

# **Moving Ahead: National Strategy for Accelerated Poverty Reduction**

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**Government of the People's Republic of Bangladesh**

# Introduction

- Second PRSP is prepared for achieving accelerated growth and poverty reduction during FY09-FY11
- PRSP takes into consideration strengths as well as vulnerabilities of the economy and its people
- Strengths include macroeconomic stability except inflation rate, continued high manufacturing growth, high growth of export and remittance, and dynamism of RNFA
- Vulnerabilities include rising price of energy, food grains, edible oil, and fertilizers and recurrent natural disasters accentuated by climate change

# Introduction

(contd.)

- Strategies try to balance between short term exigencies and long term goals
- Considers:
  - commitments to MDGs and SDGs and other international commitments
  - multidimensional nature of poverty and need for multidimensional approach to poverty reduction

# Past Achievements in Poverty Reduction

- National head count rate declined from 56.6 percent in 1991-92 to 48.9 percent in 2000 to 40 percent in 2005 implying annual average rate of decline of 1.9 percent during former and 3.6 percent during latter period
- During same period incidence of rural poverty declined at the rate of 1.6 percent and 3.3 percent and that of urban poverty 2.5 percent and 3.9 percent respectively
- Measured by the lower poverty line, incidence of poverty declined at an annual average rate of 5.9 percent and 5.4 percent in two time periods respectively

## Past Achievements in Poverty Reduction (contd.)

- Using upper poverty line, poverty gap declined at the rate of 5.9 percent and squared poverty gap at the rate of 7.4 percent during 2000-05 period
- Using lower poverty line, poverty gap declined at the rate of 12.6 percent and squared poverty gap at the rate of 16.9 percent during same period
- Gini coefficient increased from 0.39 in 1991 to 0.47 in 2005 implying an average annual increase of 1.47 percent during the period
- Special aspects of poverty: poor women and regional differences in incidence of poverty

# Progress in Attainment of MDGs

- Bangladesh's progress towards attainment of MDGs has been mixed
- Majority indicators are on track with prospect for earlier attainment of target of some of the indicators
- Limited progress in participation of women in politics and wage employment, access to tenurial security, essential drugs, telecommunication services and Internet and PCs
- Lags behind in case of adult literacy rate, access to safe drinking water, maternal mortality rate, and primary school completion rate

# Vision for Pro-poor Growth

- Economic growth in Bangladesh has been associated with reduction in income poverty and faster reduction of non-income poverty
- Annual average rate of decline of 1.9 percent during 1991-2000 and 3.6 percent during 2000-05 period- growth has been more pro-poor in latter period
- Strategies focus on achieving higher growth by removing macroeconomic as well as sectoral constraints and taking new steps
- Strategies focus on removal of the institutional and policy induced biases against the poor as well as the adoption of direct pro-poor policies to unleash the energy and aspirations of the poor

# Sources of Growth

- There has been some acceleration in rate of growth of both aggregate and per capita income over the years
- GDP growth can be attributed to accumulation of capital, increase in effective labour reflecting a combination of labour force and human capital and total factor productivity (TFP) growth
- All three broad sectors of the economy- agriculture, industry and services contributed to the growth of the economy and its acceleration
- Labour intensive informal sector contributed to growth and employment generation
- Future challenge is to sustain the increasing trend in growth in the face of domestic and external shocks



# Process of Preparation of PRSP

- Preparation of PRSP follows a participatory approach implemented through consultations with stakeholders
- 18 different areas of the economy were identified for accelerated poverty reduction
- 18 thematic groups were formed headed by Secretaries of the concerned Ministries / Division to prepare thematic reports on the selected areas. Technical support was provided by one consultant in each area
- Structure of the report was developed by the GED through a number of consultations with academics, researchers and the PRS Steering Committee

## Process of Preparation of Second PRSP (contd.)

- Consultations on the thematic reports were held with stakeholders in Dhaka and at Sidr affected Barisal
- Consultations at Barisal focused on local problems and management of disaster like Sidr.
- Views of the stakeholders in the consultations were reflected in the thematic reports
- PRSP draws from the thematic reports and hence represents collective wisdom of stakeholders

