



BANGLADESH

PROGRESS REPORT—POVERTY REDUCTION STRATEGY PAPER

November 2015

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Mid-Term Implementation Review of the Sixth Five Year Plan (2011-15) of Bangladesh



**General Economics Division (GED)
Planning Commission
Government of the People's Republic of Bangladesh**



Strengthening Public Expenditure Management Program
MAKING PUBLIC MONEY COUNT

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ABBREVIATIONS

ADP	Annual Development Programme
AMC	Alternative Medical Care
BBS	Bangladesh Bureau of Statistics
BB	Bangladesh Bank
BBA	Bangladesh Bridge Authority
BMET	Bureau of Manpower, Employment and Trainee
BR	Bangladesh Railway
BOP	Balance of Payment
BUILD	Business Initiative Leading Development
BPDB	Bangladesh Power Development Board
BERC	Bangladesh Energy Regulatory Commission
BCCSAP	Bangladesh Climate Change Strategy and Action Plan
BRT	Bus Rapid Transit
CPI	Consumer Price Indexes
CUTS	Consumer Unity & Trust Society
CDC	Communicable Disease Control
CCSD	Clinical Contraception Services Delivery
CIP	Country Investment Plan
CHT	Chittagong Hill Tracts
CBR	community based rehabilitation
CCA	Community Conservation Area
CCU	Climate Change Unit
CDMP	Comprehensive Disaster Management Programme
CRM	Climate Risk Management
DAE	Department of Agriculture Extension

DEMU	Diesel Electric Multiple Unit
DGHS	Directorate General of Health Services
DGFP	Directorate General of Family Planning
DSS	Department of Social Services
DRR	Disaster Risk Reduction
DDM	Department of Disaster Management
EPB	Export Promotion Bureau
EU	European Union
EPZ	Export Processing Zone
ERP	Effective Rates of Protection
ESD	Essential Service Delivery
ECA	Ecologically Critical Area
FDI	Foreign Direct Investment
FP	Family Planning
FPFSD	Family Planning Field Services Delivery
GDP	Gross Domestic Product
GCI	Global Competitive Index
G2G	Government-to-Government
GGR	Gender Gap Report
GRB	Gender Responsive Budgeting
GEF	Global Environment Facility
GED	General Economics Division
HIES	Household Income and Expenditure Survey
HPN	Health Population and Nutrition
HPSP	Health and Population Sector Programme
HPNSDP	Health, Population and Nutrition Sector Development Programme
IFC	International Finance Corporation
ICT	Information & Communication Technology
ILO	International Labour Organization
IMED	Implementation Monitoring and Evaluation Division

JICA	Japan International Cooperation Agency
LFS	Labor Force Survey
LAPM	Long Acting Permanent Methods
LGI	Local Government Institution
MTIR	Mid-Term Implementation Review
MDG	Millennium Development Goals
MPS	Monetary Policy Statement
MoPME	Ministry of Primary and Mass Education
MoF	Ministry of Food
MoFDR	Ministry Disaster Management and Relief
MoWCA	Ministry of Women and Children Affairs
MoE	Ministry of Education
M&E	Monitoring and Evaluating
MRA	Microcredit Regulatory Authority
MRT	Mass Rapid Transit
MTBF	Medium Term Budgetary Framework
NBR	National Board of Revenue
NFA	Net Foreign Assets
NFP	National Food Policy
NFE	Non-Formal Education
NSDP	National Skill Development Policy
NCDC	Non-Communicable Disease Control
NNS	National Nutrition Services
NSSS	National Social Security Strategy
NPWA	National Policy for Women's Advancement
NGOs	Non-Government Organizations
NAPA	National Adaptation Programmes of Action
NDMP	National Disaster Management Plan
OECD	Organisation for Economic Co-operation and Development
OP	Operational Plan

ODS	Ozone Depleting Substance
PPP	Public-Private-Partnership
PEDP	Primary Education Development Program
PTI	Primary Teacher Training Institute
PWD	Persons with Disabilities
RBME	Results-Based Monitoring and Evaluation
RF	Results Framework
RMG	Readymade Garments
REER	Real Effective Exchange Rate
RHD	Roads and Highways Department
REB	Rural Electrification Board
SFYP	Sixth Five Year Plan
SME	Small and Medium Enterprises
SREDA	Sustainable and Renewable Energy Development Authority
SWAp	Sector-wide Approach
STEP	Skills and Training Enhancement Project
SDP	Skill Development Project
SPP	Social Protection Programmes
SPS	Social Protection System
TCB	Trading Corporation of Bangladesh
TVET	Technical Vocational Education and Training
TFR	Total Fertility Rate
THNPP	Tribal Health, Nutrition and Population Plan
UNCTAD	United Nations Conference on Trade and Development
UNFCCC	United Nations Framework Convention on Climate Change
VAT	Value Added Tax
VTE	Vocational and Technical Education
WEF	World Economic Forum

EXECUTIVE SUMMARY

For the first time in the history of economic planning in Bangladesh, the Sixth Five Year Plan introduced the concept of results-based monitoring and evaluation (RBME). This was done to be consistent with the spirit of indicative planning whereby the Sixth Plan was conceived as a living document that would be monitored for results, and changed and adapted in light of these outcomes and changing global and domestic economic environment.

The first implementation review was done in July 2012 using the Results Framework (RF) introduced in the SFYP. This was a pilot review aimed at obtaining a quick check of whether the Sixth Plan was on course and also to test the implementation of the RF. The results of this first review suggested the need to modify the RF in order to better reflect the goals of the Sixth Plan and also to provide a better results framework for longer-term institutional progress such as in the area of governance. Accordingly, a Proposed Results Framework (PROPOSED RF) was proposed, which may be refined and used later on to evaluate future FYPs.

This review provides detailed sectoral analysis for core thematic sectors that play a critical role in helping secure the key goals and objectives of the Sixth Plan. Ideally, it is appropriate that sector divisions of the Planning Commission and line ministries do sector specific RBME.

Progress with Economic Growth, Employment and Poverty Reduction: The broad picture of performance of the Sixth Plan during the first three years in terms of achieving major development targets relating to economic growth, employment and poverty reduction is generally positive. The economy has made further solid progress in these areas, which is reassuring. Progress has also been made in transforming the economy from a rural-based agrarian economy towards a more modern urban-based manufacturing and services based economy. Export performance is on track, which has provided the impetus for the expansion of the manufacturing sector.

Yet, compared to Sixth Plan targets, there is a shortfall in GDP targets because of persistent global economic down turn and shortfall in private sector investment. Some shortfall in domestic employment has been offset by better-than-expected performance in overseas employment. Recent evidence suggests that the pace of expansion of overseas employment likely to slow down considerably owing to difficulties in several Middle Eastern markets. So, for the future the employment impetus needs to come from domestic manufacturing and services sector. Recent political turmoil over the October-December 2013 periods slowed down domestic economic activity. While political stability has returned and there is likely to be a recovery in private investment, on the whole it is clear that the investment targets for the Sixth Plan may not be achieved. The public investment rate is significantly lower than planned. The export performance is likely to remain on track. But export will remain concentrated on RMG. On the whole, the

significant slowdown in the rate of investment may reduce average GDP growth rate to below 7 percent over the remaining two years of the Plan.

The Government can take several steps for improving the investment climate for private investment, increasing public investment and diversifying exports from RMG in order to create a better platform for higher growth in the Seventh Plan. The main priorities are: (i) Improving the investment climate by removing the constraints identified by investors. These include easing land acquisition system for investment and introducing land zoning, deregulation, overcoming power and gas shortage, improving trade logistics and contract enforcement. This is a long-term agenda but initiatives taken ought to be continued perhaps scaled up. (ii) The shortfall in public investment needs to be addressed speedily with a range of measures including more focused and steady implementation of the Tax Modernization Plan, proper pricing of electricity and energy, and rationalization of subsidies. (iii) Revamping the public-private investment partnership by creating a special implementation agency staffed with professionals that have adequate experience in mobilizing funds and developing PPP-type projects. (iv) Additional focus on labor skills and training. (v) Learning from the positive experience of RMG, improving the incentive framework for non-RMG exports as well as encouraging export diversification. Trade policy should be revisited to make it more private sector friendly. (vi) The creation of more jobs in the manufacturing sector is partly constrained by the lack of dynamism in small enterprises. While the government has supported the sector with subsidized credit, other supportive policies relating to markets, technology, vertical linkages and quality assurance needed to be beefed up. A particular problem is the lack of a proper information base that needs to be addressed urgently to dynamize this sector.

Progress with Macroeconomic Management: Prudent macroeconomic management has been the hallmark of Bangladesh's long-term development. This was underscored in the Sixth Plan and the implementation record shows that it has not only been preserved but strengthened during the first three years of the Sixth Plan. Tax to GDP ratio, fiscal deficit, export growth, export to GDP ratio, current account balance, reserve build up and external debt management are all on the rise and fulfilled in line with Sixth Plan targets. However, inflation rate is still higher than target. It was off-track in the first two years as excessive monetary growth and instability of the commodity prices fueled higher-than-targeted inflation. Subsequent correction of monetary policy put inflation back on course, although at 7.3% it is still higher than the Sixth Plan target (6%). This requires continuous monitoring and management.

In the area of fiscal policy, although performance indicators are broadly on track, there are a number of concerns. First, the revenue outlook for FY14 is uncertain owing to the recent political debacles and disruption of economic activities. Additionally, the implementation of the Tax Modernization Plan is much slower than expected. Second, fiscal urgency has often required cutbacks in spending in areas of high priority and as a result inability to meet the Sixth Plan commitments particularly in education, health, social protection and environment sectors has occurred. Third, procurement problems (particularly land acquisition) have slowed down the

implementation of major infrastructure projects. Fourth, the important policy initiative of public-private-partnership in infrastructure has not achieved desired momentum. Accordingly, stronger efforts are needed to strengthen fiscal policy implementation in each of these areas.

Regarding external sector, despite the strong performance in exports, the diversification of the export base did not happen. On the contrary, the share of RMG exports increased. Urgent actions are required to promote diversification to other manufacturing sectors (i.e. ICT, Medicine, furniture and fixtures, toys and car and electronic accessories). Remittances did very well up to FY13 but have shown signs of softening in FY14. Both are worrisome trends that need to be addressed as highlighted in the main report.

Sectoral Growth Performance: A major objective of the Sixth Plan was to accelerate overall GDP growth to 8% in FY15 by lifting manufacturing growth rate to double digits during FY11-15 with substantial increase in growth of modern services. Without compromising the importance of agriculture sector in our economy, the SFYP placed lower reliance on growth of agriculture and informal services to GDP. A review of progress shows that significant progress was made in this regard. As expected, the manufacturing sector grew much faster than agriculture. And services sector grew at around the same rate as GDP. While this pattern is broadly consistent with what was envisaged in the Sixth Plan, there are some important divergences. First, clocking 9.4% average growth during FY11-13, the manufacturing sector marginally missed the FY11-13 target rate of 9.7% by 0.3%. Second agriculture growth has been 1% point below the FY11-13 Sixth Plan target. And thirdly, the services sector also grew 1% point slower than projected in the Sixth Plan. The shortfall in agriculture is noticeable compared to the Plan target though this sector has continued to register growth albeit at a decreasing rate; the agriculture growth rate fell to 2-3% range in the past two years even though weather conditions were normal. In manufacturing non-RMG production has not progressed as expected under the Sixth Plan. Additionally, the small and medium enterprises (SMEs) continue to lack dynamism. In the services sector, there has been very little progress with the expansion of exports of non-factor services.

These suggest several areas where policy needs more attention. First, there is a need to rethink agriculture strategy including the possibility of exporting rice and other food exports, pricing policies to provide better incentives to farmers, much more emphasis on rural infrastructure particularly marketing, and much more emphasis on livestock and fisheries. Second, in manufacturing the incentive structure needs careful review and assessment. Evidence shows that trade policy is biased against non-RMG exports. This needs to be reversed. Third, as noted earlier, the SMEs need to be supported by a proper strategy that is derived from strong evidence based diagnostics. Development of proper policy and strategy as well as identification of thrust areas should be buttressed by additional bank loans to get desired result. Finally, the potential for services exports relating to ICT, health and education can be more fully explored with a strong diagnostics study that identifies specific regulatory and infrastructural constraints and proposes specific solutions.

Progress with Infrastructure Development: In the globalized environment of trade and investments it is most important for countries to be competitive and the quality of infrastructure is a key input for it. The Sixth Plan rightly prioritized the need for improved power, energy, transport and other infrastructure for achieving its growth strategy. In the area of electricity, the Government adopted a strong and well-rounded reform programme to increase the supply of electricity involving substantial investment, sector reforms and regional trade. The implementation review suggests that the most impressive performance has been the achievement of 9598 MW of electricity generation capacity by FY13, which is a 65% increase over the baseline year of FY10.

This success with the expansion of generation capacity along with expansion of transmission and distribution networks helped achieve progress for power sector. The population's access to electricity increased from the FY10 baseline of 47% to 62% in FY13. The other target indicator, per capita electricity consumption, also increased from 170 KWh to 285 KWh. On the whole, these numbers suggest an impressive performance in electricity production, distribution and consumption over the first three years of the Sixth Plan. Progress was also made in engaging on energy trade. Some 500MW of power was added to the national grid based on purchase from India. Notwithstanding this progress, there are two major areas of concern. First, there is a huge increase in the marginal cost of electricity. Much of the additional private electricity supply has come from rental plants that supply electricity to the national grid at a much higher unit cost than from other sources. Second, the Sixth Plan's target of diversifying sources of primary fuel by boosting domestic production of gas and coal did not materialize. Indeed, owing to gas shortage, the share of gas in power production fell from 83% in FY09 to 78%, while there was a commensurate increase in the reliance on fuel oil from 8% to 17%. This has also added to the marginal cost of electricity production. Higher cost of production has considerably added to budgetary subsidies even though average electricity prices have been raised a number of times.

There is an urgent need to address these concerns to restore the financial sustainability of the power sector. The future power expansion programme must be based on least-cost expansion path and not just the convenience of the hugely expensive small rental plants. Even more important, renewed efforts are needed to institute a national coal policy and invest more resources in gas exploration and production.

Unlike the power sector, the transport sector has not been up to speed and runs the risk of substantially falling short of achieving the Sixth Plan targets. Performance is lagging in all areas of transport: roads, bridges, railways and ports. Transport infrastructure needs are substantial and the Sixth Plan developed a strong programme. While a number of significant projects in the roads and bridges areas have been completed, overall expansion is much lower than envisaged in the Sixth Plan.

The Government needs to be much more strategic in managing the implementation of the large list of transport projects. The budgetary resources appear to be adequate but implementation

needs to be much more efficient and associated agencies capacity for implementation developed.. For example, in the Roads Division alone there are 156 projects under implementation. It is hardly surprising that it is facing a major capacity constraint. Instead of spreading resources thinly on too many projects, the Government needs to identify the priority projects that will have a major impact on the economy and complete those first. To reduce the traffic congestion in Dhaka city, a laudable step has been taken to construct Dhaka Elevated Expressway from Hazrat Shahjalal International Airport to Kutubkhali of Dhaka-Chittagong Highway on PPP basis. At the same time slow moving project, problematic projects needs to be identified and complete those projects avoiding time over-run and cost over-run.

While there are a number of reasons for the lackluster performance of the PPP initiative, the main constraints are the inadequate institutional capacity and lack of technical capacity in negotiation as well as in the bidding and contracting process. Urgent policy attention is needed to do a full diagnostics of the constraints that are hindering the implementation of this high-priority initiative and suggest remedial measures based on this diagnostics.

Progress with Human Resource Development: The evaluation of performance shows progress in many areas but also shortfalls and areas of concern. Many of the quantitative targets in education and in the HPN sector have shown promising progress and will likely reach the desired value by 2015. But in some areas such as nutrition, family planning and internal efficiency of education may fall short of the objectives. In addition, other goals such as strengthening the management and governance capacity of these sectors and improving the quality of the services have made limited progress. Based on the lessons of the implementation record so far, a number of recommendations can be made.

First, stronger efforts are needed to implement the Sixth Plan's recommendation to decentralize service responsibilities in health and education to the local governments. This agenda is high on the Government's list but actual implementation is slow.

Second, the coordination within the Government (between ministries, directorates and other levels) needs to be improved. Greater decentralization, with responsibilities and budgets actually divided between the different institutions and levels will help this coordination process considerably. This will avoid overlaps of projects and programmes and ensure that the objectives and targets are aligned.

Third, a re-examination of budgetary priorities is needed to allocate more resources for health and education. The target should be to scale up resources by at least 1% of GDP to these sectors by the end of the Plan period. The implementation of the Government's health insurance programme may be considered. This will ease up pressure on public resources and promote private investments in these vital areas of HRD.

Fourth, the equity aspects of education spending can be improved by providing additional resources for scholarships for the children of the poor and vulnerable families as proposed under

the National Social Security Strategy (NSSS). Partnership with NGOs could be strengthened to deliver health and education services in the hard-to-reach areas as well as to reach out the socially-excluded groups.

The nutrition programmes need substantial efforts and quality control oversight capacity of public institutions strengthened. Stronger partnership with international institutions/agencies such as UNICEF/FAO/WHO and with NGOs can provide greater push and visibility to this effort.

Finally, the upgrading of skills for the workforce needs renewed attention. Greater efforts are needed to learn from the East Asian experiences with training, including stronger partnership with private sector in the design and implementation of training programmes including support for on-the-job training. Consultations with the various chambers of business and commerce on a training strategy and associated policies can be a useful first step.

Progress with Poverty Reduction, Gender Empowerment, Social Inclusion and Social Protection: As noted earlier, review projections suggest that poverty has continued to fall at an appreciable rate, but it is likely that the Sixth Plan poverty reduction target will be met despite slower-than-projected GDP growth. The continued expansion of micro-credits and growth of real agricultural wages are positive factors for poverty reduction, but slow down in agricultural growth may have adverse effect on poverty target of SFYP.

Gender empowerment has progressed well in most dimensions. Bangladesh continues to perform especially well in gender parity in education. Areas which need more attention are increasing female labor force participation and stronger implementation of CEDAW and other gender related laws to prevent social violence and eliminate all form of discriminations against female in social and economic spheres. Particular efforts are needed to eliminate wage discrimination against female workers and improve the work environment to encourage female labor force participation.

