

# Poverty Creation or Poverty Reduction Under PRSP: A Case for Reviewing and Rethinking the Role of the State in Bangladesh\*

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## 1. INTRODUCTION

The Government of Bangladesh has been engaged in the process of preparation of the Poverty Reduction Strategy Paper (PRSP) as required by the World Bank and the IMF as an aid conditionality. For the IMF, the PRSP replaces the Policy Framework Paper (PFP), which was supposed to be a joint IMF-WB document outlining a country's policies and reform proposals. (However, the PFP was produced by the IMF and was never really jointly used by the two organisations). Only highly indebted poor countries (HIPC) and users of Enhanced Structural Adjustment Facility (ESAF) of the IMF are supposed to be required to produce a PRSP before they can seek new programme support from the IMF or the World Bank. Bangladesh is not a HIPC, but as a least developed country (LDC), it felt obligated to formulate a PRSP in the hope of getting future debt relief or new soft loans from the two donor organisations. Though a PRSP is supposed to contain the following three main features that 1) it will be developed in a participatory way, 2) it will be nationally owned, and 3) it will lay out a policy framework and agenda for poverty reduction, in the Bangladesh reality it is safely surmised that the process will be a government-led one where the inputs will be overwhelmingly dominated by the bureaucrats, special interest groups, consultants and policy elites. In this tradition, a 'draft for discussion' of the interim PRSP (I-PRSP) titled, *Bangladesh: A National Strategy for Economic Growth and Poverty Reduction*, has already been floated in April 2002 as a step toward that goal. The present article aims at providing a critique of the role of the Bangladesh state in the context of the current socio-economic and political reality of the country vis-à-vis the stated goal of poverty reduction in the Bangladesh society as envisioned in that document.

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The whole concept of embarking on the task of formulating a strategy paper for poverty reduction under the dictates of donor organizations should be quite unacceptable to any self-respecting nation. But, the long-practiced policy-making creed of abiding by the 'always wise' prescriptions of the donor big brothers has been ascribed almost a hallowed status by the economic policy-makers of the present ruling party in Bangladesh. Therefore, in spite of the oft-repeated clatter of the cliché of 'policy ownership', 'participatory policy-making' or 'consultations with the stakeholders', the preparation process of the PRSP remains tainted with the alleged bureaucratic and technocratic disposition of the authors of the strategy paper. However, it is significant to note that the document declares right at the first page that for operation purposes, the strategy paper will form the core of the Sixth Five Year Plan (2002-2007) beginning from 1 July 2002. It would have been really heartening for people like us if a full-fledged plan document could be prepared with poverty reduction as its prime focus in order to tackle the issue of poverty with the seriousness it truly deserves in Bangladesh at the present moment. It would have been doubly creditable if such a document would have come out of a truly home-grown perception of need for urgent action in this front. The fact that the PRSP has already been perceived as an externally driven instrument for accessing soft loans from external agencies and for achieving eligibility for future debt relief will definitely raise genuine doubts about the sincerity of purpose of the Government of Bangladesh in pursuing the goal of poverty reduction as its true priority.

In the present article, we like to organise our discussion around the main theme that the present socio-political and economic system of Bangladesh has been functioning as a prolific breeding ground of poverty. The 'system' in Bangladesh breeds and reproduces poverty. It does not, in itself, alleviate poverty.

Theoretically speaking, if 'surplus' is expropriated from the producers through different institutional mechanisms persisting in the economic, social and political system of a country trying to emulate the capitalistic principles of the 'open market economy', and if equally strong mechanisms to plough back the surplus to the producers in different forms are not built up in the social structure, poverty will be an inescapable end product of such a social system through the intermediation of increasing inequality in the distribution of income and wealth, exploitation and deprivation of a vast section of the productive population. Economic growth itself cannot arrest the process of poverty creation and reproduction in such a society in the absence of strong redistributive mechanisms and pro-poor policies pursued by the state or through state-led security system for the poor. Jean Dreze and Amartya Sen (1989) showed through their concepts of 'Growth-Mediated Security', 'Unaimed Opulence', 'Public Provisioning' and 'Support-Led Security' and empirical evidence from a number of country

experiences that the state had a definite role in combating hunger and poverty in different developing countries.

The economic, social and political system in Bangladesh is constantly transferring 'surplus' from the productive segments of the population to the small groups of middle and big landowners, middlemen, traders and businessmen, smugglers and black marketers, bureaucrats, importers, indenters, industrialists, politicians and top professionals. The 'system' transfers surplus from the villages to the towns and cities, from the small towns to the large cities and the capital. It transfers surplus from agriculture to trading, and to rent-seeking bureaucrats and political functionaries. It transfers surplus from small savers to borrowers of bank loans masquerading as industrialists, and to 'bank loan defaulter' elite traders and political elements. It also transfers surplus overseas. Therefore, the state in Bangladesh, as the apex institution of the superstructure of this social formation, must be considered a prime institution for nurturing and protecting the social structure which is creating and reproducing the processes of increasing economic inequality, exploitation and deprivation of the productive sections of the population, and hence creating and reproducing poverty. The case for reviewing and rethinking the role of the state in Bangladesh rests on these themes, which will be further elaborated in the latter sections of the paper.

Lamenting on the wrong development policies pursued by all the post-liberation regimes in Bangladesh, a leading economist of the country, Prof. Anisur Rahman notes the following historical facts of our economic development process:

"The "development strategy" of increasing inequalities was followed with increasing commitment by each succeeding government, resulting in economic and social inequalities reaching the astronomical heights that they have reached today. And it seemed that rampant corruption was encouraged by all these governments as if as part of a strategy to distribute favours to their political allies and clientele to consolidate their power.

The collapse of East European socialism was picked up as an open excuse to move toward an uncontrolled market economy and gradual abdication from the government's responsibility to provide any guardianship of economy to promote social objectives. Socialism was redefined in the constitution as "economic and social justice" making this promise, which had been flagged so colourfully in the independence struggle, totally superfluous; however, no development strategy even to promote social justice of any vintage was visible.....The reality we are living is that we have unholy dialectics between our national leaderships and foreign interests in the country whose respective interests are in part overlapping and in part conflicting. The overlapping part consists of an interest in creating inequalities in the society so that an affluent elite class is elaborated that will

provide the desired market for foreign goods and technology, and a supply of cheap labour is assured for foreign private investment to promote economic interests of the donor countries. The national leaderships themselves are part of this elite class with aspirations for ever higher ostentatious consumption and who are prepared to engage in deals with the donor countries to sell “development strategy” for favours in terms of foreign “development assistance”, much of which can be appropriated by this class to aggrandise themselves. The conflicting part consists of the national leaderships, being bitterly divided among them and competing for power and the concomitant favours from the donors, not following the norms of western democracy. They follow, instead, the norms of disruptive politics inherited from a tradition of politics of street protest and violence that does not permit the economy to settle down to facilitate its smooth exploitation by foreign interests. This results in a dual contradiction in the whole scenario: contradiction between the broader society and the elites, and contradiction between the internally divided elites and the foreign interests seeking opportunities to exploit the economy with the collaboration of the country’s elites.”(Rahman, 1999, p.6)

We reproduce this long quotation to present our case for reviewing and rethinking the role of the state and the ruling elite in Bangladesh on the issues of poverty creation and poverty reduction in the light of the honest evaluative comments of the historical records mentioned above. We reiterate that this is written as a theme paper, where we want to bring out the different dimensions of the main theme of poverty creation and poverty reproduction.

We present the major features of the I-PRSP draft relating to the strategies recommended by the Government for poverty reduction in Section B. In Section C, we evaluate the role of the Bangladesh state in creating and reproducing poverty through different machinations and policy regimes. In Section D, we examine the suitability and efficacy of the recommendations of the I-PRSP for poverty reduction in the light of the guardianship of such strategies by the state with its present characteristics. In Section E, the concluding section of the paper, we present some alternative strategies, which, we think, may address the issue in its proper perspectives.

## **2. MAJOR STRATEGIES FOR POVERTY REDUCTION IN THE I-PRSP DRAFT**

The draft I-PRSP document under discussion titled, *Bangladesh: A National Strategy for Economic Growth and Poverty Reduction*”, has been divided in to seven chapters. Chapter 1 is the introductory chapter, which is further sub-divided in to five sections: A) The Process of Policy Ownership; B) The Silent Ascent; C)

Progress in Cross-Country Perspectives; D) Structure of the Paper; and E) Summary Points. Chapter 2 presents the poverty state of the nation in five sections titled: A) Broad Trends over Last Decades; B) Trends in Rural Poverty; C) Trends in Urban Poverty; D) Dimensions of Human Poverty; and E) Summary Points. Chapter 3 is titled as ‘Participatory Consultations on Poverty Reduction Strategy: Emerging Lessons’, and it has got three sections: A) Positive Achievements; B) Areas of Key Concerns; and C) Summary Points. Chapter 4 presents the broad targets of poverty reduction strategy. It is titled as ‘Major Milestones: Poverty Targets and Key Social Development Goals’, and is sub-divided in to three sections: A) The Vision; B) Feasibility of Target Attainment; and C) Summary Points.

