to recovery and move to higher growth path. Annual GDP growth is projected to be 6.0 percent in FY10, 6.7 percent in FY11, and 7.2 percent in FY12. Constraints have to be overcome to achieve sustainable, equitable and inclusive eight percent annual growth at the end of the Sixth Five Year Plan. Inflation rate is projected to decline during the NSAPR II period, investment/GDP is projected to improve, revenue/GDP and government expenditure/GDP are projected to improve in FY10 but the budget deficit will be contained to 5% of GDP. In the external sector, both import and export growth would likely be higher in FY10 and FY11 and in the subsequent years.

However, the challenge would be overcoming binding constraints to achieving sustainable and inclusive eight percent annual growths. Restoring private sector confidence and attracting FDI, shaken by the global economic downturn, would be some tasks ahead. Deepening financial sector reforms is called for restoring private sector confidence and participation. Quality of public investment must be ensured and implementation capacity of public sector agencies ought to be raised to satisfactory level. Adopting prudent fiscal measures including expanding the tax net and value added tax system is another area that deserves immediate attention to generate domestic resources and to reduce dependence on foreign borrowing.

**3.2 *Creating infrastructure for pro-poor growth:*** The strategy will be sustained by defining appropriate roles of the public and private sectors and encouraging public private partnerships (PPP); focusing on the key sources of growth; ensuring regional balance in development; reducing population growth and reaping the benefit of demographic dividend (more people in active age); focusing on women's advancement and rights; strengthening safety nets programmes; and ensuring environmental protection and protection from the adverse effects of global warming and climate change. The vision of the power sector is to provide access to affordable and reliable source of energy to all citizens of Bangladesh including the poor and vulnerable of in-grid and off-grid areas by 2021.

However, enhancing public and private investment to overcome increasingly severe infrastructure gap would be a critical challenge.

**3.3 *Social protection for the vulnerable:*** The government has taken steps to balance its policies to meet short term exigencies and long term development needs. **A strong and expanded social safety net programme (SSNP) has been envisioned in the perspective plan (2010-2021) to protect the poor and disadvantaged group from social evils, economic hardship and natural shocks.** The FY 09-10 budget has adopted special measures and support package for minimizing the adverse impact of the global economic slowdown. The NSAPR II has put social protection of the vulnerable at one of the top of its agenda and allocated 319.39 billion Taka or US\$ 4.56 billions (11.35% of total allocation). To reduce women's poverty and vulnerability, the design of social safety net programmes will be objectively targeted and monitored.

However, the burden of the social safety net program as a percentage of GDP is increasing, which may be difficult to sustain in the long run without generous support from the development partners.

**3.4 *Development of Human resource:*** The country's education system comprising primary, secondary, tertiary, and non-formal education will be developed to build a knowledge-based society. The focus will be on ensuring quality education and labour market oriented skills considering domestic and international needs. In the revised NSAPR II, 582.30 billion taka or US \$ 8.44 billion (20.69% of total) is estimated for Education, training and research, which ranks 1<sup>st</sup> according to NSAPR II (revised) priority. Health, nutrition and population (HNP) are intimately related and complementary to other sectors of the economy. The government is committed to ensure quality health, nutrition and family welfare services, which are affordable, attainable and acceptable to its citizens. The government focuses on



increasing health status, reducing health inequalities, expanding access to social safety network and encouraging affordable service delivery systems for everybody. The government plans to establish 18,000 Community Clinics (CCs) in phases to deliver maternal and child health care including family planning services to the door steps and limited curative care. In the revised NSAPR II, 207.94 billion taka or US \$3.0 billion (7.4%) is estimated for Health, Nutrition and Population Planning, which ranks 5<sup>th</sup> according to priority.

**3.5 *Caring for environment and tackling climate change:*** The environmental challenges including pollution will be met by undertaking measures in the areas of policies, planning, regulations and capacity building. Climate adaptation will be strengthened by undertaking sectoral, multi-sectoral and cross-sectoral measures. The climate change adaptation initiatives will integrate holistic, gender sensitive and inclusive approach to sustainable development offering clear opportunities to anticipate, survive, cope with and recover from the effects of disasters. However, adapting climate change measures on agriculture productivity, livelihoods and rural income will be a big challenge given that the overwhelming majority of the poor are financially insolvent and technologically backward.

**3.6 *Enhancing productivity and efficiency through science and technology:*** The quality of life of people of the disadvantaged group will be improved through enhancing quality of education and health care system by innovative application of ICT, enhancing productivity in agriculture through the application of biotechnology. Ensuring access to ICT and technology for the poor, women and disadvantaged children remains a challenge.