Regarding social inclusion, the Sixth Plan's strategy and programmes are broadly on track. Particular progress has been made in the area of child protection. Of particular note is the adoption of legislation, Children Act of 2013, based on the Convention of the Rights of the Child. It provides legal instruments to protect children with regards to a wide range of potential exploitation and abuse such as child marriage, work, and issues with the justice system. However, progress in the area of children nutrition requires additional effort.

In social protection, the government has continued to implement ongoing programmes. Fragmentation and duplications are apparent. It is praiseworthy to note that the Government has prepared a new National Social Security Strategy (NSSS) to make the social projection system as an effective tool for protecting the poor and vulnerable. Nevertheless, despite the priority given to social protection, the actual resource allocation has remained at around 2.2 to 2.4% of GDP as compared with the target to reach 3% of GDP by the end of the Plan period.

The NSSS is inclusive of all population irrespective of race, religion, profession, location or ethnicity. It seeks to modernize the Bangladesh social security by combining tax-funded safety net programmes with contributory social insurance and employment regulations to protect the workers. It also seeks to considerably improve the administrative arrangements for social protection programmes by consolidating complementary programmes, by strengthening staffing and institutions, by instituting a modern MIS system, by gradually replacing food-based transfer payments with cash-based payments using the financial sector based G2P (government to people) system, by introducing a grievance redressing mechanism and by installing proper results-based M&E system. These reforms will be instrumental in eliminating leakages, improving targeting, increasing the average value of the transfers, lower the risks faced by the poor and vulnerable population, reduce poverty, help reduce income inequality and build social capital.

Progress with Environment, Climate Change and Disaster Management: Bangladesh has been one of the most pro-active least developed countries to take the issue of climate change seriously and has shown success in developing national level scientific expertise and government level actions on the environmental sustainability issues. The knowledge capacity in the country, compared to many other LDCs is relatively high and policies and institutions are taking shape. The Sixth Plan has continued to push ahead with its policies and programmes. The challenge remains to implement policies in a more effective manner and make sure that lessons are learnt and acted upon in a timely manner.

In the area of environmental management and climate change progress, it is found that there is a large unfinished agenda. The M&E effort is weak that makes it much more difficult to assess progress adequately. A more focused and results-oriented strategy combining elements of policies, regulations, incentives, investment and capacity building are needed. An integrated approach to climate proofing of Bangladesh development strategy might be the way to go.

The disaster management programmes have generally performed well in the recent years and under the Sixth Plan and Bangladesh deserves a lot of credit for this. The ability to sharply reduce the loss of lives and injuries based on a combination of early warning system, construction and availability of shelters and timely provision of relief and support measures. However, further efforts are needed to build the resilience of the people and minimize the adverse impacts of natural disasters on people's livelihood. Long-term planning and substantial public investment will be necessary. The Bangladesh Delta Plan-2100, being implemented by GED of Planning Commission will likely make a major impact in this regard.

Progress with Governance and Institutions: The Sixth Plan's culture of introducing results-based monitoring and evaluation is itself a major step forward in instituting better governance. Progress in areas relating to e-governance, the Right to Information (RTI), elected local governments, and the MTBF are all indicators of the Government's commitment to improve governance over the longer term. Progress in terms of the governance indicators of the proposed

results framework shows mixed results. The strengthening of the judicial process to achieve a much faster disposal of civil and criminal cases requires particular attention. The priorities for the future include: (i) Further strengthening of the democratic governance process to ensure participation of all citizens and the sound functioning of all democratic institutions. (ii) Strengthening of the local government institutions based on a well-defined legal framework that assigns responsibilities along with commensurate financial autonomy. (iii) Strengthening of civil services with the institution of merit based promotion and improved incentives in terms of remuneration and training facilities with a view to attracting skills in a number of areas that are deficient. (iv) Financial and legal support to the judiciary to strengthen its capacity to ensure faster disposal of civil and criminal cases. (v) Urgent reform of public sector banks to reduce non-performing loans and bad lending decisions. (vi) Stronger implementation of the Tax Modernization Project with a special focus on strengthening income tax collections and overall domestic resource mobilization. (vii) Strengthening the Anti-Corruption Commission, in having more judicial outcomes.

CHAPTER 1

Methodology and Approach: Mid-term Review of the Sixth Plan

A. Background and Overview

For the first time in the history of economic planning in Bangladesh, the Sixth Five Year Plan introduced the concept of results-based monitoring and evaluation (RBME). This was done to be consistent with the spirit of indicative planning whereby the Sixth Plan was conceived as a living document that would be monitored for results, and changed and adapted in light of these outcomes and changing global and domestic economic environment. The Sixth Plan document included a development results framework (DRF) that defined quantitative benchmarks targets to evaluate the results achieved under the Sixth Plan.

The first implementation review was done in July 2012 using the RF. This was a pilot review aimed at obtaining a quick check of whether the Sixth Plan was on course and also to test the implementation of the DRF. The results of this first review suggested the need to modify the DRF in order to better reflect the goals of the Sixth Plan and also to provide a better results framework for longer-term institutional progress such as in the area of governance. A Proposed Results Framework (PROPOSED DRF) was developed, which provides a more appropriate basis for looking at the performance of the Sixth Plan after three year completion.

Although the PROPOSED DRF provides a solid basis for looking at the overall performance of the Sixth Plan, it is also helpful to look at a bit more detail on sectoral outcomes than the picture provided by the DRF. Ideally, it is appropriate that sectoral line ministries do sector specific RBME. However, this practice is still not commonly in place. In the interim, the Sixth Plan mid-term implementation review provides a broad picture of key sectoral performances that are critical to the successful implementation of the Sixth Plan objectives and targets. It is important to note that this approach cannot be a substitute for more detailed sectoral reviews of performances. It will be important to ensure that these sectoral performance reviews are available for the preparation of the Seventh Plan.

B. Methodology

As mentioned above, the PROPOSED DRF provides the main framework for doing the mid-term implementation review (MTIR). The PROPOSED DRF beefs up the quantitative sectoral targets and benchmarks for nine thematic goals of the original RF with more disaggregated targets contained in the Sixth Plan. Some additional targets are contained in the Millennium Development Goals (MDG) for Bangladesh. The end period of the MDGs happily coincides with the end year of the Sixth Plan (2015). So, to the extent that it is appropriate, the

PROPOSED RF also draws on the targets contained under the MDGs. While the PROPOSED DRF is a much more detailed quantitative framework, it is still aggregative by design to keep M&E manageable. As such, the PROPOSED DRF is supplemented with more detailed sectoral analysis of policies and institutions relating to the nine core thematic sectors that play a critical role in helping secure the key goals and objectives of the Sixth Plan. The PROPOSED DRF is shown in Annex 1.

The absence of sector-specific RBM&E leaves a huge gap in the entire planning process. Until such time that this gap is addressed systematically, the MTIR uses a second-best option to request relevant sectoral line ministries to provide written analysis and key data on sectoral performance. An outline for inputs was provided to relevant sectoral ministries (Annex 3).

C. Structure of the MTIR

The basic approach of the MTIR is to evaluate the performance of the Sixth Plan against the core development objectives of the Plan, indicate which targets are on course and which are not, and provide suggestions for revised targets. The scope of the MTIR and main issues covered in this Report are briefly summarized below.

Following this introductory chapter, Chapter 2 looks at the broad picture development impact of the Sixth Plan based on the progress with GDP growth, employment and poverty reduction. These three core development indicators provide a useful summary barometer of how the overall economy is progressing and whether the Sixth Plan is broadly on track. The Sixth Plan seeks to achieve an average GDP growth of 7.3% per year over the 5 year period of the Plan. The time path targets GDP to grow from 6% in FY10 to 8% by FY15. Commensurate with this GDP growth target, employment is to increase by about 2.2 million jobs per year, which is faster than the growth of labor force (1.8 million workers per year). The pattern of employment is to change with relatively more new employment created in manufacturing and in organized services. As a result, the share of manufacturing and services sector employment is to grow to 20% and 50% respectively by the end of the Sixth Plan while the share of agriculture employment is to decline to 30%. The growth of GDP and employment along with other supportive policies and programs is expected to lower poverty from 31.5% in 2010 to 22.5% by 2015. Against these targets, Chapter 2 of the MTIR evaluates the progress so far. It indicates areas of strengths and areas where implementation has lagged. It seeks to provide an analysis of the factors that explain the current performance regarding GDP growth, employment expansion and poverty reduction and identify any constraints that might be hampering progress. It looks at the realism of the related targets for the remaining 2 years and seeks to provide suggestions for possible policy reforms that might help put the results on the targeted path.

Chapter 3 reviews progress with the implementation of the Sixth Plan's macroeconomic framework. Prudent macroeconomic management has been a hallmark of long-term economic policy making in Bangladesh and has been a major contributor to the growth of the private sector. The macroeconomic framework contains targets for inflation, current account balances, growth of external trade, foreign currency reserves, fiscal balances, external and domestic debt,

public resource mobilization and saving and investment balances. The actual macroeconomic framework needs to be consistent with the GDP growth, employment and poverty reduction targets of the Sixth Plan. Shortfall in implementation of the macroeconomic framework will likely explain most of the shortfall in the GDP growth, employment and poverty reduction targets.

Chapter 4 reviews sectoral GDP performance. The targets relating to aggregate GDP, employment and poverty are intimately linked with the performance of the three core production sectors: agriculture, manufacturing and services. The growth strategy in the Sixth Plan targeted to achieve a double digit plus GDP growth for manufacturing with a view to achieving the required structural transformation of the Bangladesh economy from a primarily agrarian and informal services economy to a more modern manufacturing and organized service based economy. This structural transformation is needed to achieve the employment targets of the Sixth Plan. The Plan also seeks to raise the productivity of agriculture to boost incomes for people who remain engaged in agriculture. A key element of the agriculture development strategy suggested in the Sixth Plan is the fostering of production diversification away from low income crops towards higher value-added crop and non-crop production. Higher income from agriculture is an important element of the underlying poverty reduction strategy of the Sixth Plan. Chapter 4 takes stock of the progress with the structural transformation of economy, review the constraints and suggest policy reforms strengthening economic performances of agriculture, manufacturing and services sectors.

The all important issue of progress with infrastructure development is taken up in Chapter 5. The Sixth Plan recognized that major infrastructure services relating to power and transport were constraining GDP growth and the expansion of private investment rate. As such the Plan puts considerable emphasis to the growth of physical infrastructure. Major expansion programs in power and gas supplies were identified for implementation. Important programs for improving roads, highways, bridges, and water and rail transport networks have been included in the Plan. The financing strategy emphasized both public funding as well as financing based on public-private-partnership (PPP). Emphasis is also placed on improving efficiency and service delivery through a series of structural reforms involving pricing policy and institutional reforms. The proper implementation of this program is essential to realize the Sixth Plan's GDP growth targets. This Chapter examines the progress made in realizing the Plan targets for infrastructure development relating to electricity, gas and transport network. It looks at aspects of physical expansion as well as efficiency and service delivery. It provides an assessment of progress made, identifies the main constraints and provides suggestions for the coming years. It pays particular attention to the launching of the PPP strategy since this is a major initiative that has long-term implications for the development of the infrastructure sector in Bangladesh.

The focus of Chapter 6 is on tracking the progress with Human Resource Development. The Sixth Plan puts considerable emphasis on Human Resource Development both as a means for accelerating GDP growth through investment in human capital as well as a basis for reducing poverty and achieving more equitable development by strengthening the capabilities of the

labour force. Specific targets for expansion as well as quality enhancements in education, health, nutrition and population growth are included in the Sixth Plan. The implementation strategy focuses on service delivery improvement, higher levels of public financing and institutional reforms. This chapter of the MTIR analyzes the major developments in education, training, health, population and nutrition since the adoption of the Sixth Plan and provides an assessment of the progress against key targets. It reviews the progress with major policies relating to financing and service delivery improvements. It identifies critical constraints and provides suggestions for moving forward.

Chapter 7 looks at the developments relating to poverty, social protection and female empowerment. Attaining better equity of development is a key theme of the Sixth Plan. To this end the Plan puts substantial emphasis on policies and programs for reducing poverty, reducing income inequality, lowering regional imbalances, improving social protection mechanisms and enhancing female empowerment. Two core elements of the strategy for achieving better equity is improvement in Human Resource Development and productive employment. In addition to these aspects, the Sixth Plan identifies specific and targeted policies and programs. This Chapter draws on the relevant analysis in earlier chapters, especially chapters 2, 3 and 6, reviews the developments in these areas and provides an assessment of progress achieved based on available quantitative targets and a qualitative analysis. It seeks to highlight important gaps and constraints and identifies possible options to address them.

Progress with sustainability of development, focused on environment, climate change and disaster management, is reviewed in Chapter 8. To preserve the long-term sustainability of development, the Sixth Plan adopted major policies and programs in the areas of environment, climate change and disaster management. It is recognized that progress in these areas are long-term in nature. Also data on quantitative measures of performance is scarce. The Chapter reviews the progress with the implementation of the PROPOSED RF targets and major policy and institutional initiatives in these areas and provides an assessment of whether progress is on track. Suggestions for improving performance over the longer term are provided as appropriate.

Developments in areas relating to governance and institutions are examined in this last Chapter 9. The Sixth Plan recognized the importance of improving governance and institutions for successful implementation of the Sixth Plan as well as for securing longer-term development in line with the Perspective Plan and Vision 2021. Chapter 9 of Part 1 of the Sixth Plan lays down the objectives, targets and strategies for improving governance and institutions. The PROPOSED RF identifies indicators to monitor and evaluate the governance scenario in Bangladesh. The MTIR uses the PROPOSED RF and supplements this with a qualitative analysis of progress with policies and institutions as relevant.

CHAPTER 2

Progress with GDP Growth, Employment and Poverty Reduction

A. Introduction

The Sixth Plan being the first five year plan of the implementation of the Vision 2021 laid out bold targets for GDP growth, employment and poverty reduction. The related targets in the Proposed Results Framework (PROPOSED RF) are shown in Table 2.1. The assessments of progress in these three areas provide a broad overview of the aggregate performance of the Sixth Plan. The rest of the chapter provides a detailed assessment of progress in these areas and concludes with prospects and the way forward¹.

Table 2.1: Sixth Plan Targets for GDP Growth, Employment and Poverty Reduction

Performance Area	Base Year Value (FY10)	End Year Value (FY15)
Annual GDP growth rate (%)	6.1	8.0 (five year average 7.3)
Headcount Poverty Incidence (%)	31.5	22.5
Additional Employment (million)	--	10.4

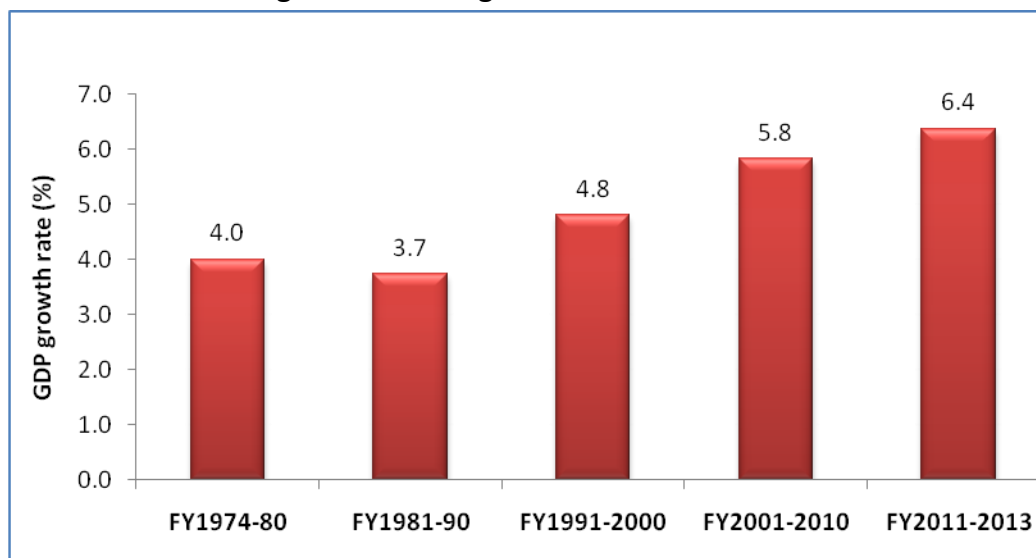
Source: Sixth Plan

B. GDP Growth Performance in the Sixth Plan

Bangladesh economy has been experiencing steady acceleration in economic growth over the last several decades; this pattern continued under the first three years of the Sixth Plan (Figure 2.1). This is a remarkable achievement, although the growth rate did not reach the planned targets (Figure 2.2). Bangladesh maintained economic growth of 6.23 percent and 6.03 percent in FY 2011-12 and FY 2012-13 respectively. The shortfall in GDP growth over the planned targets is particularly significant in FY13 that needs careful review and management. On the whole, average GDP performance in the first three years is a solid (6.4 %) but significantly lower than the Sixth Plan target (7.3%).

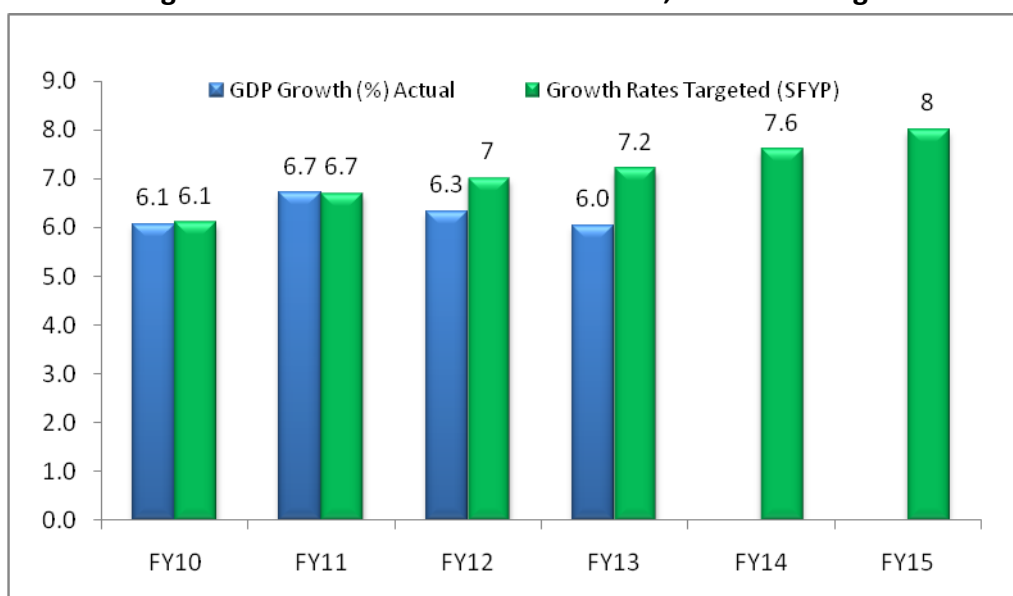
¹ BBS is in the process of revising the national accounts. The GDP has been re-based to 2005-06. However, reliable expenditure data that is consistent with this revised GDP is not available. The Mid-term Review uses National Accounts published by BBS as of June 2013 which has used all the data based on 1995-96 base year.