Chapter 5 is the core chapter of the document titled as ‘The Poverty Reduction Strategy’, which presents the poverty reduction strategy in detail. It is sub-divided in to nine sections: A) The Strategy: All Routes Matter; B) Increasing Pro-poor Economic Growth; C) Increasing Human Development of the Poor; D) Women’s Advancement and Removing Gender Gaps; E) Strengthening Social Protection; F) Enhancing Participation from Below; G) Policies and Institutions for Reducing Inequality; H) Caring for Environment; and I) Summary Points. Section B of this chapter is further sub-divided in to six sub-sections: B1) Ensuring Macroeconomic Balances; B2) Promoting Good Governance; B3) Agriculture and Rural Development; B4) Manufacturing Growth; B5) Infrastructure Development; and B6) Technology Policy.

Chapter 6 is titled as ‘Medium term Macroeconomic Framework’. It presents the policy matrix for national poverty reduction strategy. Chapter 7 is titled as ‘Monitoring and Evaluation, and is divided in to three sections: A) Institutional Mechanisms; B) Monitoring Indicators; and C) Road Map to Full Strategy. The document also includes nine important annexes, ten informative tables in the main text and seven other annex tables, which help the readers by providing some interesting information relating to the issues discussed in the text.

In the first chapter, the authors note that Bangladesh has achieved impressive success in the areas of population control, overcoming mass starvation and the threat of famine, reducing child nutrition, mainstreaming women in the development process, involving the non-government organisations (NGOs), civil society organisations (CSOs) and community based organisations (CBOs) in developing a pro-poor development agenda and achieving a transition to a viable democratic system in spite of the negative predictions about its viability at the early stages of its post-independence existence.

In Chapter 2, the authors review the poverty situation of the country. They give figures in favour of their claim that income-poverty was reduced by about one percentage point per year during the decade of the nineties of the twentieth century, which was a faster rate compared to that of the earlier decade. Reduction of the head-count index of poverty was better in the urban areas than in the rural areas, but rural areas displayed better progress in reducing the depth and severity of poverty, as captured by trends in poverty gap and squared poverty gap. Inequality increased during the nineties, as the rise in Gini Coefficient of consumption expenditure shows. Human-poverty trends also showed improvements, the authors claim. The human poverty index declined from 61 per cent to 35 per cent during the nineties. Three broad dimensions of human poverty are considered to reach the above conclusion: a) deprivation in health, b) deprivation in education, and c) deprivation in nutrition. Considerable regional disparity in income-poverty and social indicators as well as gender inequality in some indicators are noted.

Chapter 3 brings out some key areas of concern from participatory consultations. The concerns are: 1) law and order, organised crimes, extortion and economic and social violence, 2) lack of effective local government and decentralisation, 3) poor quality of education, health and public services, 4) lack of coordination among development agencies and institutions, 5) lack of remunerative employment and economic opportunities, 6) lack of physical infrastructure, 7) lack of social capital resulting in low-level of collective action, and 8) lack of democratisation of the political process and the resulting polarized and quarrelsome politics.

Chapter 4 starts with a list of poverty targets and social development goals that Bangladesh will try to achieve by the year 2015 as commitment under Millennium Development Goals (MDGs) and the Partnership Agreement on Poverty Reduction (PAPR) with the Asian Development Bank. The targets are: i) reduction of the number of people living below the poverty line by 50 per cent, ii) attaining universal primary education, iii) elimination of gender disparity in primary education, iv) reduction of infant and under five mortality rates by 65 per cent and elimination of gender disparity in child mortality, v) reduction of malnourished children by 50 per cent and elimination of gender disparity in child malnutrition, vi) reduction of maternal mortality rate by 75 per cent, and vii) ensuring availability of reproductive health services to all women. The authors declare that Bangladesh will need to attain and sustain a GDP growth rate of 7 per cent per year over the next 15 years in order to achieve the goals. Additionally, pro-active public actions will be needed.

Chapter 5 contains the poverty reduction strategy grouped in to five major categories: i) policies to accelerate and expand the scope of pro-poor economic

growth, ii) policies to foster human development of the poor, iii) policies to support women's advancement and closing of gender gap in development, iv) policies to favourably influence participatory governance, and v) policies to improve non-material dimensions of well-being including security, power and social inclusion by improving the anti-poverty institutions and removing institutional hurdles to social mobility.

**2.1 Policies to increase pro-poor economic growth** are further sub-divided in to six sub-categories:

- **Policies for ensuring macroeconomic balances**, which covered monetary policy reforms, policies to improve external and domestic imbalances, fiscal revenue reforms, rationalisation of public expenditure, reduction of subsidies to state-owned enterprises (SOEs), moving toward more flexible exchange rate regime, reforms in the banking sector and the financial market, privatisation of SOEs, etc. A Public Expenditure Review Commission and a Public Revenue Reforms Commission are established. Several steps are envisioned to strengthen pre-budget consultations, parliamentary oversight of the budget, budget preparation and project selection, financial management and public procurement, monitoring and evaluation of projects. Under the sub-head of leveraging globalisation the requirements of a sound investment climate, affordable access to information and communication technologies, improved efficiency of trade promoting services, and investments in human capital and skill formation are emphasised for exploiting globalisation opportunities. Under the sub-head of developing the private sector, it is declared that the private sector will be the engine of economic growth. The Government will create an investment-friendly environment and act as a facilitator through policies to create a stable macro economy, improve law and order, promote good governance, maintain competitiveness, alleviate infrastructure bottlenecks, ensure cost effective fiscal and financial services, and provide market information and support services. The key areas will be: infrastructure, financial and capital market, quality of labour force, reduced cost of doing business through reforms in institutional and regulatory framework, improved law and order, and better environment for foreign investment. Under the sub-head of financial sector management, three major shortcomings are identified: i) weak regulatory power of the Bangladesh Bank, ii) poor governance of

public financial institutions, and iii) deficiency of the legal framework. A banking sector policy will be formulated including a regulatory framework for micro finance institutions (MFIs).

- **Policies for promoting good governance**, which include separation of judiciary, modernisation and improving efficiency of police force, establishing effective planning and budgeting system, strengthening of Comptroller and Auditor General 's office, improving public purchase and procurement systems, establishment of the office of ombudsman, establishment of an independent Anti-Corruption Commission, implementing the recommendations of the Public Administration Reforms Commission, use of information and communication technologies, etc.
- **Policies regarding agriculture and rural development**, which include intensification of production of rice, diversification to high-return non-cereal crops, improvements in non-crop agriculture like fishery, poultry, livestock and forestry, reforming the rural credit market, agro-processing and agri-business development, re-orienting food grain procurement programme, liberalisation and further privatisation of input delivery systems, expansion of the rural non-farm sector and rural infrastructure, etc.
- **Policies for manufacturing growth:** The Government will pursue a globally competitive industrialisation strategy dictated by dynamic comparative advantage. Policy reforms to achieve this will include improving trade infrastructure, controlling *hundi* mechanism, competitive exchange rate regime, streamlining of legal and regulatory framework, necessary financial sector reforms, development of the capital market, rationalisation of fiscal incentives, reforming customs and VAT administration, skill and technology upgrading, capacity building and industrial support services, developing the information and communication sector, developing the export-oriented industries, development of small and medium enterprises through providing credit access, etc.
- **Policies for infrastructure development:** The Government will re-orient sectoral priorities and increase private participation to alleviate infrastructural bottlenecks. Policies like clear assignment of responsibilities of different organisations and agencies, capacity building of BRTA and local government institutions, implementation of the power sector reform proposals, enactment of a Gas Act to provide a regulatory framework for the gas sector, developing growth

centres, developing rural roads, providing drainage structure on rural roads, involving community participation through NGOs, beneficiary groups, user committees and the private sector, private participation in port development, granting more autonomy to the port authorities, implementing labour reforms in ports, setting performance evaluation criteria, establishing procedures for accountability, reforming the BTTB, restructuring the ICT sector, adopting transparent tariff policies, etc. are noted.

- **Technology policy:** Development of information technology through enhancing technological capability in the public sector and removing barriers in the private sector is emphasised.

## **2.2 Policies for increasing human development of the poor**

These policies will be in the fields of education, health and nutrition. Quality of education, health and nutrition facilities for the poor remains neglected, the document notes. The control of communicable diseases, improving maternal and child health, a package of essential health interventions with enhanced programmes of family planning, higher resource allocation for the health sector, involving the NGOs in providing high-quality health care services, introduction of the National Nutrition Programme (NNP), improvement of VGD and RMP, strengthening of incentives for enrolment of children of poor households and of girls, emphasis on vocational and technical education, increasing allocation to education from the current level of 2.2 per cent of GDP to at least 4.5 per cent by 2010, reform of the examination systems and the education governance systems, increasing the access of the poor in high-quality education, improving the quality of primary education and making it universal, etc. are noted as major policy interventions in these fields.

## **2.3 Policies relating to women's advancement and removing gender gaps**

The areas of policy reforms to achieve the above goals are: a) Combating continuing negative sex ratios by improving female life expectancy; b) Eliminating violence against women; c) Reducing high maternal mortality; d) Removing restrictions on women's employment and economic opportunities; e) Ensuring formal equality of rights for men and women; f) Supporting quotas and affirmative action for women at all levels and all spheres; g) Creating women-friendly institutional environment; and h) Generating sex-disaggregated statistics.

