

# Implementation of Poverty Reduction Strategies (PRS) in Bangladesh: Some Comments<sup>1</sup>

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## *Abstract*

*The article highlight some problems on the way to implementing poverty reduction strategies written in the Poverty Reduction Strategy Paper (PRSP). In this strategy paper, agriculture and rural development has rightly been given the highest priority for the poverty reduction efforts. But some of the realities which are not mentioned may seriously limit the efforts, for example, the recent reduction in soil fertility, the trade-off between household fuel price and supply of bio-mass (soil nutrients) and slowing down of agricultural productivity, problems of further expansion and intensification of existing irrigation approach etc. After a brief discussion of some of these matters some way outs are indicated in this article.*

## **1. Introduction**

Since the launch of the Millennium Development Goals (MDGs) at the Millennium Summit in New York in September 2000, the MDGs have become the most widely-accepted yardstick of development efforts by governments, donors and NGOs. The MDGs are a set of numerical and time-bound targets related to key achievements in human development. These include:

- a) halving income-poverty and hunger;
- b) achieving universal primary education and gender equality;
- c) reducing infant and child mortality by two-thirds and maternal mortality by three-quarters;
- d) reversing the spread of HIV/AIDS and other communicable diseases; and
- e) halving the proportion of people without access to safe water.

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These targets are to be achieved by 2015 from their levels in 1990 (United Nations 2000). Bangladesh like most other developing countries in the world, has committed herself to attaining the targets embodied in the Millennium Declaration by 2015.

To achieve these targets Bangladesh has prepared the IMF and World Bank sponsored Poverty Reduction Strategy Paper (PRSP) and has started implementing these strategies from the financial year 2005-2006. This process of implementation is a comprehensive one and will continue through successive budgets.

## **2. Poverty and the Poor in Bangladesh**

Poverty refers to a situation where people are deprived of fundamental rights to lead a normal life. It also refers to poor access to fundamental rights, economic wealth, social wealth and cultural and environmental aspects of life. In social terms, the poor are those who must live below what most people in a particular time and place regard as the minimum acceptable standard. Poverty is a relative concept and in its true sense, it can not be compared internationally.

The concept of poverty is classified in two categories, income (Consumption) poverty (people live below a certain level of income, say, one dollar a day, World Bank definition) and Human Poverty (United Nations Development Program (UNDP) definition). UNDP defined Human Poverty in terms of a complex index (Human Poverty Index, HPI) of *life* (over 30% of people in the least developed countries are unlikely to live beyond 40 years of age), of *basic education* (as measured by the percentage of adults who are illiterate, with an emphasis on educational deprivations for girls), and of *overall economic provisioning* (measured by the percentage of percentage of people without access to health services and safe water plus the percentage of children under 5 who are underweight).

Using a complex formula Human Poverty Index is computed and the developing countries are ranked according to their level of human development. UNDP publishes this index in its annual Human Development Reports. Since the HPI value indicates the proportion of population adversely affected by the three key deprivations (survival, knowledge and economic provisions), a low HPI is good (i.e., a smaller percentage of the population is deprived), and a higher HPI is reflective of greater deprivation.

Poverty is widespread in most of the developing countries located mostly in Asia, Africa and Latin America. Based on their socio-economic characteristics, it could be generalised that the poor are disproportionately located in rural areas, that they are primarily engaged in agricultural and associated activities, that they are more likely to be women and children than adult males, and that they are often concentrated in minority ethnic groups and indigenous people. Poor people are also frequently seen in the slums of big metropolitan cities. Most of these urban poor are self employed and engaged in informal sectors of the economy.

## 2.1 Measurement of Poverty

The measurement of poverty is done in many different ways. Those interested in measuring the amount of poverty existing in a country usually begin by drawing a poverty line. This line is defined in terms of household income per capita. Households with per capita incomes below the poverty line are defined as poor while those with incomes above the line are not poor. Poverty is also measured in terms of daily per capita calorie intake. In Bangladesh, we consider calorie intake below 2122 kilo calorie per day as absolute poverty and calorie intake below 1805 kilo calorie per day as hard-core poverty (GOB 2005a). After counting the number of people below the poverty line, their percentage in total population is calculated. This measure is called Head-Count ratio. This is the most frequently used measure of poverty.

In measuring poverty, two different concepts are considered important. These are Absolute Poverty and hard-core Poverty.

**Absolute Poverty:** A situation where a population or a section of population is able to meet only a bare subsistence essentials of food, clothing and shelter to maintain minimum levels of living. In Bangladesh, 40.9 percent of total population is estimated as living in absolute poverty in 2004 (GOB, 2005).

**Hard-core Poverty:** A situation where a population or a certain section of population is not able to meet even the bare subsistence essentials of food, clothing and shelter. Hard-core poverty in Bangladesh is calculated as 18.7 percent in 2004.(GOB, 2005).

## 3. Development Plans and Issues of Poverty in Development Plans in Bangladesh

A development plan is a comprehensive document with a set of objectives and targets to be achieved through a predetermined strategy within a certain period of

time. These plans could be short-term, medium-term or long-term say for fifteen to twenty years. Economic development is basically the broad objective of a development plan though the technique of the plan formulation and implementation could be different.