Figure 2.1: Average Real GDP Growth Rate



Source: Bangladesh Bureau of Statistics (BBS)

Figure 2.2: GDP Growth Rate FY10-FY13, Actual Vs Target

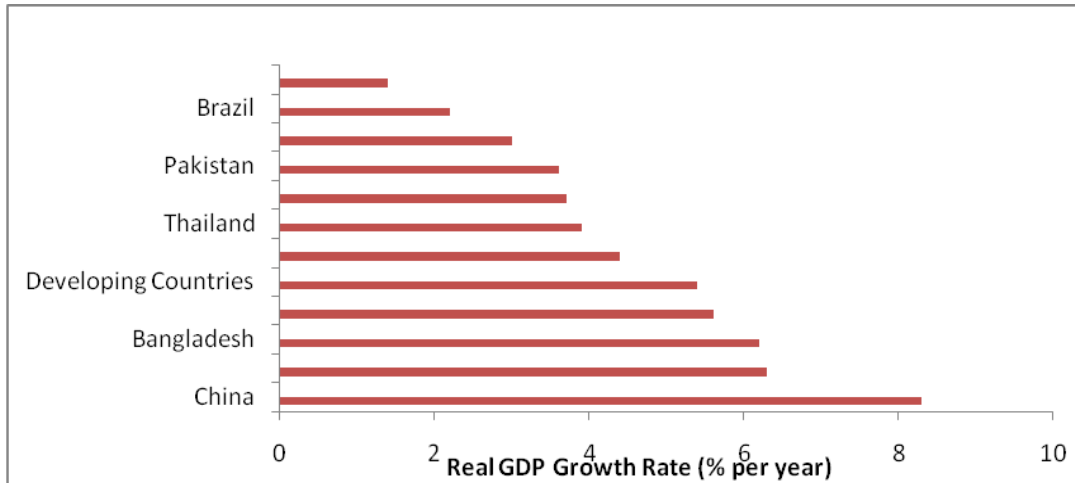


Source: Bangladesh Bureau of Statistics (BBS)

GDP Growth in International Comparison

The solid growth performance in Bangladesh during the Sixth Plan so far compares favorably not only by own historical standards, it also looks very good in international comparison (Figure 2.3). Along with China, India and Indonesia, Bangladesh has been among the fastest growing countries in the World during 2011-13. This is true even with the shortfall over the Sixth Plan targets.

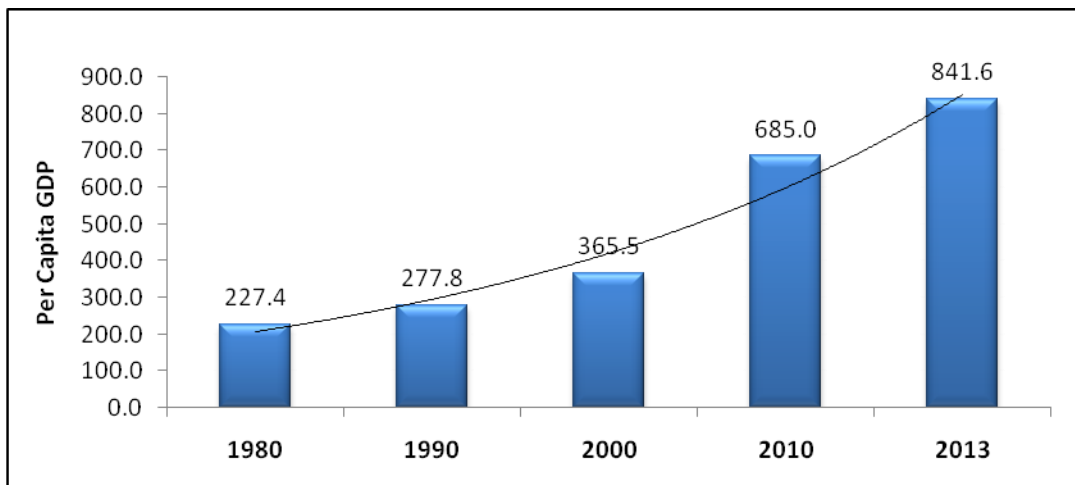
Figure 2.3 International Growth Comparison, 2010-13



Source: World Bank Global Economic Prospects, July 2013

As a result of attaining 6 percent plus growth rate over the past three years of the Sixth Plan, per capita GDP in US dollar terms has continued to rise, reaching US\$ 838 in FY13 (Figure 2.4.), which has been estimated by BBS to be US\$1,044 according to new base year of 2005-06. If this pattern continues in the remaining two years of the Plan and beyond, Bangladesh would be well set to attain middle income status by 2021.

Figure 2.4: GDP per capita at current prices (USD) using base year 1995-96



Source: BBS

Sectoral Composition of Growth

A review of the sectoral breakdown of GDP indicates that following rapid growth in FY10-FY11, agricultural GDP performance slowed considerably in FY12-FY13 (Table 2.2). The deceleration was particularly sharp in FY13. The services sector similarly grew well in FY10-

FY11 but slowed somewhat in FY12-FY13, although less sharply than agriculture. Nevertheless, industrial sector performance maintained its upward trajectory and reached almost double digit figure in FY13.

Table 2.2: Major Sectoral Share and Growth Performance of GDP in constant prices, FY10-13

Sectors	FY10 (base year)		FY11		FY12		FY13 (Estimate)	
	Share	Growth	Share	Growth	Share	Growth	Share	Growth
Agriculture	20.3	5.2	20.0	5.1	19.4	3.1	18.7	2.1
o/w: Crops	11.4	6.1	11.3	5.0	10.8	1.9	10.25	0.1
Industry	29.9	6.5	30.3	8.2	31.1	8.9	31.99	9.9
Services	49.8	6.5	49.6	6.2	49.4	5.9	49.30	5.7
Real GDP	100.0	6.2	100.0	6.6	100.0	6.3	100.0	6.0

Source: BBS, National Accounts Estimates, June 2013

The crops sector fueled the agriculture sector's high growth in FY10-FY11. The slowdown in the expansion of the agricultural sector since then is largely due to the fall in the growth of the crops-related production. Crops sub-sector value-added growth fell sharply from an average of 5.5 percent in FY10-FY11 to only 1.9 percent in FY12. For FY13, the BBS estimates this to have grown at only 0.15% as compared with the target of 4.5%. Given the dominant role of crop production in agriculture, this slump in the crop sub-sector has caused the sharp decline in the growth of agriculture in the past 2 fiscal years.

Crop production is dominated by cereal; so, it has become weak primarily because of a stagnant cereal crop production coupled with drop in rice prices for farmers. Total food grain production in the FY12 was 34.88 million metric tons (mmt) (aus 2.33 mmt, aman 12.80 mmt, boro 18.76 mmt and wheat 0.99 mmt). This production was 1% higher than previous year's actual production. For the FY13, the Department of Agriculture (DAE) has set aus, aman, boro and wheat production targets at 2.37 mmt (1.72%), 13.3 mmt (3.9%), 19.03 mmt (1.44%) and 1.03 mmt (4%), respectively. Estimation of aus production has been finalized by BBS at 2.16 mmt, which is 7% lower than previous year's production.

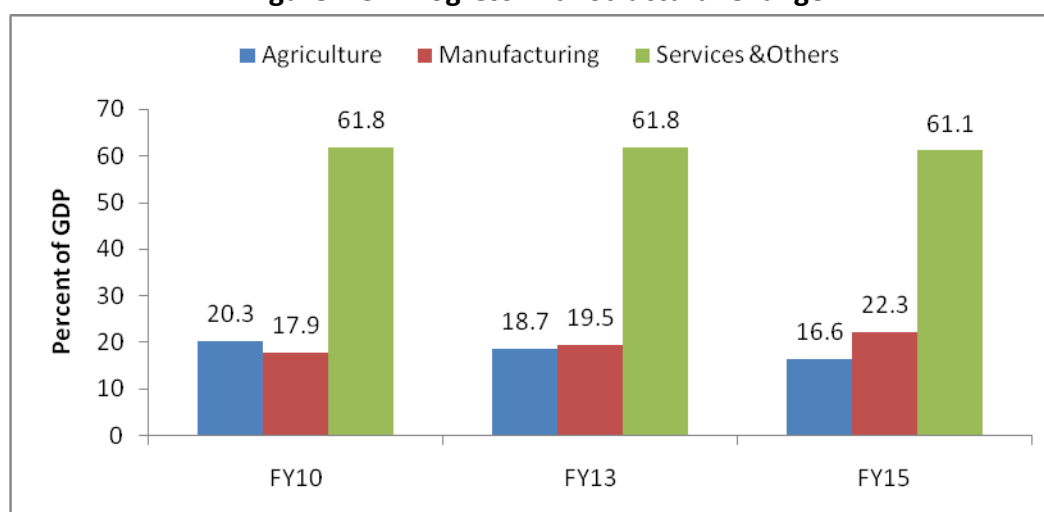
The industrial sector growth has benefited from a buoyant manufacturing sector and solid construction activities. The manufacturing sector has broadly tracked the expansion path envisaged in the Sixth Plan. Thus, the average manufacturing sector growth rate in the first three years of the SFYP was 10%, as compared with 6% during FY00-10. This compares reasonably well with the target of 12% average growth in the Plan. The main contributor to this robust growth performance of the manufacturing sector is the readymade garments (RMG) exports. Despite many odds, including continued slump in OECD economic activities including in Europe, the Bangladesh RMG sector has led the way in boosting the growth of the manufacturing sector GDP and exports. This is a particularly heartening feature of the implementation of the Sixth Plan growth strategy that emphasized the role of manufacturing sector value-added based on exports.

The dynamics of sectoral GDP performance and underlying factors are reviewed in greater details in Chapter 3.

Structural Change and Composition of GDP

The underlying growth strategy in the Sixth Plan was aimed at facilitating a faster transformation of the Bangladesh economy away from a primarily agrarian one towards a modern manufacturing and services oriented economy. The Sixth Plan targeted manufacturing as the main engine of growth. Accordingly, the GDP share of manufacturing was to rise by 4-5 percentage point. Progress on this key objective is illustrated in Figure 2.5. It has achieved significant success as suggested by the growing GDP share of manufacturing and a falling share of agriculture. Nevertheless, full target will not likely be attained because of the likely shortfall in manufacturing sector value added in relation to the Sixth Plan target as noted earlier.

Figure 2.5: Progress with Structural Change



Source: BBS

Growth Drivers: The Rate of Investment

It is well recognized that Bangladesh growth is mostly driven by investment and exports. The Sixth Plan targeted an increase in the investment rate growing from 24% of GDP in FY10 to 32% by FY15, as a critical driver of growth. While private investment was projected to lead the way, a substantial increase in public investment was also planned. The specific targets for the investment rate by source are shown in Table 2.3.

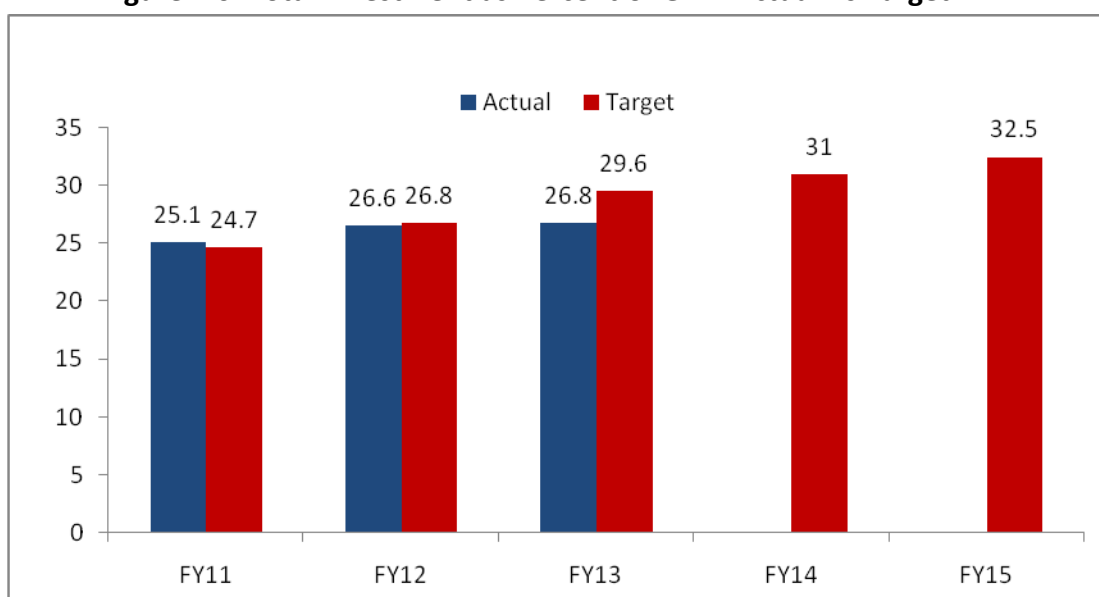
Table 2.3: Investment Targets for the Sixth Plan

Investment Rate by Source (% of GDP)	Base Year (FY10)	Current Year (FY13)	End Year (FY15)
Public Investment Rate	5.0	6.9	7.5
Private Investment Rate	19.4	21.4	25.0
Total Investment Rate	24.4	26.8	32.5

Source: Sixth Plan

Total investment rate: The investment performance is illustrated in Figure 2.6. The Sixth Plan made some initial inroads in achieving its investment target during the first two years. The investment challenge has become progressively more difficult over time. Compared with the Sixth Plan’s target to increase the investment rate from 24% of GDP in FY10 to 32.5% by FY2014-15, the actual investment rate has stabilized at around 27 % of GDP during FY12-FY13. The inability to cross over to the 7% rate of growth of GDP is to a large extent a reflection of this investment constraint. Given this significant shortfall in FY13 and an uncertain environment in FY14, the ability to achieve the substantially larger investment targets for FY14 and FY15 do not appear feasible.

Figure 2.6: Total investment as Percent of GDP: Actual Vs Target



Source: BBS and National Budget

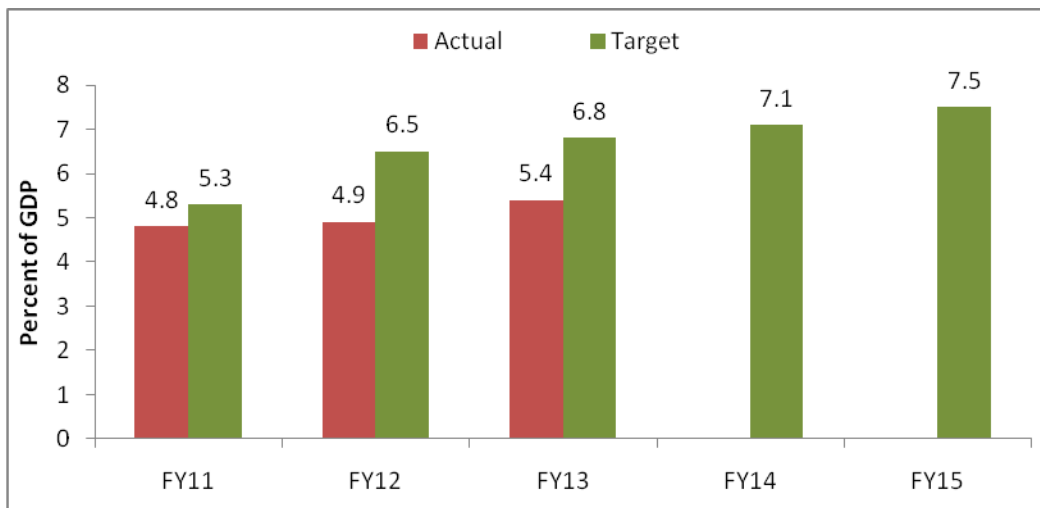
Public investment rate: The breakdown in performance shows the shortfall happened both in public and private sectors². The Sixth Plan recognized the need for substantial increase in public investment especially to upgrade infrastructure and invest in human capital. Evidence shows that some progress was made in increasing the rate of public investment, but the effort fell substantially short of the Sixth Plan target during the first three years (Figure 2.7). There were two elements of public investment strategy underlying the Sixth Plan. The first strategic focus was to strengthen public resource mobilization with a view to financing increasingly higher

² Total investment data is obtained from BBS, which uses the commodity flow method. Private investment data is derived by subtracting public investment from total investment. Public investment data is from the budget and includes the ADP as well as capital spending outside the ADP. The BBS also compiles public investment data that shows huge variance from the budget. The gap grows exponentially in FY13. For example, BBS data suggests that some taka 360 billion was invested by public enterprises and local governments from own sources in FY13. It is well known that public enterprises run operational deficits. Local governments rely on government transfers to meet their operational costs. In this environment they do not have any surplus for investment and cannot possibly fund such huge investments (equal to 70% of ADP) from own resources.

levels of public investment. The second strategic consideration was that even with strong efforts there will be shortfall in required resources and as such the Sixth Plan aimed at considerable investment through public-private partnership.

The implementation of public investment through the Annual Development Programme (ADP) is shown in Figure 2.8. The ADP has increased progressively, but has always fallen substantially short of the budgeted level. The gap is partly due to financing shortfalls emerging from a range of issues including revenue shortfalls, subsidy expenditures and implementation concerns.