## **2.4 Policies for strengthening social protection**

These policies will include three sets: a) The social safety net policies such as VGD/IG-VGD, FFW, old-age pension schemes in rural areas, support for destitute females and traditional relief programmes; b) Policies for increasing social solidarity; c) Policies relating to risk insurance like providing access to credit to the poor in times of emergency, ensuring good health services to cope with health hazards, strengthening disaster mitigating mechanisms, etc.

## **2.5 Policies for enhancing participation from below**

These policies will include decentralisation and devolution of power through effective and elected local government bodies and building grass-roots level initiatives to foster community activities.

## **2.6 Policies and institutions for reducing inequality**

These policies will be taken to prevent any serious worsening of income distribution. One policy would be to ensure broad-based asset access to the poor through access to basic education and higher skills, access to financial assets through micro credit, access to common property resources, greater empowerment of the poor through strengthening the organisations of the poor (NGOs and CBOs). Policies will also try to make the different agencies more accountable to the poor. Measures will be taken for removing existing legal and institutional barriers in the way of social mobility of the poor.

## **2.7 Policies for environmental caring**

These policies will try to integrate the national poverty alleviation strategies with environmental conservation.

At the end of the chapter, the document notes that policies and institutional actions delineated under the proposed poverty reduction strategy will be designed to reach out to the poorest and the remote rural areas, which are vulnerable to adverse ecological processes (including *chars* and river erosion affected areas) and those with high concentration of socially disadvantaged and marginal ethnic groups. Special attention will be given to the people of CHT and tribal population in other parts of the country.

### **3. ROLE OF THE STATE IN POVERTY CREATION IN BANGLADESH: SOME MAJOR DIMENSIONS OF THE THEME**

Prof. Yunus, a world famous champion of the cause of poverty alleviation, declares in his autobiography *Banker to the Poor*, “Poverty is not created by the poor, it is created by the structures of society, and policies pursued by society.” (Yunus, 1998, p.215). To be more specific, we believe, as we stated in the introductory section, that poverty is the inescapable end product of the system of exploitation, economic inequality and deprivation in a society trying to emulate the capitalistic principles centring around the philosophy of ‘open market economy’. As a country situated at the periphery of the World Capitalist System, Bangladesh is a prolific breeding ground of endemic poverty. In spite of the gains achieved regarding poverty reduction noted in the draft I-PRSP document (as measured by different measures of income-poverty and human poverty), poverty creation and reproduction of poverty remain systemic problems in Bangladesh. Dr. Binayak Sen, one of the two consultants working for preparing the I-PRSP, writes in a separate article on poverty.

”Poverty is a multi-dimensional concept. It focuses on various aspects of deprivation, both income and non-income. It reflects disempowerment, insecurity against shocks, and lack of opportunities. It has manifold expressions and, indeed, many roots. It is about income deprivation, about shortfalls in consumption and inadequate supply of nutrition. It is about poor access to education and low physical asset bases. It is about risks, uncertainties and vulnerabilities. It is about personal insecurity as much as it is about lack of food security. It is about crisis coping capacities. It is about self-development initiatives. It is about dismal state of health and health care access. It is static and dynamic, transient and chronic, sporadic and systemic. It is seasonal as much as spatial. It is inter-generational. It is about all known vicious circles, of low savings, low investment and low growth. It is about the quality of growth and being left out of growth. It is also about personal freedom, alienation, and social justice. It is expressed in each of these and all of these together.” (Sen, 2002, p.27).

The above conceptualisation of poverty is undoubtedly a notable exercise in semantics, an almost all-pervading description of the nature and scope of the concept of poverty. However, the core of the definition should not be lost in the milieu of words that inequality in income and asset distribution must be considered the main causal factor in any society responsible for breeding poverty, as poverty is more meaningful a concept in the relative sense. Therefore, the state must be put in the dock in explaining the process of poverty creation and poverty reproduction as the apex institution of the superstructure of a social system

perpetuating and increasing inequality through the mechanisms of surplus expropriation and surplus appropriation, and various other institutions.

In Bangladesh, the economy is characterised by a relatively small 'enclave-type' modern sector in the midst of a vast and mostly pre-capitalist agrarian rural economy, where, in spite of the gradually increasing penetration of market relations, the peasant mode of production still dominates, and a fast expanding tertiary sector consisting of trade and service activities. An increasing part of this tertiary sector is actually dominated by informal types of activities, which are providing, in the majority of cases, bare survival incomes through mostly self-employment to a vast multitude of people both in rural and urban areas, who are failing to get employment in formal activities either in the agricultural sector or the manufacturing sector. This 'disarticulation' of the modern capitalist sector and the different pre-capitalist modes of production is responsible for 'development of underdevelopment', which is conceptualised as "Peripheral Capitalism" by Samir Amin (1976). Peripheral capitalism is a distorted and weak form of capitalism co-existing with pre-capitalist modes in the post-colonial least developed and developing countries of the Third World, which thrives in a society mired in 'dependency syndrome' of the neo-colonial world order based on inter-state relationships characterised by dominance of the few developed industrialised countries and virtual hegemony of the world's only remaining super power, the U.S.A. and the increasing dependency of the LDCs like Bangladesh. The government in such a state becomes a 'comprador government' a la Paul Baran (1957), more interested in serving the interests of world capitalism.

On the other hand, the nature of the state of Bangladesh remains largely bureaucratic as a colonial legacy because of the 'relative overdevelopment' of the state compared to class formation during the colonial era. In this scenario, the state attains and enjoys a sort of 'relative autonomy' of the different emerging elite groups jostling for state power in the post-colonial political nexus. The members of the bureaucracy, both military and civil, who become the major beneficiaries of this relative autonomy by wielding the powers of the de facto rulers rather than functionaries in the government administration, zealously protect and try to perpetuate their privileged position in the 'grand ruling alliance' of such a state comprising of the military and civil bureaucrats, comprador capitalists thriving on international trade, marketing agency of multinational corporations and patronage of state functionaries, and the politicians, either elected or selected by the above ruling clique. As the comprador capitalists can only flourish through marketing of goods produced by the multi-national companies, their business success critically depends on the fiscal, monetary, commercial and investment policies of the state. This means that the fast emerging comprador bourgeoisie of Bangladesh needed and still need state patronage for their trade-oriented endeavours. The resulting

liaison among the policy-makers, bureaucrats and the businessmen has evolved through time in to an institutionalised system of corruption and a patron-client network, which tend to make state policies trade-promoting rather than production-friendly. Industrialisation was pursued in the Pakistani era at the cost of sheer neglect of the agricultural sector in the traditional export sectors and also on the basis of import substitution principle under a protective import regime. Many of these industries, which were nurtured by the state patronage up to the decade of the eighties, are now suffering from ‘sick-industry syndrome’ as the tariff, para-tariff and non-tariff protective barriers are being lifted too rapidly under the dictates of the ‘open market economy’ philosophy prescribed by the donor organisations, agencies and countries. In order to accelerate the rate of industrialisation, generous amounts of artificially-made-cheap institutional credit were doled out to the favoured sections of the elite having close connections with the successive ruling parties, military officers, civil bureaucrats and top-level bank executives or on the basis of rent-sharing arrangements, but these industrialisation exercises have all along been thwarted by the massive diversion of capital to legal and illegal trade, capital flight, real estate investment, hoarding of gold and foreign currencies and conspicuous consumption with the help of the increasingly expanding system of institutionalised corruption. In this perspective, the rural economy in particular and the productive sectors in general have long been subjected to a process of transfer of surplus, which has resulted in virtual stagnation in some sectors and slow progress in others. This transfer of surplus from the productive segments of the population to the small groups of traders, a long hierarchy of marketing middlemen and financial intermediaries charging usurious rates of interests from the borrowers, middle and big absentee landowners, bureaucrats, non-farming landowners of the families of overseas migrants, importers, indenters, contractors, suppliers, smugglers, politicians, *mastans and chandabaaj rackets (illegal toll collectors)* and armed cadres of the political parties continues unabated, which is impoverishing an increasing number of people, because, the surplus generated in the economy is mostly diverted away from the circuit of extended reproduction of capital, and may even be transferred abroad through the ‘extraverted’ circuit of capital in a neo-colonial world order.