Since the country's independence till the end of 2002 five Five Year plans and a two year plan were implemented. These are:

- i) First Five Year Plan (1973-1978);
- ii) Two Year Plan (1978-1980);
- iii) Second Five Year Plan (1980-1985);
- iv) Third Five Year Plan (1985-1990);
- v) Fourth Five Year Plan (1990-1995); and
- vi) Fifth Five Year Plan (1997-2002).

Poverty reduction was always a prime concern of all these plans and all of these plans were implemented through annual development programmes. After the completion of Fifth Five Year Plan, Bangladesh government has changed the policy of preparing Five Year plans. Instead of five year plan procedure, it has prepared Interim-PRSP first, and then the final version of the PRSP.

#### **4. Poverty Reduction Strategy Paper (PRSP)**

In December 1999, the Executive Boards of the IMF and the World Bank approved a new policy instrument, the PRSP to serve as a common context for the Bank and the Fund interventions in low-income countries receiving concessional assistance. PRSPs are prepared by governments in low-income countries through a participatory process involving domestic stakeholders as well as external development partners, including the IMF and the World Bank. A PRSP describes the macroeconomic, structural and social policies and programs that a country will pursue over several years to promote broad-based growth and reduce poverty, as well as external financing needs and the associated source of funding (IMF 2005).

Starting with the 41 heavily indebted poor countries (HIPC), the PRSP will be applied to an additional 30 countries receiving financing from the IDA (World Bank's concessional loan window) or the IMF's Poverty Reduction and Growth Facility (PRGF). As end of February 2005, the Fund Executive Board reviewed 44 full PRSPs, and an additional 14 countries completed preliminary, or "interim", PRSPs.

According to the Bank and the Fund, the central objective of a country's PRSP is to try to ensure that policy actions to increase growth and reduce poverty are integrated in a coherent macroeconomic framework after extensive consultations with national stakeholders. Additionally, this country-owned document seeks to identify policy targets and interventions that would allow a country to make progress towards the agreed 2015 International Development Goals.

In the process of preparation of the PRSP document in Bangladesh, the whole gamut of civil society members including economists, professionals, development activists, NGOs and community based organisations participated. On the one hand, the PRSP process initiated by the Bank and the Fund was termed as a tool to impose further reform agenda on the country in favour of promoting globalisation and privatisation. On the other hand, different groups of society raised multiple questions with regard to the formulation process and the ownership of the poverty reduction strategy document.

## **5. PRSP Process in Bangladesh**

Bangladesh took its decision to prepare the PRSP in the Bangladesh Development Forum in 2000 and formed an inter-ministerial task force headed by the Secretary, Economic Relations Division, Ministry of Finance in the same year to prepare the PRSP. The time frame set to finish the job was July 2002. The taskforce members included Secretaries, Additional Secretaries and Joint Secretaries of some relevant ministries. Additionally two professional consultants, one from the World Bank office in Bangladesh and the other from Bangladesh Institute of Development Studies (BIDS), a government owned autonomous research institute were hired to lead the drafting of the PRSP.

Till then up to March 2003 the government prepared several drafts and organised some consultation meetings with relevant stake holders to prepare the final version of the Interim Poverty Reduction Strategy Paper (I-PRSP), "A National Strategy for Economic Growth, Poverty Reduction and Social Development" and submitted the I-PRSP to the World Bank and the IMF in March 2003. After revision in the Joint Staff committee of the World Bank and the IMF the final version of the PRSP was published in October 2005 under the title, **Unlocking the Potential: National Strategy for Accelerated Poverty Reduction** (GOB-2005a).

## 6. Policy Priorities in the PRSP

There are eight specific avenues--four strategic blocks and four supporting strategies--through which the goal of accelerated poverty reduction will be pursued. These are *firstly* supportive macroeconomic policies; *secondly* choice of critical sectors to maximise pro-poor benefits from growth process with special emphasis on the rural, agricultural, informal and Small and Medium Enterprise sectors; *thirdly*, safety net measures; *fourthly*, human development; *fifthly*, participation and empowerment of the poor; *sixthly*, promoting good governance; *seventhly*, service delivery in the areas of basic needs; and *finally*, caring for environment and its sustainability.

In strategic block II, agriculture and rural development are considered as the most important sector, whose performance is outstandingly important to have any real impact on poverty alleviation. This is rightly so because, three-quarters of the country's total population and 85 percent of the total number of the poor live and earn their livelihood in rural areas. With about 22 percent of GDP contributed by agriculture (crops 12 percent, forestry 2 percent, livestock and poultry 3 percent, and fisheries 5 percent) and another 36 percent of the rural non-farm sector, the rural economy as whole contributes nearly 60 percent of total GDP. Agriculture generates two-thirds of total employment, contributes a quarter of total export earnings and provides food security to the increasing population (PRSP, page 83).