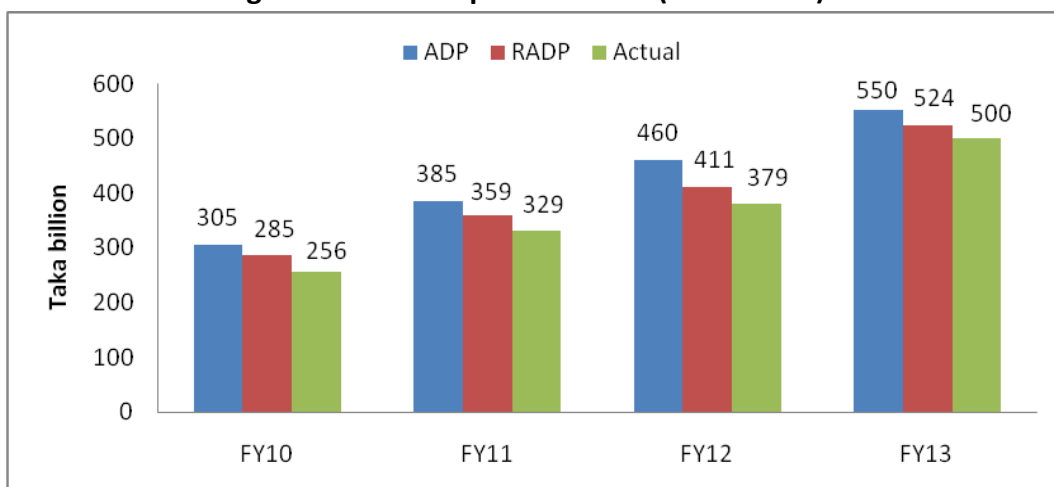
Figure 2.7: Public Investment as Percent of GDP: Actual Investment Vs Target



Source: National Budget

These are discussed detail in Chapter 3. Despite ambitious plans, the PPP strategy has not taken off in any significant shape for a host of reasons including institutional challenges. The net result is a substantial shortfall in public investment rate in comparison with the Sixth Plan targets.

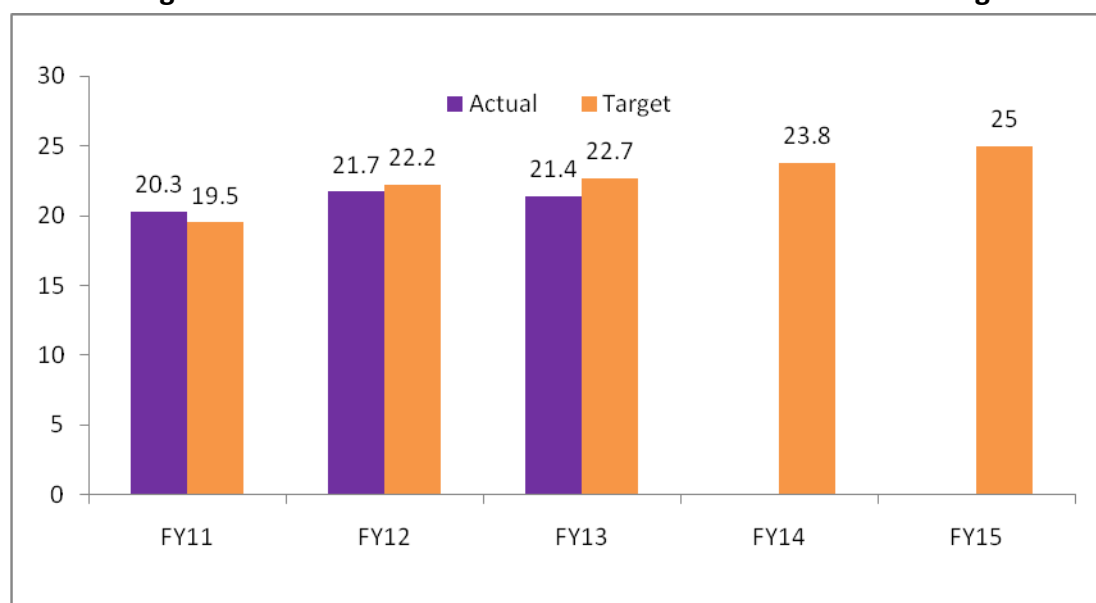
Figure 2.8: ADP Implementation (taka billion)



Source: National Budget

Private investment rate: The story is somewhat similar in the case of private investment. The shortfall in the actual rate of private investment from the Sixth Plan target rate is significant and growing (Figure 2.9). This is worrisome because the Sixth Plan identified private investment as a major engine of growth and exports, especially in the manufacturing sector.

Figure 2.9: Private Investment as Percent of GDP--Actual Vs Target



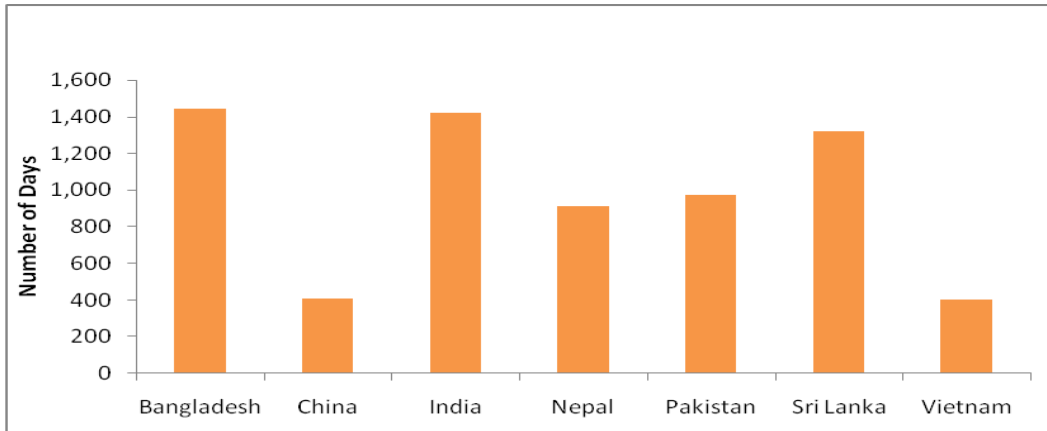
Source: BBS

It is often argued that the prime reason of lower level of private investment is the “contractionary” monetary policy stance of Bangladesh Bank since the beginning of 2012. The proponents of “easy” or so called “accommodative” monetary policy argue that the recent tighter credit situation has been constraining private enterprises from increasing real investment. Evidence suggests that while availability of credit and its cost are important, this is only one factor underlying private investment decision. Indeed in the current business environment, availability of credit is not an issue for organized business enterprises. This is suggested by the fact that the growth in the demand for credit demand is much slower than the supply. Investor surveys show that what matters more for investors is the general investment climate and competitiveness of the economy. Long delays in contract enforcement, limited access to serviced land, power and gas shortages and red tape have all become major constraints to investment in Bangladesh.

Issues in private investment climate: Some useful insights on areas of policy constraints that impinge on private domestic and foreign investment emerge from a review of the investment climate. Such data are compiled by the World Bank and other global institutions based on cross-country investor surveys.

At more than 1400 days, the time required for enforcing a contract in Bangladesh is the highest among its comparators and ranked at 182 out of 183 countries surveyed in 2012 (Figure 2.10).

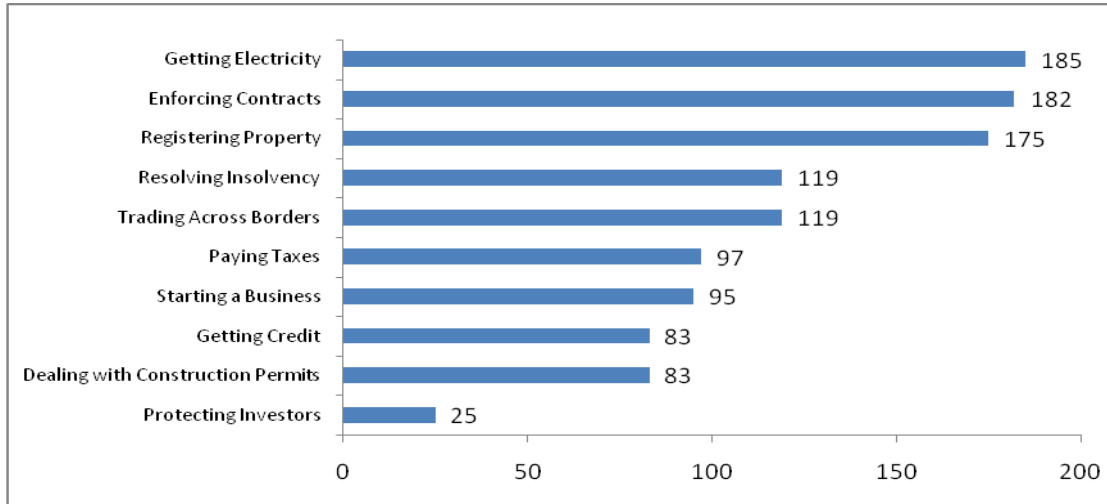
Figure 2.10: Average Time Required for Enforcing Contracts



Source: Doing Business 2013, IFC.

Similarly, performance rankings for attaining construction permits, getting electricity for business, registration of property suggest that investors continue to regard these areas as problematic. Moreover rankings for getting credit facility, protection of investment, payment of tax and resolution of insolvency have worsened relative to other countries. On the whole, investors feel that getting electricity, enforcing contracts and resolving insolvency are serious constraints.

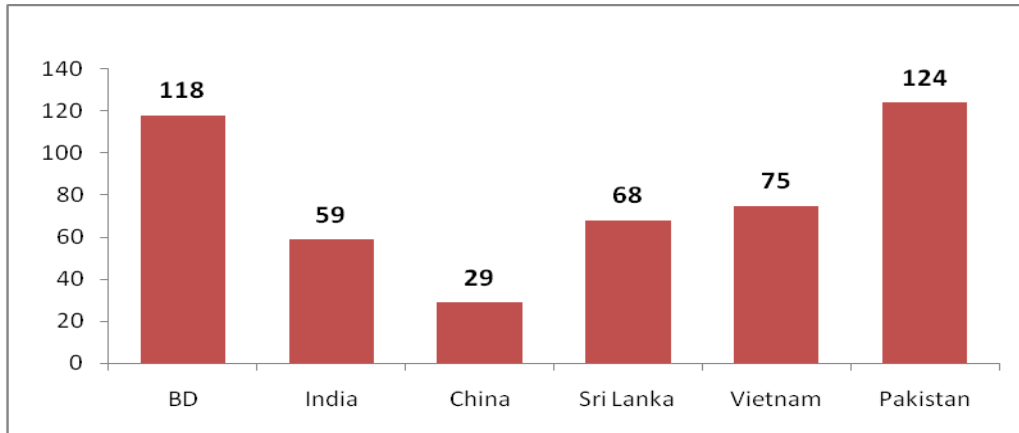
Figure 2.11: Bangladesh 2012 Global Performance Ranking



Source: Doing Business 2013

Some additional insights obtain from looking at the rankings of global competitiveness index (GCI). Bangladesh compares rather poorly with its major competitors, except Pakistan (Figure 2.12). At the global level Bangladesh ranks at 118 in terms of GCI when compared with 144 countries in 2012. Though, in FY13-14, the Global Competitiveness Report of World Economic Forum found that Bangladesh is currently ranking at 110th position out of 148 countries.

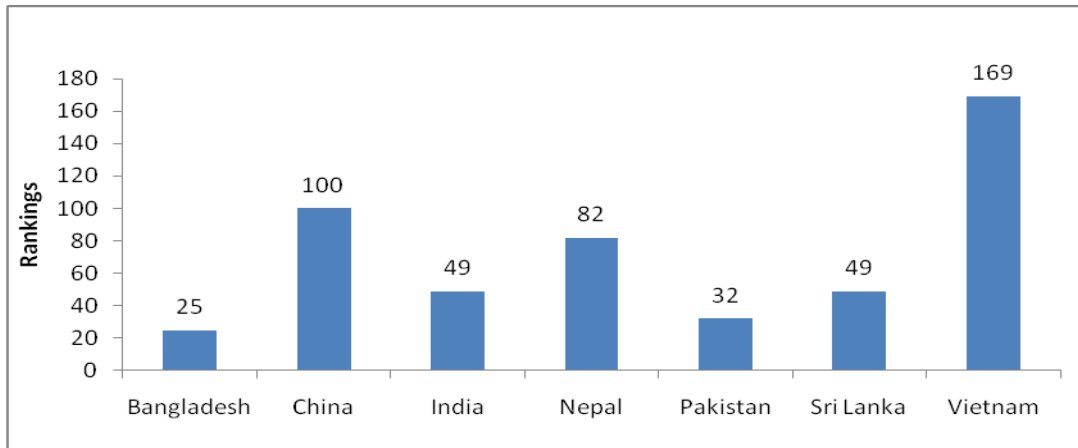
Figure 2.12: Global Competitiveness Index 2012



Source: GCI, 2012.

One positive finding, however, is with regards to the investor protection. Bangladesh ranks amongst the best performers (top 25 countries) globally in terms of protecting investors (Figure 2.13). This is a useful result and suggests that Bangladesh is regarded by foreign investors as a safe place to invest in terms of low sovereign appropriation risks. As such improvements in problem areas relating to acquisition of land, getting electricity and enforcing contracts will boost foreign investment in Bangladesh.

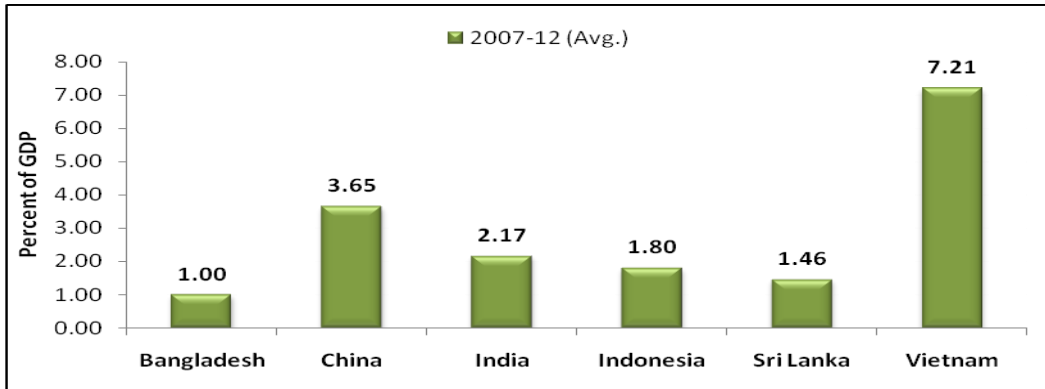
Figure 2.13: Protecting Investors



Source: Doing Business 2013, IFC

On the whole, the Bangladesh investment climate remains challenging and only modest progress has been made during the first three years of the Sixth Plan. As a result, the domestic investment effort has been restrained and the flow of foreign direct investment (FDI) has been small relative to competitors. Despite some recent improvements, Bangladesh's average net FDI level of less than 1% of GDP is the lowest among the regional comparators (Figure 2.14). It is generally believed that 1-2% of GDP in additional FDI inflows would help GDP growth by about 0.5% on average with employment generation of about 150,000 per year in the formal sector.

Figure 2.14: FDI Inflows as % of GDP

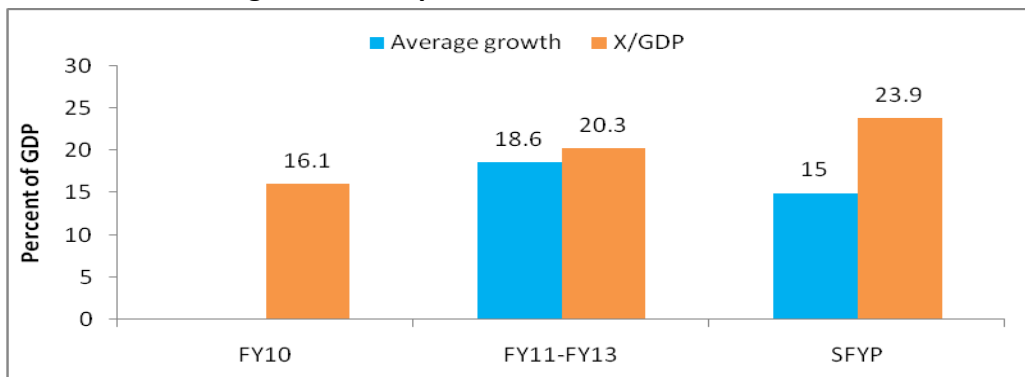


Source: UNCTAD Database 2013

Growth Driver: Export Performance

Overall export performance: Along with investment, exports growth is a major GDP growth driver in Bangladesh, The Sixth Plan put strong emphasis on export growth, especially the expansion of a diversified manufacturing export base (Figure 2.15). Exports were projected to grow by 15% per year in current US dollar terms over the Sixth Plan period. The share of exports

Figure 2.15: Export Performance in the SFYP



Source: BBS and Export Promotion Bureau (EPB)

in GDP was to grow from 16% in FY10 to 23.9 % by the end of the Sixth Plan (FY15). Actual performance shows **that exports have done well on average in the first three years (FY11-FY13), growing faster than the projected rate.** If present trend continues in the next two years, the Sixth Plan target for exports will be achieved. **This is a solid performance.**

The Sixth Plan also sought to strengthen the export base by focusing on the establishment of a diversified manufacturing export base. The results are shown in Table 2.4. Export performance was outstanding in FY11 (42% growth) but lost momentum in FY12 (6%). It regained momentum in FY13. Total exports increased by 11.2% to US\$27 billion in FY13. In all three years, the exports of ready-made garments (RMG) played the dominant role. In addition to RMG products, a number of other items such as ICT, jute goods, leather, footwear etc. also showed respectable growth.