Let us now explain the processes and dimensions through which the state is creating and reproducing poverty in the Bangladesh society:

- The agricultural sector remains the largest reservoir of poor people in Bangladesh. It is the largest employer in the rural economy, though its share is shrinking. The dominant mode of production in agriculture is the peasant mode, which has shown strong resilience and stability, and which mainly depends on ‘self-exploitation’ of the members of the peasant families in a largely subsistence farm production system. The land ownership

distribution has been getting more and more skewed. Sizes of operational holdings are getting smaller every day. The proportion of landless families (less than 0.5 acre of cultivable land owned) has reached almost four-fifths level in the rural areas. Farms are afflicted more and more with the problems of sub-division, fragmentation and scattered locations of plots. Absentee ownership problems are increasing because of increasing concentration of land ownership in the hands of overseas migrants, businessmen, smugglers, corrupt government officials and employees, urban-based professionals, political functionaries, *mastans* and illegal toll extortionists. Sharecropping has emerged as a crucial tenancy system. Small and marginal peasant families are being gradually pushed out of cultivation through the processes of marginalisation and pauperisation caused by social differentiation and accentuated by increasing marketisation of the input delivery mechanisms. Agricultural marketing remains a happy hunting ground of the middlemen, which continues to deprive the producers from a fair price for their produce. Agricultural credit market is still largely dominated by informal money lenders charging usurious rates of interest. Agricultural prices in general, and food grain prices in particular are continually suppressed through a number of government interventions because of the political sensitivity of changes in such prices. Terms of trade of agriculture and other sectors of the economy are deteriorating continually, which implies that agricultural prices are getting relatively cheaper in real terms compared to the goods and services produced in other sectors of the economy. The agricultural sector remains largely deprived of the cheaper institutional credit of the formal banking system. In the absence of dynamism in creating employment in adequate numbers in the formal manufacturing and service sectors, agriculture remains the major residual employer in the rural economy to accommodate the unemployed, underemployed and the 'disguised unemployed' multitudes actually suffering the pangs of unemployment and miserable existence. As a consequence, the real wage of the unpaid family labour in agriculture remains dismally low, and the daily wage of the hired labour does not increase much in many areas of the country. As the bulk of production activities in the main crop, rice, is driven by mere survival instinct of the peasant families, there is an increasing trend in production for the last few years in spite of the grinding poverty of the marginal and small farmers and sharecroppers, which the policy-makers and their donor mentors are claiming as evidence of success of the market-oriented reforms implemented at the behest of the donors. Crop diversification in particular and agricultural diversification in general have fallen victims of the lack of profit incentives in agriculture and imported and smuggled goods pouring

in from abroad as a result of the on-going import liberalisation drive of the successive governments. Therefore, the fact remains that without a genuine agrarian reform, the successes achieved in growth rates in this sector will be short-lived and unsustainable. Prof. Rehman Sobhan (1993) in his comparative survey of historical experiences of agrarian reform in 36 countries shows authentically that only those countries of the Third World which could successfully implement genuinely radical agrarian reforms on both sides of the ideological divide of the last half of the twentieth century are the success stories of the present days in breaking the vicious circle of poverty. The Nobel laureate Bangalee economist, Prof. Amartya Sen also acknowledges the centrality of the issue of agrarian reform in development discourse quite often. But, the state in Bangladesh and its rulers remain almost oblivious about this crucial imperative. Rather, the I-PRSP document seems to suggest that more market-oriented reforms are in order, which, I am afraid, will be leading the society to a dangerous future of conflict and upheavals through the untenable course of increasing poverty.

- The state is also creating poverty through increasing inequality in the education sector. For a densely populated poor country like Bangladesh, population could be the largest reservoir of human capital, if the people could be provided equal and adequate access to modern, technology-oriented and qualitatively up-to-date education, training and skill-formation through massive investment efforts of the state in education as well as with a scientific education system. Unfortunately, the state has been deliberately building up an education system based on unequal access, differing qualities and discriminatory foundations. State funding is managing an education system, where elite cadet colleges for the affluent sections of the population and out dated *madrashas* for the sons and daughters of poor parents are simultaneously run by the state finances; government schools and colleges co-exist with private institutions, which are largely dependent on government subventions and development funding; market-driven private institutions of higher learning are proliferating to cater to the needs of the emerging upper middle class and the rich elite created through the machinations of the black economy and institutionalised rent-seeking system, and the decadent and inadequately funded public institutions of higher education are being blatantly misused by the major political parties for narrow partisan politicking with the help of student cadres and a tiny fraction of teachers blinded by the career ambitions; and several parallel systems, some with questionable quality, are being simultaneously nursed right from the primary levels of education (e.g. kindergartens, government primary schools, private primary schools, *madrashas*, BRAC schools, etc.)

up to the highest tertiary levels. In these circumstances, the tall claims of achievements in the field of education sound as cruel jokes in the virtual mess of Bangladesh's education sector mired in corruption, copying in examinations, massive drop out rates at the primary and secondary levels, wholesale failures in public examinations resulting in huge system loss, mushrooming of private tutoring systems, note books, coaching centres, etc. up to the college level and session jam, armed violence and terrorism, breakdown of accountability, consultancy syndrome, part-time teaching in private institutions, etc. in the institutions of higher learning. Above all, the most dangerous trend of raising and maintaining armed cadres by the major political parties has turned the campuses of higher education in to virtual battle grounds for violent confrontations all the year round leading to wholesale commercialisation and criminalisation of the country's student politics. Science education, technical education and training, vocational training and applied disciplines based on modern technological knowledge remain victims of neglect and inadequate funding in the public education institutions and training facilities. In the present scenario, the education sector has degenerated in to a manufacturing ground of unemployed as well as unemployable youth hankering after white-collar jobs, which are in short supply. Consequently, in spite of having a huge population, Bangladesh remains poor in terms of the production and supply of skilled manpower and professionals. Especially, the mismatch between the types of skills demanded by the modern technological era and the kind of education and training provided by Bangladesh's mainstream education systems has reached a crisis proportion so much so that for the poorer sections of the populace, education has lost much of its value in the case of choosing career opportunities. On the other hand, the government statistical sources cannot hide the fact that Bangladesh Government has been spending a meagre 2.2 per cent of the country's GDP for the education sector, and that this shamefully low percentage is the lowest in South Asia. The loud claims of success of the I-PRSP document are based on inflated data of deliberately inflated statistics of rising literacy rate, enrolment rate in general and enrolment of girls in particular, decrease of the drop out rate from the primary level, food for education programme, stipends for girl students, etc. The document mentions about 'the education divide' and uneven quality of education provided to the rich and the poor. But, the state has been deliberately widening the inequality gap in the education sector, which should be termed a heinous crime of the perpetrators, because, this is a recipe for accelerating poverty creation among the poorer sections of the population.

- In the health sector, the situation is even more grim, and the culpable neglect of the successive governments much more deplorable. There is wide consensus among the development thinkers that serious health hazards and incidence of a long-drawn or hard-to-cure major disease in a poor family or in a lower-middle-income family often push such families in to deeper economic crises and increase the probability of driving such families in to poverty trap. Therefore, rapid marketisation of the curative and diagnostic health services in Bangladesh with their high costs, and the criminal degradation of the government health facilities at all levels have emerged as very potent tools for poverty creation and reproduction. It must be appreciated that market cannot adequately provide for modern health facilities for the relatively low-income sections of the population. Therefore, if the publicly provided health system is allowed to become dysfunctional as is the case in Bangladesh, the whole system will degenerate in to one of the major mechanisms for creation and reproduction of poverty.
- Regarding the systems of government revenue and expenditure, the role of the state reveals much more direct culpability in its bias for the more privileged sections of the society. The taxation system is overwhelmingly dependent on value added tax (VAT) and customs duties, with the income tax, the most important of the direct taxes, a distant third in terms of revenue collection. In spite of the declining importance of the customs duties, these are still used on grounds of convenience in revenue collection rather than on economic grounds in this era of import liberalisation, creating ample opportunities for smuggling, institutionalised corruption and multifarious malpractices. Even, among the goods coming under the tariff net, a clear anti-poor bias is clearly perceptible, where one can find wholesale elimination of quantitative restrictions as well as rapid lowering of tariffs of luxury items in the current liberalisation drive and imposition and/or increase of tariffs on many necessary goods. The gradual expansion of the VAT net has also spread the harassment and extortion of the common people through the extended network of institutionalised rent-seeking. There is a stronger ground for contending that the whole revenue system is transferring 'surplus' from the common people to the richer sections of the population if one analyses the government expenditure priorities simultaneously. Defence, Public administration and internal security eat up about 60 per cent of the Government's actual revenue expenditure. (From another angle, salaries and interest payments for foreign and domestic debts of the government eat up about 78 per cent of revenue expenditure). The development budget has degenerated in to a happy hunting ground for

reckless corruption and looting of public fund. Even, in case of subsidies, we find that the Government has been withdrawing or lowering subsidies in the agricultural inputs, public food distribution to the common people, health services, education, etc., but the defence forces, the internal security services, the government bureaucracy, the autonomous and semi-autonomous corporations are continuing to receive substantial amounts of subsidies and wasteful allowances and perks in different garbs. The successive governments and their donor mentors are very vocal about subsidies that the Government has to give in the loss-making state owned enterprises, and legitimately so, but they are very generous about forgiving interests due from defaulters of bank loans, and silently moving in the direction of writing-off the defaulted loans (and loan forgiveness subsequently). That is subsidising the plunderers of the deposits of the common savers, I must reiterate.