So agriculture is in the heart of the problem solving and some of the problems relating to agriculture are mentioned in the following section..

## 7. The Comments about the Implementation

There are a number of general concerns about the implementation of the overall poverty reduction strategy, such as weak infrastructure, maintaining a low fuel and energy price, corruption, weak governance and above all political unrest and uncertainty.

Serious questions have already been raised from different Departments and Ministries, such as Ministry of Water Resources, Fisheries and Livestock, Agriculture, Local Government, Education, Primary and Mass Education, Health and Family Planning, Social Welfare, Communication and the Ministry of Women and Child affairs about preparedness for the implementation of the strategy. These Ministries have raised concern about the inexperience and inefficiency for the preparation and implementation of the medium term budgetary plan.

There are some other concerns which are not even mentioned in the strategy paper. These are discussed below.

In greater northern districts cow dung is used as a major source of household fuel consumption among the majority of the low income people, even in the cities and towns in recent years. With ever increasing demand of household fuel and the increasing unavailability and consequent high price of fuel wood people are forced to substitute cow dung for fuel wood.

Again with the rapid expansion of fisheries, the use of cow dung as food for fisheries is increasing very fast, causing a huge and highly growing demand for this once low priced product and principal source of nutrient of soils. So price of cow dung is rising very fast and going to be very scarce in near future.

Again due to scarcity and very high price of cattle food, lack of grazing land and sharp increase in real wages in agriculture this very highly labour intensive cattle raising sector is shrinking gradually. Mechanised tilling system is substituting cattle ploughs causing threat to bio-mass supply.

If we compute internal terms of trade, it could be seen easily that the terms of trade is gradually moving against crop production and cattle raising in comparison to fisheries and other sub-sectors.

Again, with the increase in fish production, as it is still highly profitable in comparison to other agricultural practices, the owners of ponds and other water reservoirs are not allowing the crop producers any more to use their water. So the crop producers now rely more and more on underground water. Even the jute producers suffer due to the lack of access to use the pond water for rotting the raw jute sticks. Consequently, the dispute over the access to use pond water is now a days a growing concern about the harmony in rural Bangladesh.

There must be a proper policy planning immediately to keep the bio-mass contents of the soil intact. There should be a definite policy which could stop the use of cow dung as the major source of fuel for household consumption.

In some parts of the country, some water plants are used as bio-mass in the cropped lands but these are not available in all parts and again there is a trade off between the growing production of fish and the availability of water plants. This process is also labour intensive, and with the increase of real wages in agriculture as well as transport costs, this process is becoming less remunerative.

Alternative must be found out, for otherwise the effort to increase the productivity of agriculture will be in absolute jeopardy, which will ultimately threaten the objectives of poverty reduction and achievements of MDGs.

Unfortunately as the use of underground water is increasing, it is getting more and more scarce causing a serious threat to the sustainability of underground water based production. Presently, it is a real fear in greater Barendra Zone that the deep tube wells are failing gradually. There is a real concern that in the near future, there would be no alternative to surface water use and appropriate plan must be taken without any delay for the infrastructural development for surface water use.

The poverty reduction effort is very highly dependent on the performance of the agriculture sector in general and on the crop sub sector specifically. If the above mentioned problems are not addressed properly, it can be said without any hesitation that the productivity of agriculture will go down soon. The sign of such slowing down is already in display (PRSP, page 85).

Again, tourism is identified as a sector which could contribute to poverty reduction. In the short-term, tourism may help a little bit, but in the longer term it can only aggravate the situation. This sector must be dealt with extreme caution otherwise its long term consequences may be extremely dangerous. Experiences could be gathered from many of the African countries and also from Cuba, Thailand etc.

## **8. Conclusion**

PRSP is a comprehensive policy document, and the government with the help of the IMF and World Bank will try to implement the policies written there. The whole process of preparation of the PRSP was a complex one and its implementation will be even more difficult. We have already seen many dissents about the document itself and also simultaneously about the preparedness of the government for implementation of the strategies.

One thing one should always keep in mind is that the IMF and the World Bank are the initiators, sponsors and also owners of this document. So this policy document will be implemented under the active supervision of these institutions. So, this may not always be a blessing for this country.

Increasing the productivity of agriculture and more specifically of the crop sector depends on many factors, many of which are not addressed in the PRSP document, such as land ownership, tenancy pattern, renting contracts etc. These may not pose immediate threat for the productivity increase in the country but the problems which are mentioned in this paper should be addressed immediately. The government should take initiative with the help of the researchers to solve the problem.



Finally, whether the low-income countries will be benefited from the PRSP or whether it will only serve the purpose of the IMF and the World Bank and in a broader sense the purpose of the developed world through promotion of further structural change and economic liberalisation and globalisation, needs to be seen in future. But at the least, it can be said that the similar interventionist Structural Adjustment Packages of the IMF and the World Bank failed to achieve the well-formulated targets for the poor countries. In most cases, it only helped the interest of developed countries. So many of us will remain curious about the final outcome of the very well formulated and highly advertised document (i.e. PRSP) of the IMF and the World Bank.

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