#### **4. Thoughts on Way forward**

1. Proper and full implementation of the NSAPR-II and Five Year Plans with ongoing review and monitoring to accelerate growth and reduce poverty;
2. Increasing revenues and ensuring quality of public investments through the annual development budget;
3. Partnering with the private sector, and encouraging private investments to realize full potential of the economy;
4. Making public expenditure more effective by raising the efficiency of and by introducing cost effective measures in budgeting, budget-planning linkages and aid effectiveness;
5. Increasing Regional Co-operation especially in cross-border trade, transport and energy;
6. Building a better governed Bangladesh through an improved accountability framework and reforms of civil service by introducing performance merit based career planning, and promoting e-governance;

7. Bringing ‘services to people’s doorsteps’ by decentralizing services, strengthening local government and enhancing local accountability mechanisms;
8. Increasing focus on results in order to improve access to and utilization of quality education, health, nutrition and social protection services;
9. Providing skills training and enhancing employment opportunities, particularly for the youth and women;
10. Implementing Bangladesh’s Climate Changes Strategy and Implement Action Plan.
11. Strengthening planning and implementation monitoring by the planners.

## **5. Expected role from the Development Partners to achieve the goal of the Government**

**5.1 *Increasing support from development results, aligned with NSAPR II and five year plan:*** Developed countries have so far failed to perform their responsibility to address the problem of unfair trade and global financial system; providing 0.7 per cent ODA of their GDPs; and transferring new technologies for productive youth employment in developing countries to achieve MDG 8. Developed countries should come forward and assist the least developed countries in exploiting potentials of international trade and should fulfil their obligation as signatories to the MDGs.

**5.2 *Implement the Joint Cooperation Strategy for Improved Aid Effectiveness:*** The Government of Bangladesh and fifteen donors signed a Statement of Intent to Develop a Joint Cooperation Strategy (JCS) in support of the national poverty strategy (Revised NSAPR II) in August 2008. The overall goal of a JCS is to make aid in Bangladesh more effective by creating common platforms for national and sector dialogues and a national owned change process for improving delivery of aid. In order to make aided projects/programme effectively implemented, Bangladesh would take the lead to make real structural and behavioural changes on aid policies and implementation. The GOB led JCS Working Group has started various JCS related consultations and recently drafted a JCS outline and a detailed JCS Action Plan. There would be regular dialogues with development partners based on mutually agreed JCS with clear aid effectiveness outcomes and accountability mechanism in support of a prioritised and operational national poverty strategy.

**5.3 *Help Meet Global Financial Crisis:*** As a consequence of global financial crisis, Bangladesh is going to be affected due to recent decline in export earning from Readymade garments and frozen foods as the demand for these declined in the US and Europe. At the same time migrant workers are returning back to the country due to shrinkage of employment opportunities in the respective countries. To fill the resource gap arising from unemployment and loss of export, domestic effective demand has to be increased through investment in

agriculture, in SMEs and manufacturing sectors and finding new avenues in the external markets.

**5.4 Globalization:** Bangladesh and other developing countries have been unable to reap any significant benefit from globalization despite increase in global output, trade and investment; the benefits of globalization have been unequally distributed. In order to address these challenges we need a strong support from our development partners in the form of direct investment, labour migration, market access for our exports, simplification and relaxation of rules of origin, capacity building in trade and investment for creating domestic demand.

**6. Indicative Costs of National Strategy for Accelerated Poverty Reduction (NSAPR II revised) and domestic resource gap- another challenge.**

The estimated cost of achieving the strategic goals and targets set out in NSAPR II is Taka 2,814.81 billion. Non-discretionary expenditure comprising interest payment obligations (both domestic and foreign interest payments) of the public sector and national defence expenditure needs amounted to Tk. 642.59 billion at FY08 prices. The total public expenditure in the NSAPR II period thus comes to Tk. 3,457.40 billion. The total domestic resource that can be mobilized is in the amount of Tk. 2,582.56 billion at FY08 prices. The estimated total resources gap is Tk. 874.84 billion or USD 12.50 billion for three years.

Although the resource requirement (US\$ 4.166 billion/year) exceeds the normal level of foreign assistance (US\$ 2.00 – 2.5 billion) that we receive from our Development Partners, the additional funds can be mobilized through mutual efforts and innovative measures like Public Private Partnership (PPP) and FDI. Also, attempt must be made to increase tax-GDP ratio by expanding the tax net. The resource gap can be met up if revenue share could be raised to 13.60 % of GDP from the present share of roughly 11.0 %. For this to happen, the revenue administration system ought to be overhauled and restructured, corruption free and broadened.