- Coming to the machinations of the banking sector itself, there is hardly any need to elaborate that it is acting as another major siphon for transferring 'surplus' from the common people to the richer sections of the population, from villages to towns and cities, to the capital Dhaka, and ultimately out of the country. During the three decades of independent Bangladesh, the banking sector created several thousand millionaire robber-barons in Bangladesh, who are now in the process of capturing the elected legislature of the country through the process of commercialisation and criminalisation of politics. Nationalisation of banks was tried as a way out in the beginning, but the endeavour failed to arrest centralisation and concentration of bank loans among the favoured clients of the political and bureaucratic patrons during the last three decades. Privatisation has been pursued from the early eighties as an alternative prescription, but it only changed the pattern of the looting game. Project loans were disbursed on the pretext of industrialisation, but they mostly bred abandoned, incomplete, half-finished or 'sick' projects. Massive diversion of borrowed money to legal import and smuggling, conspicuous consumption, and as flight capital frustrated almost all attempts of rejuvenating the investment scene with the help of bank credit. According to statistical sources, almost 58 per cent of bank deposits belong to the small and medium depositors, but small and medium enterprises get only 13 per cent of the loans. Prof. Yunus' world famous Grameen Bank has made a viable alternative system of reaching credit to the poorer target groups, and made micro credit a fashionable pursuit for the NGOs, but it could not break up the segmentation of the credit market and the stranglehold of the elite over the mainstream banking system, which is becoming more and more anti-poor in case of the private banks. A

cancerous growth of rescheduling culture has been effectively hiding the true magnitude of defaulted loans in the NCBs, DFIs and the first generation PCBs established in the eighties, but knowledgeable quarters are truly alarmed about the malaise in the financial sector. Recent trends of loan portfolios show that even the loans advanced to trading are being defaulted, and the percentage have crossed the one-third mark. The Government's failings in this sector are crucial for our theme of poverty reduction, especially because, a sincerely designed and successful re-orientation of the bank's portfolios toward the productive pursuits of the common people can be the most effective weapon in the nation's fight against poverty.

- Bangladesh received about US\$38 billion as foreign loans and grants during the last 31 years of its independent existence, and it is widely alleged that the lion's share of this flow has been devoured by the 'aid pipeline' extending from the donor countries or agencies down to the field level in Bangladesh. Government functionaries, both in political and bureaucratic arenas, are among the corrupt beneficiaries in this institutionalised money-grabbing game, to say the least. Especially, the project loans and grants have earned widely believed notoriety as lucrative wishing cow (*kamdhenu*) of margin-expropriation, though the signboards of mass poverty are always used to attract such project aid. Food aid is another notorious hierarchical mechanism of institutionalised corruption among the rank and file of the political party in power, the bureaucratic pipeline, contractors, businessmen, local government functionaries, local *mastans* and myriad other fortune-hunters. Now that Bangladesh has achieved self-sufficiency in food grain production, there is a growing realisation that the country should seriously reconsider the wisdom of accepting whatever project on offer. The Government can exercise its right of judicious choice in this regard, if it wants to. It is time to realise that the game of enriching the vested interests in a small pipeline of project aid can be easily shunned without harming the poverty reduction campaign a bit.
- During the 31 years of Bangladesh's independent existence, all the governments' most telling record relates to their failure in creating sufficient employment opportunities for the fast increasing labour force of the country, which is believed to be increasing at 3.5 per cent in recent years. The present explosive state of the unemployment situation can largely explain many of the major maladies facing the country. There is no denying the fact that employment creation in tandem with the growth of labour force is one of the most formidable tasks in one of the most densely populated countries having the eighth largest population in the world, and that is the core of the poverty problem. But, the successive governments

have to share the blame for adopting wrong policies and strategies for employment creation all along our history. The Government ministries, directorates, departments, agencies and bureaus, autonomous and semi-autonomous bodies, sector corporations, and state owned enterprises—all are suffering from the acute problem of excess personnel. This has also created the notorious hierarchy of institutional rent-seeking which has brought shame on the country as the most corrupt country among the 92 countries coming under the purview of the Transparency International survey. This bloated size of the government cannot be considered a legitimate avenue for providing employment opportunities, because, this is too costly, and it is also eating up the major share of the Government revenue expenditure. On the other hand, people are suffering because of red-tapes and obstacles faced at the multiplicity of desks encountered for obtaining service from the government functionaries. The story in the industrial sector is equally dismal. Bank loans were doled out for import substituting industrialisation on the main pretext of employment generation right from the early Pakistani era up to the present times, but if one such job needs Tk. 5,00,000 to Tk. 1 million of investment on average, this definitely becomes an untenable proposition for a poor country like Bangladesh, where about three million persons are entering the job market every year according to the government statistical surveys. Unfortunately, the banking sector of Bangladesh continues to be plundered through the same route even today.

- The Government embarked on the task of gradually liberalising the country's import regime from the financial year 1986-87, but the pace of its liberalisation drive has exceeded that of its giant neighbour India all along. This has accelerated the spread of smuggling, and changed the pattern of smuggling drastically during the last sixteen years. Understandably, there are no good estimates of the magnitude of the flows of goods coming in to and going out of Bangladesh because of the very nature of smuggling operations, but there is a consensus among the researchers on the subject that the flows are increasing, and that the patterns of both types of flows in terms of goods smuggled change continuously in response to price differentials created because of asymmetric policy changes in the countries involved. One of the major consequences of this opening up of the domestic market for foreign goods is the sick industry syndrome. But, agricultural goods, cottage industries, manufacturing goods produced by the small and medium enterprises, industrial items produced by import-substituting industries and even Bangladesh's traditional export items are threatened by this increasing flow of imports coming in both legally and illegally. Unused excess capacities, demand constraints, lay-offs and ultimate closure of

enterprises have been creating a real crisis in all productive fields of the country. Even the country's vibrant export sectors— garments, knitwear and shrimp culture sectors—are facing tough times. The Government denies any responsibility for the current crisis by shifting the burden on to the ongoing world wide recession, but the fact remains that smuggling is an economic problem created by wrong policies, and has to be tackled through proper policy changes. Mere closing down of losing concerns like the Adamjee Jute Mills will not help the Government much in tackling the stagnation in the investment scene; it will only create many more poor people throughout the country with productive and trading linkages with such closed down enterprises.

- Another disturbing phenomenon of governance of the country relate to excessive centralisation of decision making as well as government's development efforts in the capital Dhaka, which is depriving the other areas of the country, both urban and rural. The feeling of relative deprivation has reached such a level, where even the people of the second largest city and the main port city of the country, Chittagong, are loudly complaining of gradual decline of their city's long-standing prominence as the main business hub. Dhaka is a booming metropolis, where the population growth has reached fantastic proportion with all the concomitant urban nuisance like traffic jams, pollution, slums, urban sprawl, unplanned high-rise buildings, overcrowding, etc. Rural to urban migration flows from all areas of the country are targeting Dhaka for the better prospects of livelihood even in the informal sector of Dhaka compared to other urban destinations. In the process, rural poverty is being transformed in to urban poverty with the squalor and vices of such sub-human living environments of the city slums. Bright lights theory of migration or the pull-factors theory has found a classic example in Dhaka. This policy-induced urban mess created in Dhaka is the sorry outcome of the blunders of bad governance of the successive governments of Bangladesh. In addition to this centralisation, the development policies of the country are carrying a historical legacy of urban bias, which result in an all-pervading perception of neglect and deprivation among the majority of the population languishing in the villages.
- The local government institutions of the country has been victims of gradual disempowerment by the elected governments of the last decade. Union councils are turned in to dens of misappropriation of development funds trickling down the project pipelines or generated through sale of food-aid allotments. The Upajila System was abolished in early nineties, and it will not be revived in all likelihood. Therefore, the people of the

villages are effectively pushed out of the development process initiated from the capital. It must be reiterated that any loud claim of pro-poor growth, participatory policy-making or development policy ownership will sound hollow in the absence of a political will for truly representative and effectively functioning local government system in the country.

- The successive governments can also be blamed for creating the severely confrontational political culture in the country, which hampers productive activities throughout the year through intermittent *hartals*, violent clashes, work stoppages of different hues, labour troubles and politicised trade unions playing havoc with the work environment in most of the formal manufacturing and service organisations. Even after the restoration of democracy and elected parliament good governance remains illusory. Organisational discipline and chain of command, accountability, work ethics, job sincerity and honesty have become rare attributes. As a result, total factor productivity as well as labour productivity in Bangladesh are among the lowest in the South Asian region. This does not provide any positive signals to any investor, domestic or foreign. When one adds to these factors the all-pervading problem of institutionalised corruption and politically patronised ‘system’ of toll extortion, one can easily explain why Bangladesh cannot attract foreign investment. This also largely explains why almost all efforts of patronised capitalist development of the successive governments have been failing miserably. The World Bank is claiming that corruption is responsible for 1%-1.5% lower growth of GDP every year. In fact, bad governments and governance failures have been identified as the prime obstacles in the way of ‘take off’ of the Bangladesh economy at its present juncture.
- Last but not the least, we reiterate that criminalisation of the country’s politics, patronisation of armed cadres and *mastans* by the successive ruling parties of the last one decade like the BNP, Awami League and Jamat-e-Islami and an all-pervading institutionalisation of rent-seeking are the three most serious scourges afflicting Bangladesh for the last few years; and lawlessness, violent crimes, extortion and politics of vengeance have clearly reached a level, where governance failure is threatening the very existence of the fledgling democratic system of the country. Politics has been taken over by black money and godfathers of terror. Winning in elections by all means fair or foul has become the most profitable business to make quick fortunes. Anarchy is engulfing the whole body politics, and there are signs that the country may be heading toward another era of violence and autocratic rule. Poverty will definitely take a back seat in such a national crisis.