Table 2.4: Export Performance in the Sixth Plan, FY10-FY13

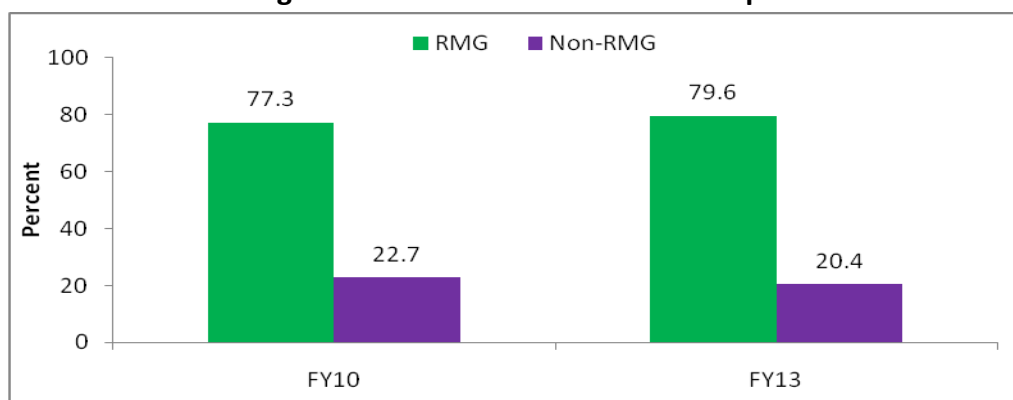
Figures in Million USD

	Jute & Jute goods	Leather	Footwear	Frozen Food	ICT	Others	Non-RMG Total	RMG	Total Exports
FY 10	736.4	226.1	204.1	445.2	35.4	2294.0	3701.7	12496.8	16176.2
FY 11	1114.9	297.8	297.8	625.0	45.3	2669.5	5005.0	17914.3	22919.3
FY 12	939.3	329.8	350.6	637.6	70.8	2940.8	5198.0	19089.8	24287.7
FY 13	1030.6	399.7	419.3	1030.6	92.5	2530.4	5502.4	21515.8	27018.3
Growth (in percent)									
FY 11	51.4	31.7	45.9	40.4	27.9	16.4	35.2	43.4	41.7
FY 12	-16	10.7	17.7	2.0	56.3	10.2	3.9	6.6	6.0
FY 13	9.73	21.2	19.6	61.6	30.6	5.0	5.9	12.7	11.2

Source: Export Promotion Bureau (EPB)

Nevertheless, the dominance of RMG exports prevails. Indeed, the share of RMG exports in total exports has increased further notwithstanding the Sixth Plan’s endeavour to diversify the export base (Figure 2.16). But two positive aspects of the diversification issue are worth noting.

Figure 2.16: Share of RMG in Total Exports



Source: BBS

First, within RMG, there has been growing diversification of products, from lower-end to higher end. And second, the performance of ICT, leather, jute goods and footwear if sustained over the longer term could provide the basis for strengthening the export base. Nevertheless, this is an area where further efforts are needed.

In terms of demand, the European Union continues to remain the largest destination of Bangladeshi exports, primarily due to RMG products. Despite recessionary economic environment in the EU region due to the ongoing debt crisis, Bangladesh’s RMG exports to the EU continued to increase in the Sixth Plan period. The sharp loss in China’s market appears to have accrued mostly to Bangladesh. In addition to competitive edge, Bangladesh’s success in RMG exports to the EU is also due the latter’s decision to change the rules of origin in favor of Bangladesh. This particularly helped the growth of woven garment exports in the EU market. The story of Bangladesh’s RMG exports to the US market is also positive, though not as robust

as in the EU market. Following Vietnam, Bangladesh was the second fastest growing RMG exporter to USA. As a result, its market share of the US RMG imports is increasing steadily. Vietnam and Indonesia are more challenging competitors for Bangladesh in the US market relative to the EU.

It is clear that major western corporate buyers are still very keen to maintain strong commercial relations with the RMG sector in Bangladesh because of its competitive prices (for the quality) and the enormous capacity that Bangladesh can provide (outside China). Certainly Bangladesh need to do a lot in a number of areas including building safety standards and relocation issues; other workers safety (like fire) and working conditions related issues; workers' rights and benefits issues (including minimum wage issue); and branding of Bangladesh RMG to restore its lost image. The export prospects in RMG and other sectors is reviewed in greater detail in chapter 3

C. Employment Performance in the Sixth Plan

Sixth Plan Employment Challenge

There are two dimensions of the employment challenge of the Sixth Plan.

First, there is the quantitative challenge. The combined effects of the ongoing demographic transition, whereby the share of the working population is increasing, and the growing labor force participation of women has contributed to a rapidly growing labor force (3.1 % per annum), much in excess of a slowing population growth (1.3% per annum). While this presents a huge potential dividend, this also requires the ability of the economy to create sufficient number of jobs to absorb this growing labor force (1.8 million jobs per year in the Sixth Plan period).

The second dimension is the quality aspects. The last available Labor Force Survey (LFS 2010) showed that some 50% of the total employment (54 million) is in low productivity agriculture. Research shows that labor productivity and real wages are higher in manufacturing and services sectors, especially organized services. Accordingly, a major objective of the Sixth Plan is to create more jobs in manufacturing and organized services relative to agriculture and informal economy.

Analytical and Empirical Foundations

The employment strategy of the Sixth Plan is based on the rate of the growth of the economy, the main driver of employment on the one hand and the rate of growth of manufacturing and organized services. Second, the Sixth Plan also took note of the fact that Bangladesh being a labor abundant economy it will have a comparative advantage in producing and exporting labor intensive products. The experience from RMG manufacturing provides a very strong foundation

to this analytical basis of the Sixth Plan. And third, the Sixth Plan seeks to build on the successes achieved in export of labor services especially to the Middle East.

Sixth Plan Employment Outcome

A major problem with assessing the employment outturn in the first three years of the Sixth Plan implementation is the absence of an updated employment database. BBS has not yet updated the labor force data base since the last LFS conducted in 2010. In view of this knowledge gap, the approach used to estimate domestic employment is to take the implicit sectoral employment elasticities underlying the Sixth Plan employment projections and apply them to sectoral and total GDP growth rates. Data on manpower exports are obtained directly from the Bureau of Manpower, Employment and Trainee (BMET). The estimated results are shown in Table 2.5.

Table 2.5: Estimated Job Creation in the Sixth Plan (million workers)

	FY10 estimated in SFYP	FY10 (Base Year)³	FY13 (Estimated)	FY15 Planned in SFYP	FY 15 (Adjusted Target)
Domestic Employment					
-Agriculture		24.7	24.2		23.5
-Manufacturing		6.4	8.2		10.0
-Services & Others		20.8	24.1		27.4
Total Domestic Employment		51.9	56.5		61.1
Additional Domestic Employment		-	4.6		9.2
Additional Manpower Exports		-	1.5		1.2
Additional Employment		-	6.1		10.4
Additional labor force		-	5.4		9.2

Source: Sixth Plan and Mid-term Implementation Review Projections

The shortfall in the growth of total GDP as compared with the Sixth Plan targets has reduced the overall additional job creation from domestic employment but the shortfall has been made good by a much more impressive expansion of manpower exports. As a result, the total number of estimated job creation (6.1 million jobs) has likely exceeded the addition to the labor force (5.4 million). This has likely lowered the rate of open unemployment. On the qualitative side, the growth of manufacturing employment has largely been on track. However, there has been likely a much more modest transfer of labor from agriculture to the rest of the economy. Along with

³ Base year updated using LFS 2010 data, which was not available when the Sixth Plan was drafted. All projections similarly adjusted to be consistent with the revised base year.

slowdown in agriculture growth, this has likely constrained the growth of labor productivity in agriculture.

D. Poverty Outcome of the Sixth Plan

The Sixth Plan sought to reduce head-count poverty from 31.5 percent in 2010 to 22.5 percent by 2015. Unfortunately, the last Household Income and Expenditure Survey (HIES) was done in 2010. Since then there is no survey based evidence on what has happened to poverty. HIES data reveal that incidence of poverty has been declining, on an average, at 1.74 percentage points in Bangladesh during 2000 to 2010. If this trend has continued for the last three years, the MDG target of halving the population living under the poverty line has already been achieved in 2012 and the estimated figure of poverty head count in 2013 was 26.2 percent. The lower GDP growth than the Sixth Plan target will not hamper reducing the actual rate of decline in poverty during the Sixth Plan.

Table 2.6: Projected Reduction in Poverty During the Sixth Plan Period

Year	Head Count Poverty with Upper Poverty Line	Head Count Poverty with Lower Poverty Line
2011	29.69	15.65
2012	27.95	13.98
2013	26.21	12.31
2014	24.47	10.64
2015	22.73	8.97

Source: GED Estimates on the Linear Trend of Poverty Reduction

E. Prospects and Way Forward

The broad picture of performance of the Sixth Plan during the first three years in terms of achieving major development targets relating to economic growth, employment and poverty reduction is generally positive. The economy has made further solid progress in these areas, which is reassuring. Progress has also been made in transforming the economy from a rural-based agrarian economy to a more modern urban-based manufacturing and services based economy. Export performance is on track, which has provided the impetus for the expansion of the manufacturing sector.

Yet, compared to Sixth Plan targets, there is a shortfall in GDP attainment targets. The shortfall in domestic employment has been offset by better-than-expected performance in overseas employment. While political stability has returned and there is likely to be a recovery in private investment. The export performance is likely to remain on track. But export will remain concentrated on RMG. On the whole, the slowdown in the rate of investment may possibly recover soon and the average growth rate to be nearly below 7 percent over the remaining two years of the Plan.

The Government can take several steps in improving the investment climate for private investment, increasing public investment and diversifying exports from RMG in order to create a better platform for higher growth in the Seventh Plan. The main priorities are:

- Improve the investment climate by removing the constraints identified by investors. These include land procurement, deregulation, power and gas shortage, trade logistics and contract enforcement. This is a long-term agenda but continued progress is needed.
- The shortfall in public investment needs to be addressed speedily with a range of measures including more focused and steady implementation of the Tax Modernization Plan, proper pricing of electricity and energy, and rationalization of subsidies.
- Additional focus on labor skills and training.
- Learning from the positive experience of RMG, improve the incentive framework for non-RMG exports.
- The creation of more jobs in the manufacturing sector is partly constrained by the lack of dynamism in small enterprises. While the government has supported the sector with subsidized credit, other supportive policies relating to markets, technology, vertical linkages and quality assurance needed to be beefed up. A particular problem is the lack of a proper information base that needs to be addressed urgently to bring dynamism in this sector.

CHAPTER 3

Progress with the Macroeconomic Framework

A. Background--Macroeconomic Objectives under the Sixth Plan

The SFYP aimed at increasing the real GDP growth to 8% by FY15 in a sustainable manner, averaging 7.3% real growth over the Plan period along with continued macroeconomic stability. The outcomes for the first three years of the Plan suggest a mixed record of performance. The real GDP growth was on target in FY11 but was lower than planned in FY12 and FY13. The growth targets for the outer years were certainly ambitious. The higher GDP growth and per capita real GDP growth targets were predicated upon 8 percentage point increase in the national investment to GDP ratio over the plan period. The achievement of the investment rate expansion was predicated upon a strong public resource mobilization drive combined with incentives to increase private investment. The reduction in inflation was to be achieved through appropriate monetary management and improved domestic supply of basic staples. The stability of the external sector and the exchange rate was to be secured by a strong export drive combined with a prudent foreign resource mobilization effort with specific focus on remittances.

Like every medium-term plan, actual implementation of the SFYP macroeconomic framework is also impacted by both domestic and international/global economic and non-economic developments. On the international front the lingering impact of the global economic crisis on the US economy and the emergence of EU debt crisis with double-dipping of economic activity in the EU economies have had their impacts on Bangladeshi exports to these two most important export destinations. On the domestic front, both policy implementation including execution of the budget and economic performance (particularly investment and GDP growth) have been significantly impacted by political conflicts linked to the run up to the National Elections in January 2014. At the same time, Bangladesh did not experience any major natural disasters like cyclone or flood over the last five years which allowed the Agricultural Sector to record steady increase in output albeit at a slow pace, with minimum volatility and disruptions in the level of production.

Prudent macroeconomic management has been the hallmark of Bangladesh's long-term development. This was underscored in the Sixth Plan and the implementation record shows that it has been preserved during the first three years of the Sixth Plan. All major indicators like the fiscal deficit, export growth, export-to-GDP ratio, external current account balance, reserve build up and external debt management have been on track in line with or exceeded the Sixth Plan targets. However, inflation rate still remained higher than the target. It was significantly off-track in the first two years as excessive monetary growth and credit expansion fueled higher-

than-targeted inflation. Bangladesh experienced average inflation rates of 10.6 percent and 7.7 percent in FY 2011-12 and FY 2012-13 respectively. Subsequent correction of monetary policy put inflation back on course, although at around 7.3% in FY14 but still remained higher than the Sixth Plan target (6%).

In the area of fiscal policy, although performance indicators are broadly on track, there are a number of concerns. First, the revenue outlook for FY14 is uncertain owing to the recent political disturbances and disruption of economic activities. Additionally, the implementation of the Tax Modernization Plan is much slower than expected. Second, fiscal discipline has often required cutbacks in spending in areas of high priority project and programme spending due to government's inability to meet the Sixth Plan resource commitments in important areas (e.g. in education, health, social protection and environment), thereby adversely affecting delivery and performance of important programmes in these areas. Third, the important policy initiative of public-private-partnership (PPP) in infrastructure has not materialized.

Regarding external sector, performance in terms of most indicators generally exceeded the targets. There are however some concerns. Despite strong export performance, the diversification of the export base did not happen. On the contrary, the share of RMG exports increased further. Remittances did very well up to FY13 but have shown signs of softening in FY14. Both are worrisome trends that need to be addressed.

The key targets relating to the macroeconomic framework included in the revised RF are shown in Table 3.1

Table 3.1: Sixth Plan Key Targets of the Macroeconomic Framework

Policy Area	Performance Indicators	Baseline (FY10)	End of Plan (FY15)
Fiscal Policy	Tax to GDP ratio (%)	9.0	12.4
	Fiscal Deficit (% of GDP)	3.7	5.0
Balance of Payments	Export to GDP ratio (%)	16.2	23.9
	Current account balance (% of GDP)	3.7	(-) 0.4
	Remittances (US \$ billions)	10.9	17.8
	Foreign Reserves (month of imports)	3.0	3.3
Inflation Management	Rate of CPI inflation (%)	7.3	6.0
	Growth of M2 (%)	22	16.0

Source: Sixth Plan Results Framework

B. An Overview of Macroeconomic Performance in Terms of Key Indicators

Chapter 2 reviewed the progress with GDP growth, investment, employment and poverty reduction. This chapter focuses specifically on the underlying macroeconomic framework and associated policies. Specifically, it looks at fiscal developments, the balance of payments outcome, and the inflation situation.

The latest indicators of progress with the macroeconomic targets of the Sixth Plan are shown in Table 3.2. The record suggests that **Bangladesh's macroeconomic performance and management have been quite impressive despite slippages in some areas and at certain times. Exports have performed very well on average, growing faster than the average growth envisaged in the Sixth Plan. Remittances have surged, reaching 14.3 billion in FY13. Reserves have surpassed 5 months of import cover, which is substantially higher than 3.3 months projected by the Sixth Plan.** The balance of payments is in surplus continuously in over the last three years. Fiscal management through FY13 was very impressive due to buoyant revenue growth and a rapid increase in the size of ADP. The tax to GDP ratio has continued to grow as envisaged in the Sixth Plan, reaching 11.0 % of GDP. Fiscal deficit has consistently been below 5% of GDP and the debt service ratios have declined steadily.

Table 3.2: Progress with Macroeconomic Targets

Period →	FY11		FY12		FY13	
	Actual	Target	Actual	Target	Actual	Target
Indicators↓						
Real GDP growth	6.7	6.7	6.3	7.0	6.0	7.2
Export to GDP ratio	20.6	20.3	21.0	21.2	20.2	22.1
Remittances (\$ billions)	11.5	11.5	12.7	12.7	14.3	14.2
Reserves (month of imports)	4.0	3.6	4.0	3.4	5.0	3.4
Current Account Balance (% of GDP)	0.8	(-) 0.3	0.4	(-) 0.2	1.9	(-) 0.2
Tax to GDP Ratio (%)	10.2	10.0	10.8	10.6	11.0	11.2
Fiscal Balance (excluding grants) (% of GDP)	4.5	4.4	4.0	5.0	4.4	5.0
CPI Inflation (%)	8.8	8.0	10.6	7.5	7.7	7.0

Source: Sixth Plan, BBS, Bangladesh Bank (BB) and Ministry of Finance

Early signs of emerging macroeconomic imbalances manifested through rising inflation (which reached almost 12 at its peak in FY11) and balance of payments and exchange market pressures in 2011 were forcefully addressed through a significant tightening of the monetary stance and continued prudent fiscal management. As a result, inflation has come down to the 7.5-8% range, balance of payments have been achieving surpluses in the external current account and in the overall balance. Consequently, the foreign exchange reserve of Bangladesh Bank has reached a record high \$19 billion level (6 months of import coverage).

On the whole, the macroeconomic management is on track. One area of concern is the slow increase in public investment (as pointed out in Chapter 2). The inflation rate is also persistently above the Sixth Plan target and needs careful monitoring. The remainder of this Chapter describes the developments in major macroeconomic variables in the first 3 years of the Plan and the outlook for FY14.

C. GDP Growth Outcome:

The broad picture of performance under the Sixth Plan during the first three years in terms of economic growth is generally positive, but fell short of the Plan targets significantly. The SFYP targeted an average GDP growth rate of 7.3 percent for the plan period. The associated yearly time path entailed accelerating the real GDP growth rate from 6.1 percent in FY10 (base year) to 8 percent in FY15. To achieve this growth, the investment rate was targeted to rise by 8 percentage points to 32.5 percent of GDP by FY15 (end year of the SFYP).

The inability to cross over to the 7% rate of growth of GDP is to a large extent a reflection of this investment constraint. Given the significant shortfall in FY13 and an uncertain economic environment in FY14, the ability to achieve the substantially larger investment targets for FY14 and FY15 do not appear feasible. While political stability has returned in the post election period and there is likely to be a recovery in private investment, on the whole it is clear that the investment targets for the Sixth Plan will not be achieved. The detail Macroeconomic framework tables with the projections for the years beyond FY15, the terminal year of SFYP is annexed in Annex 1.

The underlying growth strategy in the Sixth Plan was aimed at facilitating a faster transformation of the Bangladesh economy away from a primarily agrarian one towards a modern manufacturing and services oriented economy. The Sixth Plan targeted manufacturing as the main engine of growth. Accordingly, the GDP share of manufacturing was to rise by 4-5 percentage points. Bangladesh has achieved significant success on this front as suggested by the growing GDP share of manufacturing and a falling share of agriculture. Nevertheless, the targeted increase in the share of GDP will not likely be realized because of the likely shortfall in manufacturing sector value added in relation to the Sixth Plan target.