# Difference between First and Second PRSP

- u Conceptual: More conceptual clarity on pro-poor growth and sources and strategies for pro-poor growth;
- u Process: 18 thematic groups were formed instead of 12 thematic groups in the First NSAPR;
- u Contents: Indicative costs of implementation of the PRS is provided which was not given in the First NSAPR;

# Difference of Emphasis between First and Second PRSP

- u More emphasis on agriculture, disaster management, climate change, food security and quality of utilities has been given;
- u In view of importance of infrastructure a separate strategic block has been included; and
- u In view of importance of increasing productivity a separate supporting strategy on Technology and ICT has been included

## Strategic blocks and Supporting Strategies

- 18 thematic areas have been divided into two groups.
- First group comprises 5 strategic blocks which act as building blocks of 2<sup>nd</sup> PRSP.
- Second group comprises 5 supporting strategies.

# Strategic blocks and Supporting Strategies (contd.)

## Strategic blocks:

1. **Strategic Block I:** Macroeconomic Environment for Pro-poor Economic Growth
2. **Strategic Block II:** Critical Areas of Focus for Pro-poor Economic Growth
3. **Strategic Block III:** Essential Infrastructure for Pro-poor Economic Growth
4. **Strategic Block IV:** Effective Social Protection for Vulnerable People
5. **Strategic Block V:** Human Development

# Strategic blocks and Supporting Strategies (contd.)

## Supporting Strategies:

**Supporting Strategy I:** Ensuring Participation Social Inclusion and Empowerment

**Supporting Strategy II:** Promoting Good Governance

**Supporting Strategy III:** Ensuring Efficient Service Delivery

**Supporting Strategy IV:** Environment and Tackling Climate Change for Sustainable Development

**Supporting Strategy V:** Enhancing Productivity and Efficiency through Technology including ICT

# Strategic Block I: Macroeconomic Environment for Pro-poor Economic Growth

- u strengthen institutions required for a stable liberal democracy
- u maintain macroeconomic stability through judicious use of real sector, fiscal, monetary and external sector policy
- u pursue cautious monetary policy to stabilize inflation and support higher growth
- contain fiscal and current account deficits at sustainable levels
- achieve higher growth rate through increased investment, TFP growth and reforming institutions to support higher pro-poor growth
- mobilize domestic resources (private and public savings) as well as foreign savings (FDI and foreign aid) to finance higher investment



# Strategic Block II: Critical Areas of Focus for Pro-poor Economic Growth

- u Agriculture and forestry
- u Water resources development and management
- u SMEs development
- u Promoting decent employment
- u Improving environment for PSD (Private Sector Development)
- u land use policy and management

## Strategic Block III: Essential Infrastructure for Pro-poor Economic Growth

- u Development of electricity, gas and renewable energy
- u Development of roads, rails and inland waterways
- u Development of sea and land ports
- u Development of post and telecommunication

## Strategic Block IV: Effective Social Protection for Vulnerable People

- u Social Safety Nets Programmes
- u Food Security
- u Disaster Management
- u Micro-credit
- u Rural Non-farm Activities (RNFA)/Rural Development

# Strategic Block V: Human Development

- u Improving health and nutrition
- u Increasing knowledge base and improving its quality

# Supporting Strategy I: Ensuring Participation Social Inclusion and Empowerment

- u Women's rights and advancement
- u Children's right and advancement
- u Development of Ethnic communities
- u Ensuring rights of disable people
- u Ensuring rights of disadvantaged and Extreme poor groups

# Supporting Strategy II: Promoting Good Governance

- u Making parliamentary process effective
- u Reforming/strengthening public service
- u Reforming/strengthening law enforcing agencies
- u Strengthening of local governments
- u Promoting E-governance
- u Ensuring human rights
- u Accessing Information
- u Improving Sectoral Governance
- u Combating corruption

# Supporting Strategy III: Ensuring Efficient Service Delivery

- u Improvement of urban/Rural Service Delivery
- u Protection of life and property
- u Supply of safe water and sanitation
- u Improvement transportation service
- u Development of ICT, post and telecommunication
- u Development of tourism