#### 4. PROSPECT OF POVERTY REDUCTION STRATEGIES OF I-PRSP WITH THE STATUS QUO OF THE BANGLADESH STATE

As the I-PRSP is an interim document prepared in the process of formulating the PRSP, a full-fledged evaluation will be premature. Therefore, we offer some pertinent comments on the prospective efficacy of strategies suggested in the context of the nature of the Bangladesh state outlined in the earlier section. In Section C, we have delineated the major dimensions of poverty creation and reproduction by the state in Bangladesh through the formulation of a number of general hypotheses. It should be clear from the discussion that poverty alleviation must start from adopting strategies for reversing the trend of inequalities in the society, and that the state has been instrumental in leading the society in the opposite direction. Therefore, the primary task will be the initiation of policy changes to arrest and reverse the process of deterioration of inequality in the distribution of both income and assets, and inequality in access to different vital institutions in the society. Let us quote Prof. Anisur Rahman again at this stage:

“Having come as far as we have come in the wrong direction, development needs to be assessed now in terms of growth with *inequality alleviation* rather than with *poverty alleviation*. This is not only because of the gross injustice in the distribution calculus but also because one’s sense of poverty itself is relative, and the subjective index moves up with the display of wealth and ostentatious consumption notwithstanding where the economists of the national and international establishments put the “objective” index. And a strategy of growth with inequality alleviation may in fact give us higher growth itself in so far as resources will be channelled toward producer classes from rentier classes who have so far given us little growth.” (Rahman, 1999, p. 6)

The I-PRSP document mentions the need for reducing inequality in Section G of Chapter 5, but a careful reading of the more prominently discussed strategies reveals that in spite of the window dressing efforts, the strategies have the familiar prescriptions of the structural adjustment programme (SAP) as the core, which have already been found to be increasing inequality, as measured by different methods. As already noted in Section B, the strategy for ‘increasing pro-poor economic growth’ gets the most importance in the I-PRSP, and a number of strategies in six relevant fields are mentioned under this head. The authors deserve accolades for seriously thinking over the required policies. But, the need for proper prioritising the strategies remains unfulfilled and ignored. Actually, without zeroing in on the issue of inequalities, the mere use of the concept of pro-poor economic growth will remain largely empty and rhetorical. For example, in discussing the policies for ensuring macroeconomic balances, reforms in the

public revenue and expenditure systems are mentioned as necessary strategies. But, the strategy paper could be much more specific in the selection of fields and the directions of policy needed, e.g. a) that the country needs gradual but substantive reductions in government expenditure on unproductive heads like defence, public administration and internal security, salaries and interest payments, and diversion of expenditure thus saved to investment in education, health, infrastructure development, social security programmes, etc.; or b) that 25 per cent of bank portfolios must be earmarked for small and medium enterprises; or c) that deposits collected from the rural branches of banks must be advanced for projects in rural areas; or d) that the banking system will not cater to the need for capital for relatively large scale industrial projects of entrepreneurs if the size of the loan exceeds certain amount. They will have to go to the capital market for their project funding. The same tendency of avoiding specific policy or programme is discernable in many other strategies mentioned, and it can be termed as the general pattern. As a result, the policy matrix presented in Table 9 of pages 46 and 47 of the I-PRSP does not provide specific policy proposals under the head 'future agenda' for the majority of the strategies listed in the table. May be at this preliminary stage, neither the authors nor the Government have put serious thoughts about the specific policy changes to be selected under the strategy concerned! But, it must be said that this PRSP is supposed to form the core of the 6th Five Year Plan, the time-frame of which, according to their own words, had already started from 1 July, 2002. A plan without programmes is an exercise devoid of substance, and we cannot find 'programmes' for achieving the targets mentioned for most of the strategies suggested in the I-PRSP. If the vagueness is deliberate, then there is good reason to question the sincerity of purpose of the Government, and the allegation that whatever is contained in the I-PRSP or the ultimate PRSP it will be 'business as usual' will be substantiated. We hope the future documents in the series will contain much more substance regarding policy formulation.

SAP policy prescriptions have been pursuing the targets in four general categories, namely 1) privatisation and denationalisation, 2) deregulation, 3) liberalisation of trade regime, and 4) globalisation under the philosophy of 'open market economy'. In the eighties, the government and the market were put almost in an adversarial position in these prescriptions during the heydays of supply-side economics. But, there is a gradual realisation that the market and the government should actually complement each other in a developing country by re-orienting their functions and roles in order to confront poverty. Unfortunately, we have not been able to delineate the proper roles for either the government or the market. Marketisation of education and health is being encouraged, but the Government's excess baggage in production, infrastructure, defence, public administration,

unnecessary regulations and formalities, etc, are not relieved in the face of stiff resistance put up by the vested interests. The I-PRSP does not address these issues adequately. Serious considerations are needed to come to a judicious apportioning of responsibilities of the state and the market based on sound analysis of our true national priorities of inequality alleviation.

The following issues, which need to be addressed on a priority basis, have not received the serious attention they deserve:

1) Agrarian reforms; 2) Education Reforms; 3) Reforms in curative health systems for both rural and urban poor; 4) Reforms in public utilities sector regarding electricity, telephone, gas and water distribution systems; 5) Prioritisation of provision of vital infrastructure; 6) Reforms of public revenue and expenditure priorities; 7) Reforms in public administration; and 8) Reforms of the local government systems including city governments.

## **5. CONCLUSION: SOME ALTERNATIVE PROPOSALS FOR POVERTY ALLEVIATION THROUGH INEQUALITY ALLEVIATION**

As the article is designed as a **key-note paper** on a topic like poverty, which is not easy to conceptualise and operationalise, we have not ventured to write a technical paper, which would have been a daunting task in such a vast canvas. Neither did we cover the whole canvas. We have focussed on a particular theme regarding the role of the state in Bangladesh in poverty creation rather than as an institution to fight poverty. We have also focussed on the issue of inequalities. Both these topics may provoke intense debates, because, they are two central issues in Political Economy. As there cannot be any real winners in such debates, we urge upon the readers of this theme paper to refrain from generating heat, and to try to provide constructive insights on the issues so that more light can be focussed to better appreciate the strategies recommended in the I-PRSP. With that objective in mind, we have decided to present some alternative strategies, not as substitutes but for strengthening the efficacy of strategies suggested in the I-PRSP document, which, we think, may address the issue of poverty alleviation in Bangladesh in its proper perspectives. (Personally, I do not like the new coinage of the donors, ‘poverty reduction’, but I do not want to start another debate on semantics per se).

The proposed strategies will be in the following fields and/or directions:

### 5.1 Agrarian Reforms

There are scopes for even land ownership reforms and redistributive land reforms, but more importantly, land tenure reforms, reforms in agrarian labour relations and the agricultural labour market, rethinking the subsidy issue in agricultural input delivery systems like seeds, fertilisers, water, pesticides and insecticides and in mechanisation of agriculture, agricultural marketing reforms to eliminate rentier middlemen and to ensure fair price to the direct producers, agricultural credit reforms, reforms in land records, reforms in sale and purchase of land, distribution of *khas* lands, reforms in land administration, introduction of land bank and cattle bank, ownership and leasing of water bodies like ponds, tanks, *beels and haors* and rivers, community forestry, ownership and leasing reforms of '*shikasti and payasti*' land, reforms of agricultural price support programmes, reforms of irrigation rights and practices, computerisation of land records and transfers, etc. are urgently needed if the Government is really sincere about the issue of poverty. The convenient postponement of the initiation of these reform issues will accelerate the poverty creation process.

### 5.2 Defence Expenditure Reforms

- i) For gradual reduction of government expenditure on defence, a crash programme for downsizing the armed forces by at least one-third in ten years should be undertaken;
- ii) ***Poverty Creation or Poverty Reduction and Rethinking the Role of the State in Bangladesh: Moinul Islam*** Government subsidies and various perks provided to defence personnel should be brought down at par with government officials in general. Only in exceptional circumstances and difficult postings, special allowances should be provided to the incumbents.
- iii) A reserved armed force can be raised through a six-month long compulsory training of all students appearing at the higher secondary examination to complement the war efforts of the regular armed forces.

### 5.3 Reforms in General Administration

- i) The size of the Government administration should be reduced at least by one third in ten years by reducing the number of ministries, directorates, bureaus, departments, institutes, etc. by implementing the recommendations of the Public Administration Reforms Commission, reduction of class three employees through a crash

programme of computerisation of the administration and compulsory computer training of the officers and reduction of class four employees through quick introduction of e-governance.

- ii) The administrative unit at the division level should be abolished forthwith.
- iii) A four-tier local government system should be introduced at the district, upajila, union and village levels through elected representatives with effective financial powers and functions, and adequate arrangements of accountability to the electorates.
- iv) City governments should be established in all the six major cities now categorised as divisional headquarters, where the present development authorities of different cities will be amalgamated along with the agencies responsible for providing civic amenities like electricity, water and sewerage. Even the police can be put under the jurisdiction of such city governments.
- v) Requisition of private land for developing urban residential areas, and the distribution of residential plots in those areas to the favoured few should be stopped forthwith. Urban planning should designate the residential and commercial areas of an urban centre, and zoning laws should be enacted and enforced to facilitate planned urban development.