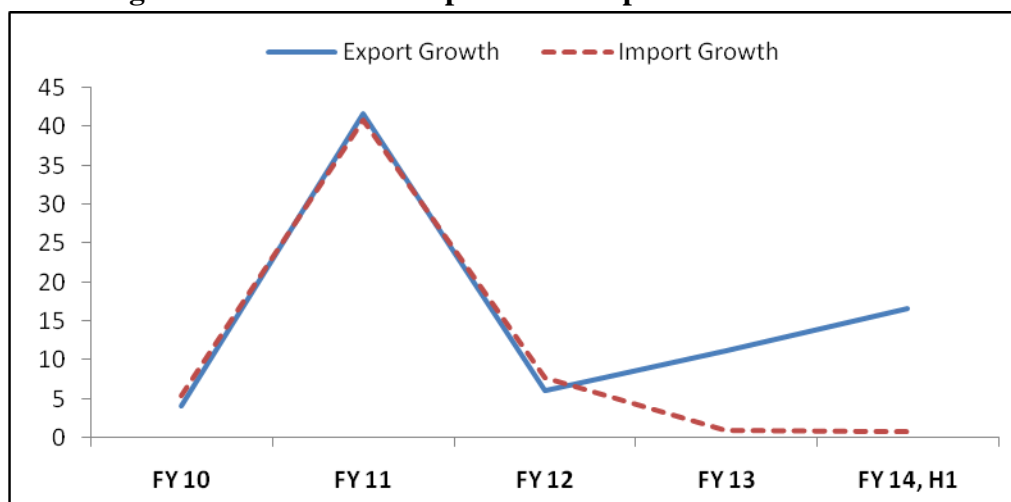
Near term and Medium Term Growth Prospects: In FY14, with continued uncertainty and disruptions in the pre-election period, GDP growth is estimated to remain at 6.2 percent. From FY15, on the assumption that the political environment will remain calm, growth is expected to strengthen gradually, peaking at 6.5 percent by FY16, the final year of the SFYP aided by higher remittance and export growth, as well as by prospects for continued economic recovery in the US and the euro-zone area. A likely rise in consumer and investor confidence as the political situation stabilizes is also expected to stimulate demand and strengthen growth momentum. Private investment is expected to underpin this economic recovery supported by a substantial increase in public investment in infrastructure. Continued political stability is a precondition for the projected rebound in domestic investment envisaged under the revised macro-framework.

D. External Sector Performance

The external trade balance in dollar terms improved for the third consecutive year, primarily due to strong export growth and a major slowdown in import payments. Bangladesh's external trade

deficit came down to \$7 billion in FY13 from the record high level of almost \$10 billion in FY11. During most of the Plan period, export growth rate significantly exceeded the growth in import payments contributing to the reduction in trade account deficit which underpinned the continued strong overall BOP position (Figure 3.1). The overall developments in the balance of payments are summarized in Table 3.3.

Figure 3.1: Growth of Exports and Imports FY 10- FY 14 H1



Source: Bangladesh Bank

Table 3.3: Developments in the Balance of Payments, FY10-14 (Million USD)

	FY 10	FY 11	FY 12	FY 13	FY 13 (Jul-Dec)	FY 14 (Jul-Dec)	FY 14 Projections
Trade balance	-5152	-9935	-9320	-7010	-3675	-1533	-4704
Export	16236 (4.1%)	23008 (41.7%)	23989 (6%)	26566 (11.20%)	12387	14511 (17.20%)	30551 (15%)
Import	21388 (5.5%)	32527 (40.8%)	33309 (7.7%)	33576 (0.9%)	16062	16044 (-0.11%)	35255 (5%)
Services	-1237	-2612	-3001	-3159	-1667	-1908	-3600
Income	-1487	-1454	-1549	-2315	-1142	-1043	-2100
Current transfers	11610	12315	13423	15009	7664	7136	13800
<i>Of which : Workers' remittances</i>	10987	11513	12735	14338	7336	6727	13191
Current Account Balance	3734	-1686	-447	2525	1180	2652	3396
(% of GDP)	3.7	0.8	0.4	1.9			
Financial & Capital Account	-313	1293	1918	3367	2057	644	1700
Errors & omissions	-556	-263	-977	-764	-515	-677	-500
Overall Balance	2865	-656	494	5128	2722	2619	4596

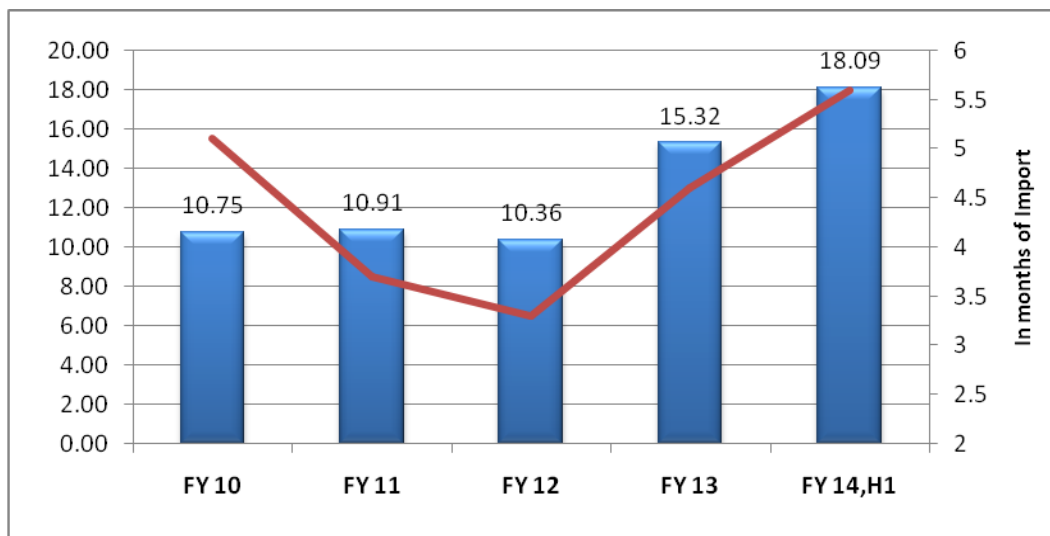
Source: Bangladesh Bank

Despite a sizable and growing deficit in the services accounts, the improvement in the trade balance combined with the traditional large surplus in current transfers due to workers' remittances, contributed to sizable surpluses in the external current account position since FY13. Based on developments in the first half of FY14, the external current account surplus in FY14 is likely to significantly exceed the high level of the preceding year (\$2.5 billion in FY13), primarily depending on the pace of recovery in import growth and developments in inflow of remittances.

Financial and capital accounts of the BOP and Reserve Build Up: The financial and capital accounts also showed a marked improvement for the 3rd year in a row supported by steady pickup in Foreign Direct Investment (FDI) and disbursements of multilateral and other long-term loans. However, the size of the surplus in the financial and capital accounts at \$650 million during July-December 2013 was less than one third of the surplus recorded during the same period of the preceding year. The lower surplus is primarily attributable to slower disbursement of official and private external financing due to the difficult political situation in the first half of FY14.

The combination of a sizable current account surplus and a moderate surplus in the financial and capital account contributed to a sharp improvement in the overall BOP position and a consequent rapid build-up of external foreign exchange reserves. Gross foreign exchange reserves of Bangladesh Bank increased by about \$12 billion since the beginning of the Plan (July 2010) to more than \$19 billion by March 2014 which is equivalent to more than 6 months of import cover. The reserve buildup is likely to continue in the remainder of FY14, albeit at a somewhat slower pace depending on the recovery of import growth.

Figure 3.2: Foreign Exchange Reserves of Bangladesh Bank (Billion USD)



Source: Bangladesh Bank

The current high reserve level should play an important stabilizing role if the economy if Bangladesh faces a major external or domestic shock. Looking forward, the high level of reserves should also play a very important role in accelerating the economic recovery of Bangladesh. The Government is undertaking a number of major initiatives to boost domestic economic activity and undertake major infrastructure projects. Any bold initiative will require massive imports and related foreign currency denominated financing, a part of which can be covered through use of reserves. Additional fiscal stimulus and resurgent private sector investment demand can only be sustained without being constrained by external sector financing if the foreign exchange reserve level remains high and comfortable. **The high level of reserves will also help maintain and further improve Bangladesh’s sovereign rating, which will help catalyze higher foreign direct investment (FDI) in Bangladesh.** In all respects, the high reserve level will help Bangladesh’s strive for attaining the middle-income status.

Remittance Performance: Between FY10 and FY13, remittance inflows surged and provided a very comfortable resource cover for Bangladesh. Remittances surged from \$ 11 billion in FY10 to \$14.3 billion in FY13. This is a remarkable achievement. If this trend were to continue, the Sixth Plan’s remittance target of \$17.3 billion for FY15 would be achieved. However, there has been a precipitous fall in inflow of workers’ remittances since May 2013, which is a matter of growing concern. Remittances have been on a slower or declining trend since May 2013, and there is no sign of recovery as yet. This outcome is not surprising given that the number of workers going abroad had been declining since early 2013 and there are no signs of a recovery yet (Figure 3.4). As a result, inflow of workers’ remittances declined by \$623 million (8.4%) in the first half of FY14, which is very unusual and has not been experienced in Bangladesh in recent times.

Figure 3.3: Remittances flows & Growth

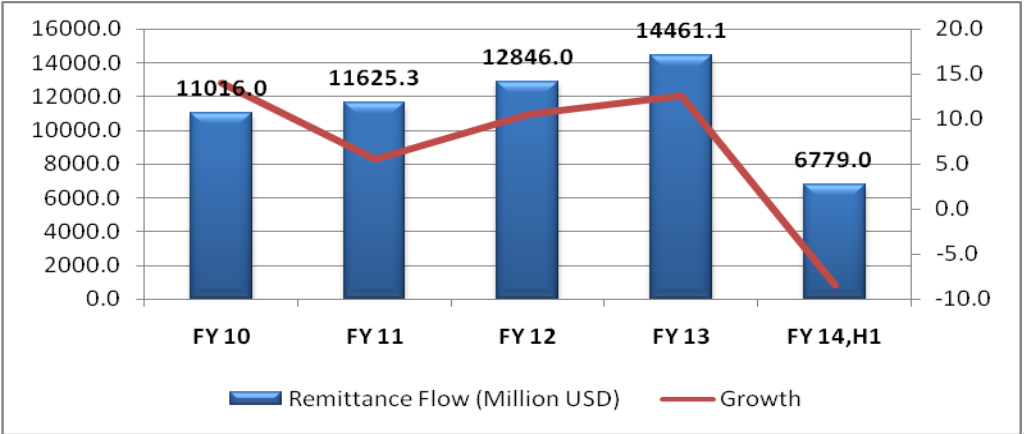
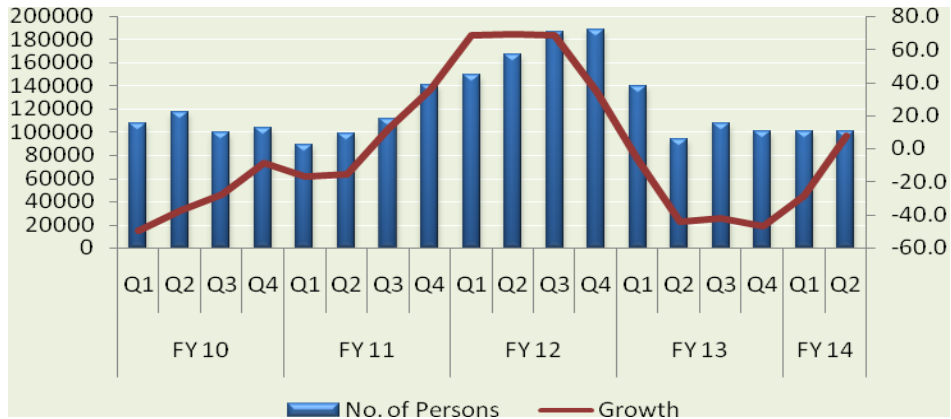


Figure 3.4: No. of persons going abroad



Source: Bangladesh Bank

A review of the developments in the number of workers going to different countries indicate that until 2012 the highest number of workers were going to the UAE, which was the major source of the growth in persons going abroad in FY11-FY12 (Table 3.4). Saudi Arabia which employs the largest number of Bangladeshi workers has remained closed to Bangladeshi workers for a long time. The effective closing of the UAE market for Bangladeshi workers since late 2012 is a major blow for Bangladesh. In the absence of reopening of the major markets (like Saudi Arabia, Kuwait and the UAE) for Bangladeshi worker in the GCC region, only smaller markets like Oman and Qatar are still open to Bangladeshi workers. The outlook for reopening of the Malaysian market is also not good despite the recent Government-to-Government (G2G) deal for sending labor from Bangladesh. The G2G mechanism is facing numerous difficulties due to some unspecified bureaucratic processes at both ends. Bangladesh would need to strengthen its economic-diplomacy to unlock the closed GCC markets and open new ones if it aspires to regain momentum in sending workers abroad and help sustain the growth in remittances in the coming years.

Table 3.4: Overseas Employment in Major Markets (in '000)

Period	K.S.A	U.A.E.	Kuwait	Qatar	Oman	Malaysia	Others	Total
20 10	7.1	203.3	0.048	12.1	42.6	0.91	124.6	390.7
2011	15.0	282.7	0.029	13.1	135.3	0.74	121.2	568.1
2012	21.2	215.4	0.002	28.8	170.3	0.80	171.3	607.8
2013	12.6	14.2	-	57.6	134.0	3.80	187.1	409.3

Source: BMET, Bangladesh bank

Looking forward, the sharp decline in the number of workers going abroad in FY13 and in the first half of FY14 is a matter of serious concern. The impact of the lower departure number is expected to be reflected in continued lower remittance inflows in the coming months. This has

not yet created any problem in terms of economic management because slower imports have mitigated its impact on the overall BOP position. However, once economic activity picks up in Bangladesh with consequent higher imports, the sharply lower inflow of remittances could potentially create pressures in the external accounts.

Development in Exports: Export performance has remained fairly buoyant despite a series of adverse developments on the domestic front (Table 3.5). Total exports during the period FY11-13 increased at a reasonably healthy despite the negative impacts of the EU debt crisis and the slower pace of recovery in the USA in the aftermath of the global economic crisis. The export growth has been primarily driven by the RMG sector and the dependence on RMG in the export basket has further increased. In the first half of FY14, exports increased by 16.5%, driven by continued strong growth in knitwear and woven garment exports. Although export receipts generally remained in the historical average range, this performance was impressive. RMG exports was increased by almost 20% to US\$ 11.9 billion in the first half of FY14, compared with \$9.9 billion in the corresponding period of FY13. Non-RMG export growth however was quite subdued during most of the Plan period except in FY11. However, a number of items such as leather, footwear, frozen foods, ICT etc. have been showing respectable growth. Export performance of jute and jute goods has been erratic due to fluctuations in their prices in the international market.

Table 3.5: Export Earnings in US \$ millions

	Jute & Jute goods	Leather	Footwear	Frozen Food	ICT	Others	Non-RMG Total	RMG	Total Exports
FY 10	736.4	226.1	204.1	445.2	35.4	2294.0	3701.7	12496.8	16176.2
FY 11	1114.9	297.8	297.8	625.0	45.3	2669.5	5005.0	17914.3	22919.3
FY 12	939.3	329.8	350.6	637.6	70.8	2940.8	5198.0	19089.8	24287.7
FY 13	1030.6	399.7	419.3	1030.6	92.5	2530.4	5502.4	21515.8	27018.3
FY 14, H1	416.46	239.45	285.96	377.42	47.33	1387.0	2753.6	11932.2	14685.8
Growth (in percent)									
FY 11	51.4	31.7	45.9	40.4	28.0	16.4	35.2	43.4	41.7
FY 12	-16	10.7	17.7	2.0	56.3	10.2	3.9	6.6	6.0
FY 13	9.73	21.2	19.6	61.6	30.6	5.0	5.9	12.7	11.2
FY 14, H1	-17.1	43.6	35.5	30.3	16.2	12.1	3.8	19.9	16.5
<i>Source: Export Promotion Bureau</i>									

The European Union continues to remain the largest destination of Bangladeshi exports, primarily due to RMG products (Tables 3.6- 3.8). Despite the recessionary economic environment in the EU region due to the ongoing debt crisis, Bangladesh's RMG exports to the EU increased in both volume and value terms every year since FY09. In the initial months of

FY14 Bangladesh's market share in the EU increased further to 13.4%. Bangladesh now firmly occupies the second highest position in the EU market with double digits market share, although far behind the market leader China which at more than 40% is far ahead of Bangladesh.

Table 3.6: RMG Export to EU; Market Shares (In percent)

	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14 (Jul-Aug)
World	100	100	100	100	100	100
Bangladesh	8.5	8.9	9.7	12.0	13.1	13.4
China	42.5	44.4	44.5	43.4	40.6	46.0
Indonesia	1.8	1.7	1.8	1.8	1.7	1.6
India	6.8	6.9	7.0	6.2	6.1	5.3
Pakistan	1.5	1.6	1.7	1.9	2.0	1.9
Vietnam	2.0	2.1	2.3	2.6	2.7	2.8
<i>Source: Eurostat</i>						

Bangladesh's success in RMG exports to the EU has been continuing over the last several years and gained further momentum since FY12 due the EU decision to change the rules of origin in favor of Bangladesh. This decision particularly resulted in an increase in woven garment exports to the EU market. Reflecting these positive developments, Bangladesh's market share in the EU market in terms of volume has increased steadily from 13.7% in FY10 to 17.9% in July-August period of FY14.

Table 3.7: Bangladesh Market share (% of Total EU textile Import)

	% share in quantity	% share in value
FY 10	13.7	8.9
FY 11	14.7	10.4
FY 12	15.7	12.0
FY 13	18.3	13.1
FY 14 (Jul-Aug)	17.9	13.4
<i>Source: Eurostat</i>		

Table 3.8: RMG Export to EU (Million Euros)

	FY 10	FY 11	FY 12	FY 13	FY 14 (Jul-Aug)
China	24930.3	29637.7	28585.1	26216.5	6305.9
Bangladesh	4982.3	6492.2	7895.0	8469.1	1831.9
India	3894.1	4658.2	4112.7	3962.0	722.3
Vietnam	1180.2	1530.7	1694.9	1729.5	379.0
Pakistan	887.1	1163.0	1221.1	1312.3	263.2
Indonesia	982.1	1181.6	1207.8	1128.1	219.8

Source: Eurostat

The story of Bangladesh's RMG exports to the US market is also similar, though not as robust as in the EU market (Table 3.9). In both value and volume terms Bangladesh's exports to the USA increased every quarter in FY13 and in the first quarter of FY14. The increase during July-

September was particularly impressive, growing at 13.8% in dollar terms over the corresponding period previous year. Reflecting these positive developments, Bangladesh’s export share in the US RMG market increased from 3.5% in FY08 to 4.6% in FY12, and further to 5.1% in the January-September 2013 period. In fact, Bangladesh has moved up to the 4th position in the US market by overtaking Indonesia in the first quarter of FY14.