## Supporting Strategy IV: Environment and Tackling Climate Change for Sustainable Development

- u Environment for sustainable development
- u Tackling climate change for poverty reduction



## Supporting Strategy V: Enhancing Productivity and Efficiency through Technology including ICT

- u Innovative application of ICT in education and health are
- u Enhancing application of biotechnology to enhance agricultural productivity
- u Application of nuclear technology for electricity production
- u Employment generation through expansion of ICT

# Medium-Term Macroeconomic Framework (MTMF)

- The broad objectives of the MTMF are to continue to promote private-sector led economic growth and employment generation including SMEs development in a manner consistent with the poverty reduction goal
- The MTMF has been developed against the backdrop of increased global uncertainty and the sharp increases in the international market prices for oil and basic food commodities
- Government has made an effort in directing an increasing share of government expenditure into social and infrastructural sectors and directly into poverty reducing activities
- Under the base case scenario, GDP growth is projected to increase to 6.7, 7.0 and 7.2 percent in FY 09, FY10 and FY11 respectively

# Indicative Costs of Achieving Goals and Targets set out in Second PRSP

## Methodology:

In estimating resource requirement, a macro/micro approach was taken

- At the macro level, expenditure projection from the medium term budgetary framework was taken into consideration. At the micro level, the cost of implementing the activities to achieve the desired goals and targets in each thematic area was taken into consideration
- These costs are indicative and were identified in consultation with the relevant stakeholders in the ministries/agencies

# Indicative Costs of Achieving Goals and Targets set out in Second PRSP (contd.)

## Methodology (contd.):

- Unit cost approach was taken in estimating indicative costs of achieving strategic goals and targets
- Effort was made to take all overlaps into consideration and multiple counting of the same cost was avoided
- Effort was also made not to overestimate implementation needs

## Indicative Costs of 2<sup>nd</sup> PRSP: Resource Gap

	Total (FY09-FY11) in FY09 Prices
A. Total Domestic Resources (billion Tk)	2686.34
Total Revenue	2292.85
Domestic Debt	339.39
B. Non Discretionary Expenditure (billion Tk)	677.80
Interest Payment	435.86
Defense Expenditure	241.94
C. Domestic resource available (A-B)	2008.54
D. Implementation expenditure needs	2500.90
E. Total expenditure needs (B+D)	3178.70
F. Resource GAP (C-D) (billion Taka)	-492.36
G. Resource GAP (billion USD)	-7.14

# Indicative Cost of achieving Goals and Targets of 2<sup>nd</sup> PRSP

Thematic Area	Cost in billion Tk at FY 2009 prices	% of Total Cost
1. Promoting Employment	36.68	1.47
2. Private Sector Development	100.1	4.00
3. Land use policy and management	2.6	0.10
4. Agriculture, Forestry and Rural Dev.	151.07	6.04
5. Water Resources Dev. and Managt.	49.39	1.97
6. SMEs Development	12.37	0.49
7. Housing Development	80.81	3.23
8. Infrastructure for pro-poor growth	471.11	18.84
9. Safety –Net Programme	51.05	2.04

## Indicative Cost of achieving Goals and Targets (Contd.)

10. Food security and Disaster Management	81.20	3.25
11. Micro-credit and RNFA	15.59	0.62
12. Health	261.26	10.45
13. Education	489.77	19.58
14. Women and Children	73.58	2.94
15. Good Governance	253.64	10.14
16. Utility Service Delivery	211.39	8.45
17. Environment and Climate Change	114.46	4.58
18. Technology development	44.81	1.79

# Monitoring and Evaluation

- Institutional framework for monitoring remains same as proposed in the 1<sup>st</sup> NSAPR
- A list of Indicators has been developed for monitoring
- **Capacity building** is necessary at all levels and in all institutions involved in the monitoring and evaluation task:
  - ? Capacity of BBS has to be strengthened
  - ? Capacity of NPFP has to be strengthened
  - ? Planning units in the Ministries / Divisions / Agencies need to be strengthened
  - ? A general awareness needs to be created among all public officials through workshop and training



**Thank you**