#### **5.4 Fiscal Policy Reforms to Curb Smuggling**

- i) In order to curb smuggling, tariff liberalisation in Bangladesh in particular and import liberalisation in general must be rationalised in consonance with the Indian policies in these regards so that price differentials are not widened enough to allow arbitraging profitable for the smugglers, who normally operate in connivance with the law enforcement agencies on both sides of the border. As the Indian budget is declared in March each year, an item-wise analysis should be done each year by a special cell in either the Ministry of Commerce or the Ministry of Finance and the Tariff Commission to rationalise the tariff changes or import policy changes to be announced in Bangladesh budget in June.
- ii) A well-designed policy of 'selective liberalisation and selective control' should be adopted to liberalise import of items of commodities, which do not adversely affect domestic production, and to curb import of luxury items and superfluous consumer goods,

which cater to import-oriented demands of the affluent sections of the population.

### **5.5 Reforms in Education System**

- i) The madrasha education system should be fully integrated in phases with the mainstream education system at all levels with the same curricula, and with some special subjects. A few specialised institutions of higher learning for religious studies of each major religious communities can be provided for higher level specialised education.
- ii) The cadet colleges and the public schools should be integrated with the mainstream education system in phases. During the transition period, government subsidies should be gradually brought down in these institutions to bring them at par with the institutions providing the same levels of education.
- iii) Uniform curricula should be followed in all government-managed and government-funded institutions up to the higher secondary levels for each discipline.
- iv) Compulsory education should be extended up to the eighth level.
- v) Publication, sale and use of note books should be banned at all levels of education.
- vi) Coaching centres and private tuition should be banned.
- vii) All the private institutions of higher education should be non-profit organisations.
- viii) Full-fledged computer labs and science laboratories should be established through crash programmes.
- ix) Partisan political activities in campuses should be banned for both students and teachers.

### **5.6 Reforms regarding bank credit**

- i) At least 25 per cent of bank port folios of each bank must be compulsorily earmarked for financing small, medium and micro enterprises (SMMEs). A separate cell for small enterprises should be established, where loan programmes will be managed on the basis of group banking based on movable assets as collateral securities.

- ii) Each bank branch in the rural areas should be required to advance credits to customers in rural areas equal to its deposits collected, at the least.

### **5.7 Reforms in some other crucial development issues**

- i) At least 10 per cent of the government budget should be allotted to the health sector to counter serious under-funding.
- ii) Private practice by the doctors of government establishments should be banned in phases.
- iii) Bangladesh's natural gas should be harnessed primarily for providing electricity to the estimated 80 per cent of the population through a crash programme of ten years.
- iv) Compressed natural gas should be supplied in cylinders as cooking fuel through establishing transformation plants and bottling plants on an emergency basis. Import of gas cylinders should be made tariff-free, and/or domestic production of such cylinders should be encouraged through proper policy incentives.

In the end, let me humbly submit that I am not very optimistic about the prospect of acceptance of my proposals, because, they are unpalatable for a state described in Section C of this paper. To some, the proposals may seem radical suggestions of a 'bleeding heart' exponent on the issue. I admit that without societal transformation, many of the proposals may prove unattainable in the near future. But, I like to remain true to my conscience. I firmly believe that there is no short-cut to poverty alleviation in Bangladesh except through the path of inequality alleviation.

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## ANNEX TABLES

Table 1  
Social Development in Bangladesh: Predicted vs. Actual Values

Indicators	Predicted values	Actual values
1. Population growth rate (annual %)	2.45	1.59
2. Total fertility rate (TFR) (births per women)	4.68	3.20
3. Contraceptive prevalence rate (% of women aged 15-49)	23.16	53.00
4. Crude birth rate (CBR)	35.26	23.40
5. Crude death rate (CDR)	11.49	8.40
6. Infant mortality rate (IMR) (per 1000 live births)	70.78	65.00
7. Life expectancy at birth, female (years)	59.50	60.8
8. Life expectancy at birth, male (years)	56.19	60.4

Source: Based on available data of 163 countries out of 210 obtained from 'World Development Indicators, 1999' published by the World Bank.

Table 2  
Trends in Poverty and Inequality in the Nineties

	1991/92	2000	Change per year (%)
<b>Headcount Rate</b>			
National	58.8	49.8	-1.8
Urban	44.9	36.6	-2.2
Rural	61.2	53.0	-1.6
<b>Poverty Gap</b>			
National	17.2	12.9	-2.9
Urban	12.0	9.5	-2.5
Rural	18.1	13.8	-2.8
<b>Squared Poverty Gap</b>			
National	6.8	4.6	-3.6
Urban	4.4	3.4	-2.7
Rural	7.2	4.9	-3.8
<b>Gini Index of Inequality</b>			
National	0.259	0.306	2.1
Urban	0.307	0.368	2.3
Rural	0.243	0.271	1.4

Source: BBS, *Preliminary Report of Household Income and Expenditure Survey 2000*, Dhaka, 2001 and World Bank, *Poverty Trends in Bangladesh during the Nineties*, Background Paper No. 1 (Draft), World Bank, Washington D.C.

Table 4  
Major Goal-Posts: Poverty Targets

Target	Current (2000)	2003	2005	2010	2015
<b>Indicators in light of MDGs:</b>					
Income-Poverty	50	46	44	35	25
Adult Literacy	56	63	68	79	90
Primary Enrollment	75	80	83	92	100
Secondary Enrollment	65	70	75	85	95
Infant Mortality Rate (IMR)	66	58	51	37	22
Under-Five Mortality Rate	94	82	73	52	31
Maternal Mortality Rate (MMR)	320	300	280	240	147
Life Expectancy	61	63	65	69	73
Population Growth	1.6	1.5	1.5	1.4	1.3
% Children Underweight	48	45	43	39	35
<b>Reduction in Anti-Female Bias:</b>					
Female (7+) Literacy (% of Male)	80				
Female Enrollment at Tertiary Level (% of Male)	33	Eradicate by 2010-15			
Female Underweight Moderate or Severe, <5 Years (% of Male)	8				
Female Underweight Severe, <5 Years (% of Male)	26				
Female Mortality, 1-4 Years (% of Male)	133				

Source of Benchmark Data: Income-Poverty (Table 2); Adult Literacy (BHDR 2000); Primary Enrollment (HIES 2000); Secondary Enrollment (HIES 2000); Tertiary Enrollment (HIES 2000); IMR (BDHS 1999/00); Under-Five Mortality (BDHS 1999/00); MMR (NIPORT/Macro International); Life Expectancy (BHDR 2000); Population growth (BBS); Children Underweight (BDHS 1999/00).

Table 5  
Medium Term Macroeconomic Framework

	Estimate FY 02	Projections		
		FY 03	FY 04	FY 05
<b>National income and prices</b>				
Real GDP growth (%)	4.8	5.6	6.0	6.3
Inflation (annual average, %)	2.3	3.1	3.5	4.2
<b>Investment and savings (% of GDP)</b>				
Gross investment	23.2	23.9	24.6	25.5
Private	16.1	16.8	17.5	18.1
Public	7.1	7.1	7.2	7.3
Gross domestic savings	17.9	18.4	19.0	19.5
Gross national savings	22.4	23.1	23.8	24.5
<b>Government budget (% of GDP)</b>				
Total revenue	9.8	10.7	11.7	12.4
Tax	8.0	8.7	9.5	10.0
Non Tax	1.8	2.0	2.2	2.5
Total expenditure	15.1	15.9	16.6	17.2
Revenue	8.1	8.2	8.2	8.2
Development	6.1	7.0	7.7	8.3
Budget balance	-5.3	-5.2	-5.0	-4.8
Net financing				
Domestic	3.0	3.0	2.7	2.7
Foreign	2.3	2.2	2.3	2.0
<b>Money and credit (% change)</b>				
Domestic credit	10.40	12.77	12.99	13.61
Private sector	10.60	11.24	13.08	14.08
Broad money (M2)	10.00	12.84	13.05	13.64
<b>Balance of payments (% of GDP)</b>				
Exports	13.09	13.56	13.86	14.14
Imports	19.45	19.58	18.92	18.12
<b>External flows (billion US \$)</b>				
Remittances	2.39	2.42	2.62	2.83
Aid disbursements	1.48	1.59	1.66	1.67