Table 3.9: RMG Export to the USA (Million US\$)

	FY 10	FY 11	FY 12	FY 13	FY 14, Q1
China	34147.9	40045.8	40961.1	40853.2	13391.8
Vietnam	5683.9	6824.0	7404.0	8137.6	2493.4
India	4949.8	5690.0	5956.9	5464.6	1552.5
Indonesia	4271.7	5063.1	5259.3	5295.8	1332.9
Bangladesh	3617.5	4599.4	4605.3	4804.9	1410.1
Pakistan	2891.0	3266.2	3162.3	3041.5	818.8

Source: Otexa

Table 3.10: RMG Exports to the USA (Share in Percent)

	2009	2010	2011	2012	2013 (till Sep)
World	100	100	100	100	100
China	39.2	41.2	40.1	40.2	39.6
India	5.7	5.8	5.9	5.8	6.0
Indonesia	5	5	5.2	5.1	5.1
Bangladesh	4.3	4.4	4.6	4.6	5.1
Pakistan	3.4	3.3	3.3	3	2.9
Vietnam	6.6	6.7	7.1	7.6	8.3

Source: Otexa

Based on data through September 2013 it appears that Bangladeshi RMG entrepreneurs have been reasonably successful in coping with the series of adverse developments during the last one year including the Rana Plaza, Tazreen fire and the fallout of the prolonged political hostilities causing serious disruptions to transportation and production activity. Certainly, Bangladesh needs to do a lot in a number of areas, including building safety standards and relocation issues; other workers safety (like fire) and working conditions related issues; and workers’ rights and benefits issues (including minimum wage). Industry (owners) representatives, Government of Bangladesh, Labor Rights campaigners, ILO, and buyers’ representatives/forums would need to work together to alleviate the concerns expressed by the international community, domestic civil society and buyers’ representatives about the conditions in the RMG sector in Bangladesh.

The RMG sector minimum wage increase by 77% after a three year period was significant and the currently compares favorably with other private sector wage increases. During the last three years domestic price level measured in terms of the CPI increased by less than 30%, and thus the wage increase for the sector entailed a 36% increase in real wages over a three year period. This level of real wage increase for RMG workers appear substantial and should boost worker incentives. Nevertheless, the increase has happened from a low base and in dollar terms the current minimum wage rate of US\$68 per month (after the increase) is still somewhat below the rates applicable in major comparator countries (Figure 3.5). However, after adjusting for the relative productivity differences the actual differential may have disappeared vis a vis countries like Indonesia and Vietnam.

Figure 3.5: Selected Countries--Minimum Wages in US\$ per Month 2012



Exchange Rate Policy: Bangladesh Bank’s exchange rate policy has played a major role in the building up of reserves and at the same time supporting domestic exports. During the initial two year period under the Plan the exchange rate of Bangladesh Taka was virtually fixed against the US dollar In the range of Tk. 68-69 per US\$1.0, despite the surge in inflation and import demand. As balance of payments pressures emerged in FY11, Bangladesh Bank responded promptly by tightening the monetary policy stance and allowing the exchange rate to be market determined. This dual action paid solid dividend in terms of bringing down inflation and achieving stabilization of the exchange rate at a depreciated level of about Tk. 78 per US\$1, following some overshooting of the exchange rate (up to as high as Tk. 84 per US\$1) for several months.

As import payments declined since FY13 due to lower domestic demand, higher inflows associated with buoyant export receipts and remittance inflows contributed to excess supply of

foreign exchange in the interbank market leading to a significant nominal appreciation of the Taka against the US dollar in FY13. Had Bangladesh Bank not stepped in to purchase foreign exchange from the interbank market, the exchange rate for the Taka would have further appreciated undermining the competitiveness of Bangladeshi exporters. Through continued large amounts of purchases, Bangladesh Bank has succeeded in keeping the nominal exchange rate at around Tk. 77-78 per US\$1.0.

In principle it is true that central banks may limit the movement of the exchange rate of the domestic currency or even may keep it fixed, and prevent its appreciation or depreciation in nominal terms due to market forces for a certain period. However, what the central banks cannot control is the movement of the real exchange rate or the real effective exchange rate, which really matters for export competitiveness. Central banks can control either the nominal or the real exchange rates and certainly cannot control both. This is particularly the case when the country's inflation rate is different from its trading partners. Accordingly, in the case of Bangladesh, the Real Effective Exchange Rate (REER) appreciated significantly during FY12-14 due to inflation differentials with Bangladesh's trading partners (Table 3.11).

Table 3.11: Real Effective Exchange Rate Index; 2000-01=100

Year	REER Index	Nominal Exchange Rate
FY 03	92.27	57.90
FY 04	89.27	58.90
FY 05	88.42	61.45
FY 06	83.86	67.16
FY 07	86.55	69.06
FY 08	86.02	68.61
FY 09	91.3	68.80
FY 10	97.74	69.18
FY 11	89.42	71.22
FY 12	91.37	81.88
FY 13	99.70	77.75

Source: Ministry of Finance and Bangladesh Bank.

Managing the exchange rate is a delicate balancing task, and by allowing the rapid buildup of external reserves, Bangladesh Bank has simply prevented a further significant nominal appreciation of the domestic currency which could have negative impacts on exports. However, the underlying real effective exchange rate has already significantly appreciated although so far that appreciation appears to have no major negative impact on Bangladesh's export performance. The REER has already appreciated to 99.7 in FY13 from a recent low of 89.4 in FY11 following the nominal depreciation of the currency in that year. The REER in all likelihood might have crossed 100 by end-December 2013. Bangladesh Bank should take this issue into account in formulating its exchange rate policy and may consider adopting either a more aggressive stance

on its fight against inflation or allow for a nominal depreciation of the currency over time in line with inflation differential over the medium term.

Near Term and Medium Term External Sector Outlook: Defying all odds Bangladesh RMG sector is expected to march forward consolidating its relative position in the global economy. Bangladesh's RMG exports to the EU and US market has increased in both volume and value terms during most of these years including in FY14. This trend is expected to continue hence the export growth is expected to remain robust as the RMG sector will be playing the dominant role. Looking forward, managing the RMG sector safety, working condition and labor rights issues should remain priorities for sustaining such strong export growth as predicted in the revised MEF. Remittance growth has been falling and turned negative since the second half of FY13 as the outflow of workers continued to decline due to migration restrictions in some Gulf countries. Remittances are expected to remain weak in FY14 and the current account is projected to remain in surplus in FY14. Assuming some reopening of the traditional markets in the Gulf region and access to new markets, remittance growth is expected to normalize from FY15; demand for migrant labor should improve driven by expected infrastructure investments in the Gulf countries.

To conclude, looking beyond FY14 the outlook appears somewhat more comfortable in terms of export growth, current balance and the overall BOP position. The sustainability of the external balance will depend on addressing RMG and remittance related challenges. Export is expected to grow at an average of about 14.4% for the next five years (FY14 –FY18) as the RMG industry upgrades both factory and labor standards. Remittance flows, as mentioned earlier, are expected to increase from FY15 reaching 12% growth thereafter. This outlook is based on the assumption that improved demand for Bangladeshi labour with the relaxation of restrictions in Saudi Arabia, UAE and Kuwait, would be made possible by intensified economic diplomacy. Failure to act in time on RMG standards and on the legal status of Bangladeshi workers in GCC countries, combined with a pick-up in import growth due to a recovery in private investment demand, may quickly change the external sector outlook in terms of current account and overall balance of the BOP.

E. Implementation of Fiscal Policy during the Plan period, FY11- FY15

Prudent fiscal management has always been the cornerstone of Bangladesh's success in maintaining macroeconomic stability. Some of the important features of fiscal management were: (i) in the first three years of the Plan period, the overall fiscal deficit always remained significantly below the 5% of GDP mark despite a sharp increase in the overall level of fiscal spending; (ii) revenue performance was very impressive in first two years of the Plan period (FY11-FY12) and helped sustain fiscal expansion while containing the fiscal deficit; (iii) capital spending measured in terms of ADP implementation increased every year in relation to GDP; and (iv) in line with government's commitments to provide greater coverage and improved

quality of public services including social protection, the size of the government spending was increased (in terms of government spending as percent of GDP) significantly.

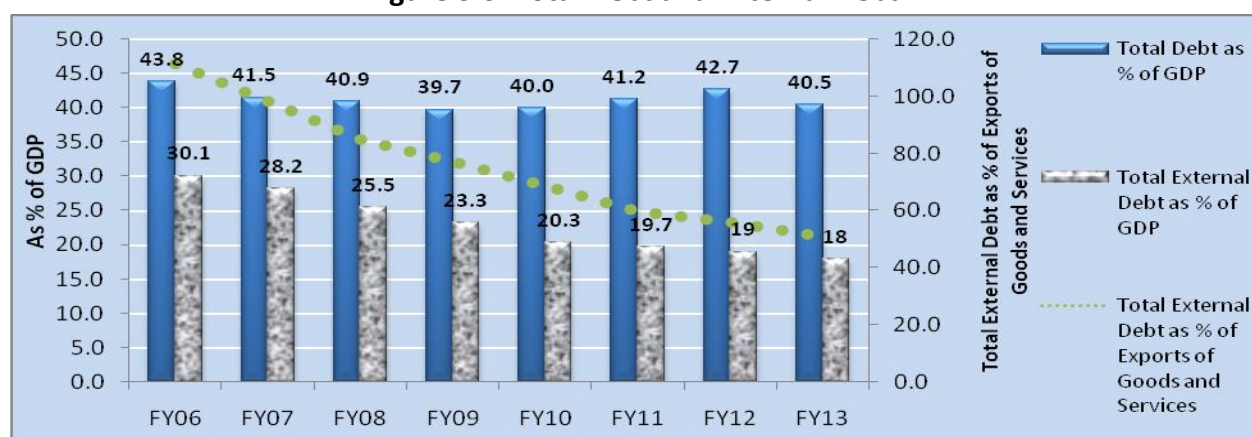
Table 3.12: Summary of Fiscal Operations, FY10-FY15 (In billion Taka)

	FY10		FY11		FY12		FY13		FY14	FY15
	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Target	Target
Total Revenue	757.4	756.8	927.9	952.9	1137.9	1187.9	1288.2	1372.8	1635.9	1949.2
<i>As % of GDP</i>	10.9	10.9	11.8	12.1	12.4	13.2	12.4	13.4	14.0	14.6
Total Expenditure	1014.0	1013.7	1273.7	1299.4	1500.4	1637.8	1742.2	1885.1	2220.2	2616.8
<i>As % of GDP</i>	14.6	14.6	16.2	16.5	16.4	18.2	16.8	18.4	19.0	19.6
of which:										
ADP	257.0	256.9	332.8	354.4	355.0	458.9	490.6	543.0	666.0	814.4
<i>As % of GDP</i>	3.7	3.7	4.0	4.5	4.5	5.1	5.0	5.3	5.7	6.1
Overall Balance (Excluding Grants)	-257.0	-256.9	-352.7	-346.5	-362.5	-450.0	-454.0	-512.3	-584.3	-667.6
<i>As % of GDP</i>	-3.7	-3.7	-4.5	-4.4	-4.0	-5.0	-4.4	-5.0	-5.0	-5.0
Financing	257.0	256.9	352.7	346.5	362.5	450.0	-454.0	512.3	584.3	667.6
<i>As % of GDP</i>	3.7	3.7	4.5	4.4	4.0	5.0	4.4	5.0	5.0	5.0
External Debt	1409.5	1409.4	1510.9	1527.8	1671.2	1709.8	1870.7	1854.3	2033.2	2243.0
<i>As % of GDP</i>	20.3	20.3	19.2	19.4	18.3	19.0	18.0	18.1	17.4	16.8
Domestic Borrowing	1367.8	1367.8	1733.8	1614.4	2231.7	1889.8	1374.5	2192.4	2547.3	2950.6
<i>As % of GDP</i>	19.7	19.7	22.0	20.5	24.4	21.0	13.2	21.4	21.8	22.1

Source: Ministry of Finance and Bangladesh Bank

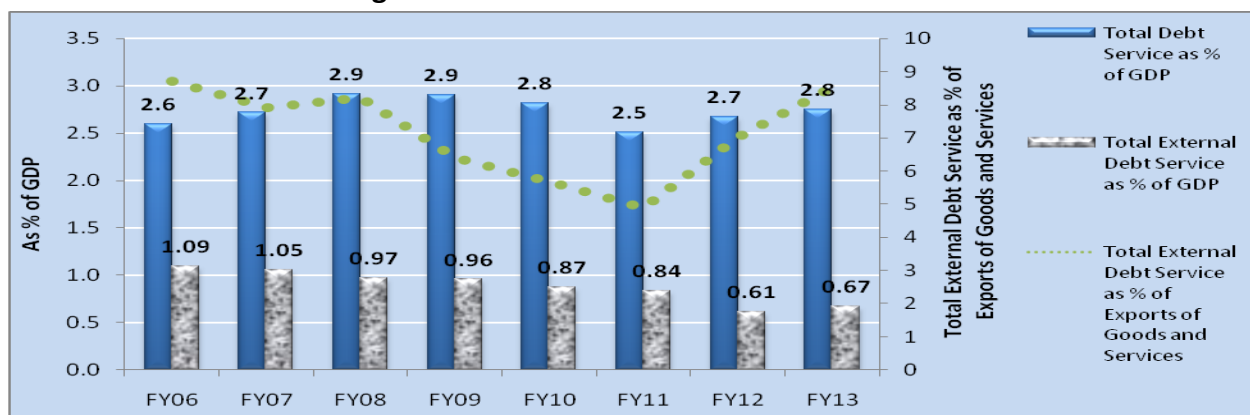
In the midst of these gains, through prudent debt management policy public sector debt and in particular external debt burden in relation to GDP and external debt service ratios continued to decline steadily (Figure 3.6 and 3.7).

Figure 3.6: Total Debt and External Debt



Source: Ministry of Finance

Figure 3.7: Total and External Debt Service



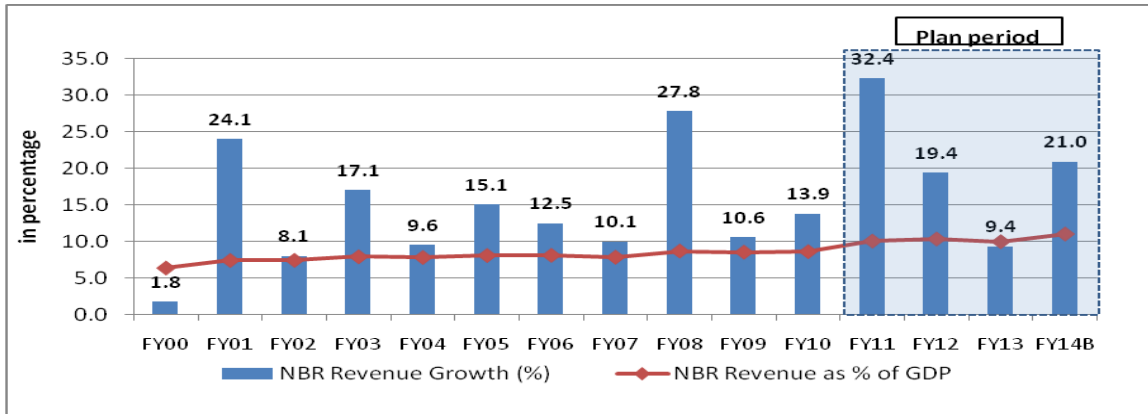
Source: Ministry of Finance

Looking forward, the outlook for public debt and debt service is expected to remain favorable over the medium term. While total debt and debt service burdens are expected to remain broadly unchanged at the current comfortable levels, the share of domestic debt and domestic debt service would continue to increase along with a continued decline or stable external debt and debt service ratios over the medium term. A similar medium-term debt and debt service outlook is also reported in the IMF/World Bank joint debt sustainability exercise prepared in the context of the IMF Article IV Consultation Staff Report, 2013.

Developments in NBR Revenue: Financing of public sector spending under the Plan was greatly facilitated by the strong revenue performance in the initial years of the Plan. Supported by buoyant economic growth and domestic demand, NBR revenue exceeded the budget targets for FY10-FY12, despite quite ambitious targets set in the budgets in line with the Plan. Revenue enhancing reforms and broadening of the tax base through withholding mechanisms—particularly in the areas of direct tax and domestic VAT--also helped realize and exceed the revenue targets.

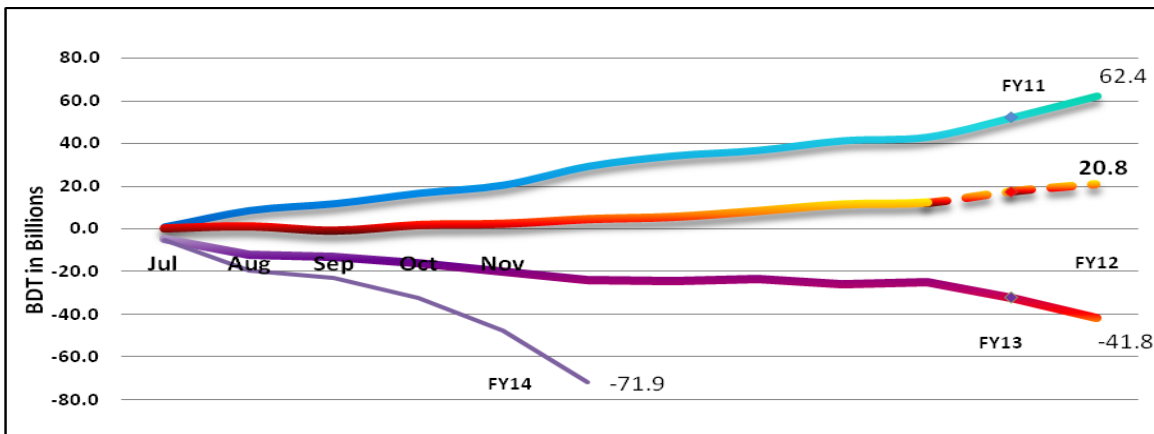
Revenue from VAT, which is the most important revenue source for Bangladesh, grew by 20 % per year during FY10-13 primarily due to a very impressive performance in the domestic VAT front. Direct taxes continued to remain strong through the Plan period due to expanding economic base and widened withholding mechanism. This success in the first three years of the Plan period was achieved without the benefit of major reforms in these two key areas. VAT law has been enacted and preparations are underway to modernize VAT administration and procedures. Reform of the direct tax law and modernization of its administration is also under consideration. Once these reforms are in place and fully implemented, the tax to GDP ratio is likely to grow significantly.