**Table 6**  
**Budgetary Expenditures: Revenue Expenditures**

	Estimate		Projections					
	FY 02		FY 03		FY 04		FY 05	
	Billion Tk.	% of GDP						
<b>Total Expenditure</b>	410.51	15.14	468.50	15.87	538.80	16.64	617.16	17.21
Growth (%)	13.30		14.13		15.01		14.54	
Current/Rev. Expend/1	220.80	8.14	241.00	8.16	264.80	8.18	293.66	8.19
Growth (%)	9.50		9.15		9.88		10.90	
<b>Composition of Revenue Expenditure</b>								
<b>A. General Administration</b>	87.15	3.21	92.24	3.13	98.36	3.04	105.46	2.94
GPS	33.01	1.22	34.90	1.18	37.33	1.15	40.10	1.12
Defence	36.39	1.34	37.52	1.27	38.83	1.20	40.46	1.13
POS	17.75	0.65	19.82	0.67	22.20	0.69	24.90	0.69
<b>B. Social Services</b>	63.96	2.36	71.93	2.44	83.82	2.59	96.05	2.68
Education	38.50	1.42	43.12	1.46	50.50	1.56	56.42	1.57
Health	12.18	0.45	14.10	0.48	16.54	0.51	19.85	0.55
SSW	10.80	0.40	11.88	0.40	13.53	0.42	15.98	0.45
RCRA	2.48	0.09	2.83	0.10	3.25	0.10	3.80	0.11
<b>C. Economic Services/2</b>	12.88	0.48	13.67	0.46	15.50	0.48	17.92	0.50
AFL	9.91	0.37	10.06	0.34	11.08	0.34	12.62	0.35
MMC	0.55	0.02	0.69	0.02	0.83	0.03	0.98	0.03
RDC	0.82	0.03	0.98	0.03	1.25	0.04	1.56	0.04
CHTs	0.97	0.04	1.05	0.04	1.18	0.04	1.36	0.04
CLE	0.63	0.02	0.89	0.03	1.16	0.04	1.40	0.04
<b>D. Infrastructure Services/3</b>	12.54	0.46	14.71	0.50	17.62	0.54	21.96	0.61
ST	0.97	0.04	1.17	0.04	1.45	0.04	1.88	0.05
FE	0.09	0.00	0.14	0.00	0.18	0.01	0.25	0.01
TC	4.76	0.18	5.80	0.20	7.25	0.22	9.48	0.26
HCS	6.72	0.25	7.60	0.26	8.74	0.27	10.35	0.29
<b>E. Interest</b>	46.47	1.71	48.45	1.64	49.50	1.53	52.27	1.46
Domestic	36.68	1.35	37.81	1.28	38.75	1.20	40.72	1.14
Foreign	9.79	0.36	10.64	0.36	10.75	0.33	11.55	0.32

Notes: The composition of FY02 refers to a total of Tk. 223 billion.

/1 Current Expenditures also include losses of Railway and Post Office.

/2 Rural Development and CHTs are assumed to be parts of Economic Services rather than parts of GPS.

/3 Science and Technology is as well assumed to be part of Physical Infrastructure rather than part of GPS.

SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, MMC = Mining, Manufacturing & Construction, AFL = Agriculture, Fisheries & Livestock.

CLE = Commerce, Labour & Employment, HCS = Housing and Community Services, GPS = General Public Services

POS = Public Order & Safety, RDC = Rural Dev. & Coop, ST = Science & Technology, FE = Fuel and Energy, TC = Transport and Communication.

**Table 7**  
**Budgetary Expenditures: Development Expenditures**

	Estimate		Projections					
	FY 02		FY 03		FY 04		FY 05	
	Billion Tk.	% of GDP						
Total Expenditure	410.51	15.14	468.50	15.87	538.80	16.64	617.16	17.21
Growth (%)	13.30		14.13		15.01		14.54	
Development Expenditure/1	165.20	6.09	206.50	7.00	250.00	7.72	296.50	8.27
Growth (%)	-0.40		25.00		21.07		18.60	
<b>Composition of Development Expenditure</b>								
A. General Administration	3.88	0.14	4.44	0.15	5.38	0.17	7.11	0.20
GPS	2.91	0.11	3.20	0.11	3.68	0.11	4.60	0.13
Defence	0.09	0.00	0.09	0.00	0.10	0.00	0.11	0.00
POS	0.88	0.03	1.15	0.04	1.60	0.05	2.40	0.07
B. Social Services	47.46	1.75	58.07	1.97	71.95	2.22	88.60	2.47
Education	23.21	0.86	28.42	0.96	34.55	1.07	42.75	1.19
Health	12.32	0.45	16.01	0.54	20.41	0.63	25.50	0.71
SSW	10.25	0.38	11.79	0.40	14.74	0.46	17.40	0.49
RCRA	1.68	0.06	1.85	0.06	2.25	0.07	2.95	0.08
C. Economic Services/2	26.55	0.98	31.08	1.05	37.12	1.15	43.44	1.21
AFL	21.53	0.79	24.76	0.84	28.70	0.89	32.28	0.90
MMC	2.88	0.11	3.24	0.11	4.05	0.13	4.96	0.14
RDC	0.18	0.01	0.60	0.02	1.10	0.03	1.65	0.05
CHTs	0.86	0.03	1.00	0.03	1.20	0.04	1.45	0.04
CLE	1.10	0.04	1.48	0.05	2.07	0.06	3.10	0.09
D. Infrastructure Services/3	94.11	3.47	112.91	3.83	135.55	4.19	157.35	4.39
ST	0.92	0.03	2.25	0.08	3.38	0.10	5.50	0.15
FE	23.39	0.86	26.90	0.91	31.62	0.98	35.95	1.00
TC	39.33	1.45	47.20	1.60	54.85	1.69	63.16	1.77
HCS	30.47	1.12	36.56	1.24	45.70	1.41	52.54	1.46
Other Expenditures (Non-ADP Capital, Food and other Expenditures)	24.51	0.90	21.00	0.71	24.00	0.74	27.00	0.75

Notes: The composition of FY02 refers to a total of Tk. 172 billion.

/1 Development Expenditures = ADP - Self-Finance + Non-ADP FFW.

/2 Rural Development and CHTs are assumed to be parts of Economic Services rather than parts of GPS.

/3 Science and Technology is as well assumed to be part of Physical Infrastructure rather than part of GPS.

SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, AFL = Agriculture, Fisheries & Livestock, MMC = Mining, Manufacturing & Construction  
CLE = Commerce, Labour & Employment, HCS = Housing and Community Services, GPS = General Public Services

Table 8  
Budgetary Expenditures: Revenue and Development

	Estimate		Projections					
	FY 02		FY 03		FY 04		FY 05	
	Billion Tk.	% of GDP <sup>1</sup>						
Total Expenditure	410.51	15.14	468.50	15.87	538.60	16.64	617.16	17.21
Current/Rev <sup>1</sup>	220.60	8.14	241.00	8.16	264.80	8.18	293.66	8.19
Development <sup>2</sup>	165.20	6.09	206.50	7.00	250.00	7.72	296.50	8.27
Non ADP <sup>3</sup> Capital, Food & other Expend.	24.51	0.90	21.00	0.71	24.00	0.74	27.00	0.75
<b>Composition of Expenditure: Revenue and Development</b>								
A. General Administration	91.03	3.36	96.68	3.28	103.74	3.20	112.57	3.14
GPS	35.92	1.32	38.10	1.29	41.01	1.27	44.70	1.25
Defence	36.48	1.35	37.61	1.27	38.93	1.20	40.57	1.13
POS	18.63	0.69	20.97	0.71	23.80	0.73	27.30	0.76
B. Social Services	111.42	4.11	130.00	4.40	155.77	4.81	184.65	5.15
Education	61.71	2.28	71.54	2.42	85.05	2.63	99.17	2.76
Health	24.50	0.90	30.11	1.02	36.95	1.14	45.35	1.26
SSW	21.05	0.78	23.67	0.80	28.27	0.87	33.38	0.93
RCRA	4.16	0.15	4.68	0.16	5.50	0.17	6.75	0.19
C. Economic Services <sup>3</sup>	39.43	1.45	44.75	1.52	52.62	1.62	61.36	1.71
APL	31.44	1.16	34.82	1.16	39.78	1.23	44.90	1.25
MMC	3.43	0.13	3.93	0.13	4.88	0.15	5.94	0.17
KDC	1.00	0.04	1.58	0.05	2.35	0.07	3.21	0.09
CHTs	1.83	0.07	2.05	0.07	2.38	0.07	2.81	0.08
CLE	1.73	0.06	2.37	0.08	3.23	0.10	4.50	0.13
D. Infrastructure Services <sup>4</sup>	106.65	3.93	127.62	4.32	153.17	4.73	179.31	5.00
ST	1.89	0.07	3.42	0.12	4.83	0.15	7.38	0.21
PE	23.48	0.87	27.04	0.92	31.80	0.98	36.20	1.01
TC	44.09	1.63	53.00	1.80	62.10	1.92	72.84	2.03
HCS	37.19	1.37	44.16	1.50	54.44	1.68	62.89	1.75
E. Interest	46.47	1.71	45.45	1.54	49.50	1.53	52.27	1.46
Domestic	36.68	1.35	37.81	1.28	38.75	1.20	40.72	1.14
Foreign	9.79	0.36	10.64	0.36	10.75	0.33	11.55	0.32

Notes: The composition of FY02 refers to allocations mentioned in Tables 6 and 7.

<sup>1</sup> Current Expenditures also include losses of Railway and Post Office.

<sup>2</sup> Development Expenditures = ADP - Self-Finance + Non-ADP FFW.

<sup>3</sup> Rural Development and CHTs are assumed to be parts of Economic Services rather than parts of GPS.

<sup>4</sup> Science and Technology is as well assumed to be part of Physical Infrastructure rather than part of GPS.

SSW = Social Security and Welfare, RCRA = Recreation, Culture and Religious Affairs, MMC = Mining, Manufacturing & Construction, APL = Agriculture, Fisheries & Livestock.

CLE = Commerce, Labour & Employment, HCS = Housing and Community Services, GPS = General Public Services.

POS = Public Order & Safety, RDC = Rural Dev. & Corp, ST = Science & Technology, PE = Fuel and Energy, TC = Transport and Communication.