Figure 3.8: NBR Tax Revenue



Source: Ministry of Finance

Figure 3.9: NBR Revenue Relative to Budget Targets, FY11- FY14 (Jul-December)



Source: Ministry of Finance

Revenue performance however has suffered a setback in FY14 due to slower economic activity and negative impacts on the private sector demand due to prolong political disturbances in the first half of FY14. At the beginning of FY14, the government had set an ambitious NBR revenue target of Tk. 1,360 billion which was 22% higher than the revised estimate for FY13. In the event, the NBR revenue shortfall in FY13 compared with the revised estimate was about Tk. 3.5 billion, which implied that the NBR revenue target for FY14 was 25.9% higher than the actual FY13 level. This would have been a very challenging task under normal circumstances, but the economic slowdown and shutdowns due to political disturbances made it impossible for NBR to achieve the target. Accordingly, the NBR revenue target has been reduced.

Experience with tax revenue mobilization under the Plan indicates that while there is huge potential for collecting tax revenue, it would require NBR to accelerate reforms in the tax system and tax administration for the NBR to regain and support the growth momentum in the VAT and direct tax systems. As noted, progress has already been made in the area of VAT reforms and the Government is also contemplating reforms of income taxes. Given the revenue outlook for

FY14, acceleration of these reforms assumes fundamental importance. All kinds of support (both financial and political) will be key to NBR's success in implementing these reforms.

Near- and Medium-Term Outlook: The overall fiscal deficit (excluding grants) may still turn out to be broadly in line with the target established in the budget in FY14, but in many respects the budget will fall short of meeting its other core objectives. In particular, the overall size of government spending will not increase as much as envisaged because of cuts in total spending. Fiscal management from the financing side also appears comfortable but there will be need for serious cuts in spending if the emerging large and growing revenue shortfalls are taken into account. Under these circumstances the overall fiscal deficit (excluding grants) is expected to increase by up to 0.4-0.5 percentage point to 5.1% of GDP in FY14. Taking into account the government's commitment and performance in recent years, the overall fiscal deficit is expected to hover around 5% of GDP in the final year of the Plan (FY 15). Domestic sources, mostly banks, are expected to cover more than two-thirds of financing.

The tax-to-GDP ratio is projected to remain flat at about slightly more than 10 percent of GDP between FY12 and FY14, with a decline of revenue from import-related taxes offset by gains in income taxes and domestic VAT. The revenue to GDP ratio is projected to increase slightly in FY15 and then more decisively beyond the Plan period with the launch of the new VAT system at the beginning of FY16. Reform of the direct tax law and modernization of its administration is also under consideration. However, several of the reforms envisaged in the Tax Modernization Plan – such as reorganizing the entire National Board of Revenue along functional lines (which has typically been associated with considerable efficiency gains in the administration), have met with considerable resistance internally. A more gradual approach might be more feasible, but the NBR should remain committed to the full implementation of the Tax Modernization Plan and its objectives if the revenue potentials are going to materialize. Once these reforms are in place and fully implemented, the tax to GDP ratio is likely to grow significantly.

Implementation of the Public Investment Plan, Including the Annual Development Programme (ADP): Implementation of public investment including the ADP has always been a major challenge for Bangladesh. Implementation challenges have multiple aspects: (i) increase the size of the ADP to meet the growing infrastructure needs of the economy; (ii) slower implementation rate during the first half of the fiscal year; (iii) while the implementation rate picks up significantly in the second half of the year, the pace is unusually high in the final quarter; (iv) utilization of foreign aid always significantly lags behind the utilization rate for domestically financed resources; and (v) due to the unusual rush for spending in the final quarter, there is scope for inappropriate use of ADP funds.

Public investment in Bangladesh declined to levels below 5% of GDP in the years preceding the SFYP, contributing greatly to the widening/deteriorating infrastructure gap/deficiency in Bangladesh. The Plan aims to change this situation by increasing significantly public sector investment through increased allocation to the ADP, better utilization of ADP resources and

implementation of an ambitious public-private partnership programme focused in infrastructure. Significant gains have been made in the area of ADP allocations, but progress has been weak in mobilizing PPP investments. As a result, total public investment rate is significantly lower than the Sixth Plan targets (Table 3.13).

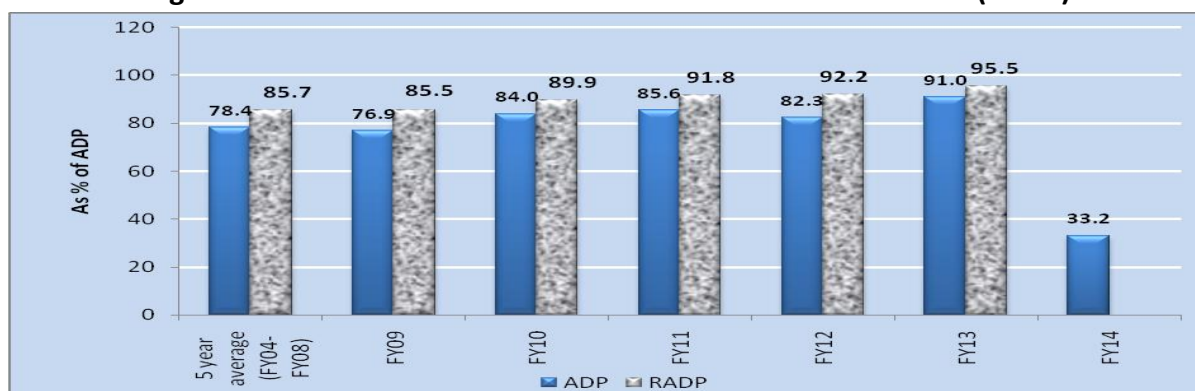
Table 3.13: Public Investment as % of GDP

	FY10	FY11	FY12	FY13
Public Investment SFYP Target	-	5.3	6.5	6.8
Public Investment Incurred	4.6	4.8	4.9	5.4
ADP SFYP Target	3.7	4.5	5.1	5.3
ADP (Actual Expenditure)	3.7	4.4	4.5	5.0

Source: Sixth Plan and Ministry of Finance

Notwithstanding the significant increase in ADP size over the Plan period, the implementation rate also recorded progress. Early release of fund by the Ministry of Finance, better coordination among implementing agencies and development partners, and close monitoring at the line ministry and government levels helped improve the implementation capacity. A comparison with the original ADP target however indicates that there is scope for further improvement in both ADP formulation and its implementation since the pace of implementation in terms of original (budgeted) ADP is still not up to the mark reaching a peak of 91% in FY13.

Figure 3.10: ADP Utilization rate as % of ADP and Revised ADP (RADP)



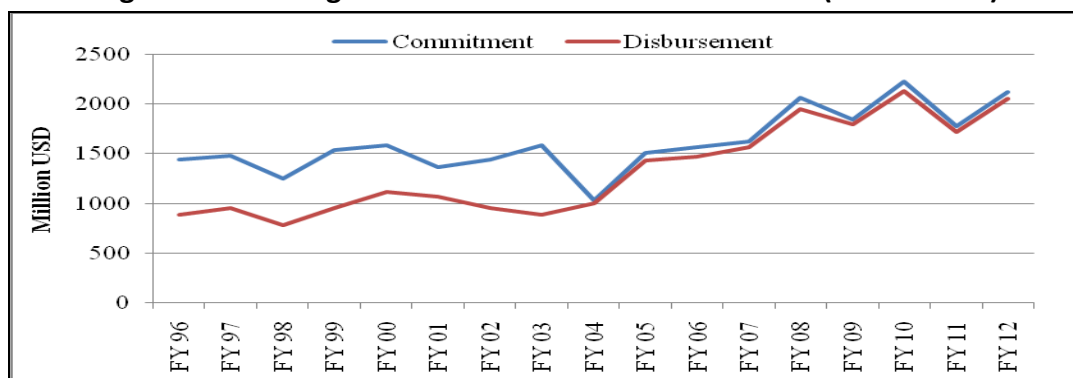
Source: Ministry of Finance

In particular, the ultimate size of ADP and its utilization rate is likely to decline in FY14. Until January 2014 only 33% of the budgeted ADP has been implemented. This pace is 5 percentage points lower than the level achieved during the corresponding period last fiscal year. While the ADP implementation will likely accelerate in the remainder of the fiscal year, the large and growing NBR revenue shortfall will essentially force the government to cut significantly the overall size of the ADP in FY14.

Improvements in the Gap between Commitment and Disbursement: From the mid-nineties till FY2004, there were substantial gaps between the amount of aid commitments made by the development partners and the actual amount disbursed. Such pronounced and prolonged under-

disbursement of committed aid was indicative of bottlenecks in the disbursement of development assistance linked to both constraints on delivery systems and limitations on absorptive capacities. Notably, due to improvements in policy and practice, the gap between the amount committed and what is actually disbursed has diminished significantly in the recent years (Figure 3.11). This improved situation has been maintained during the Plan period despite significantly higher levels of commitments and utilization. This is a commendable positive development. Nevertheless, there is still a substantial unutilized foreign aid pipeline that can be better utilized with improved efforts.

Figure 3.11: Foreign Aid Commitment & Disbursement (Million USD)



Source: Bangladesh Economic Review, Ministry of Finance

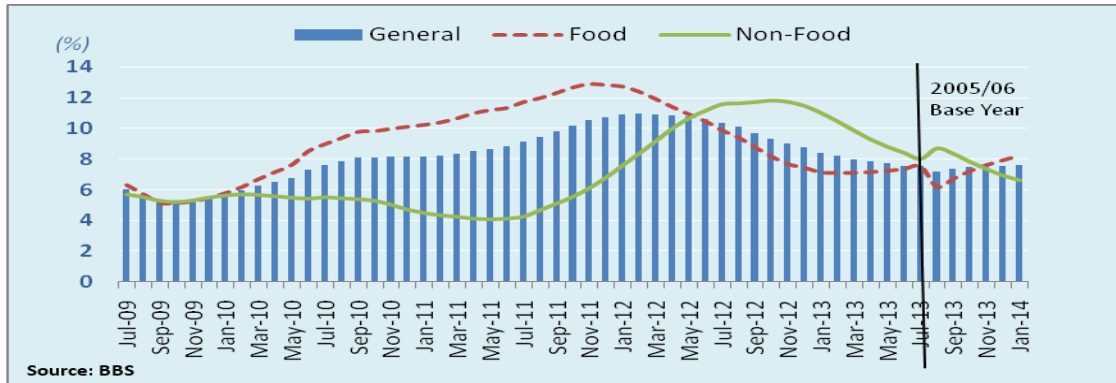
The evaluation of performance through comparing disbursement of foreign aid of a particular financial year with commitment achieved of that year may be a debatable issue. Commitment of foreign aid for a particular project does not mean a disbursement of the whole committed amount in the year in which it is committed. Rather a commitment is a plan to utilize foreign aid within the life span of the project. Thus, the mismatch between disbursement and commitment for foreign aid of a particular financial year is obvious. ERD opines that commitment is more of an issue of resource mobilization while disbursement is related to project implementation. Performance of resource mobilization has improved considerably during last few financial years. In the last three financial years, a foreign aid amounting to 16.58 billion USD has been committed. As a result, the amount of foreign aid in the pipeline has shot up.

Various challenges both from GoB and DP slow down the speed of implementation of the project and it suffers planned disbursement of the foreign aid. However, disbursement of foreign aid increased in last two financial years which are reflected from the nominal growth rates of 19.68% in FY 2011-2012 and 32.19% in 2012-2013 from corresponding previous year.

F. Inflation and Monetary Management

Despite a surge in inflation in the initial year of the Plan, Bangladesh Bank's tightening of monetary policy stance and favorable domestic supply situation have helped bring down the inflation rate to 7-7.5% in recent months. While food inflation still remains high and has also increased in recent months, weak domestic demand has helped contain non-food inflation.

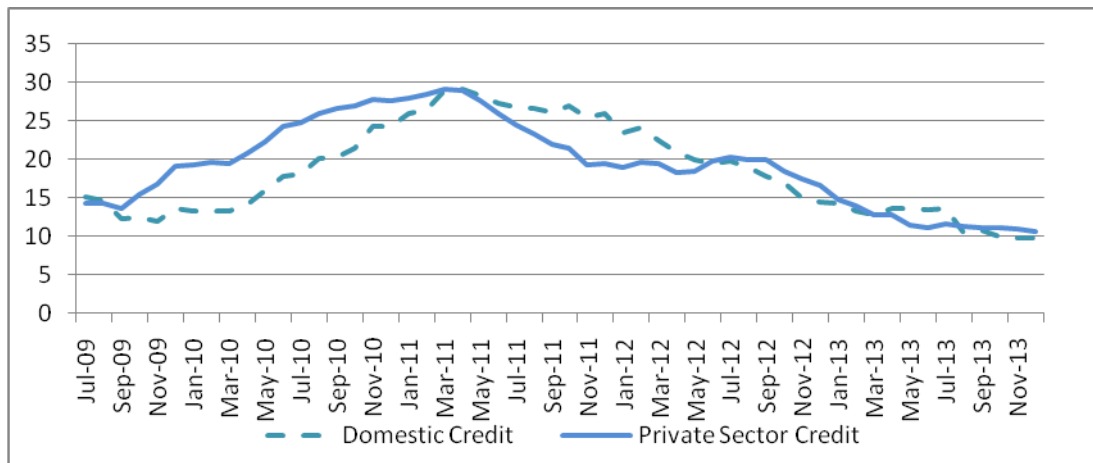
Figure 3.12: Average Inflation (Base Year 1995/96)



Source: Bangladesh Bank

An accommodative money/credit policy adopted by Bangladesh bank since early FY10 had contributed to a rapid acceleration of credit growth and liquidity expansion (measured in terms of broad money). Private sector credit growth surged to 29% from normal growth rates of 18-19%, and broad money expansion also exceeded significantly the targets established by Bangladesh Bank. The policy of maintaining a cap on private lending rate at 13% and keeping the exchange rate virtually fixed in the interbank market despite surging domestic demand pressures contributed to the surge in inflation and to formation of asset price bubbles. Stock prices and land and real estate prices all surged to unprecedented high levels setting the stage for major corrections in all these markets. Government in order to stabilize the capital market has taken some long term measures including demutualization of the exchanges introducing surveillance software to monitor any wrong play etc.

Figure 3.13: Private and Public Sector Developments in Credit Expansion



Source: Bangladesh Bank

Following the stock market correction, and in response to the growing balance of payments pressures in FY11-12, Bangladesh Bank started to move away from its accommodative monetary policy to a more prudent stance in FY12. Bangladesh Bank’s Monetary Policy Statement (MPS)

of January 2012, made an explicit departure from its past policy stance by stating to “pursue a restrained monetary growth path consistent with curbing inflationary and external sector pressures, while ensuring adequate private sector credit to stimulate inclusive growth.” Following several years of significant deviations between the announced MPS targets and their implementation, due to an “accommodative” monetary policy, BB started effective implementation of monetary tightening measures beginning January 2012 and broadly achieved the monetary targets for FY12 and FY13. The MPS of July 2013 and January 2014 essentially maintained the monetary policy stance of the preceding years and aimed to bring the average inflation down to 7% using the 1995/96 base or 6-6.5% using the 2005/06 base.

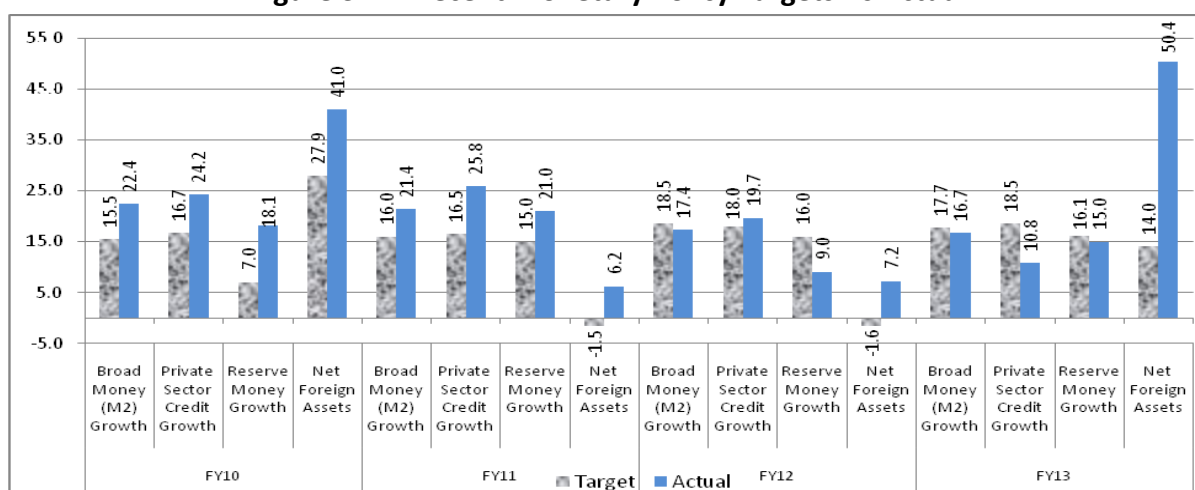
Table 3.14: Monetary Policy and Outcome (Growth rates %)

Monetary Components	FY10		FY11		FY12		FY13	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
1. NET FOREIGN ASSETS	27.9	41.0	-1.5	6.2	-1.6	7.2	14.0	50.4
2. NET DOMESTIC ASSETS	13.1	19.0	20.0	24.7	22.1	19.3	18.4	11.0
Domestic Credit	15.6	17.5	18.8	27.5	20.0	19.2	18.9	10.9
Public Sector	11.9	-4.2	29.2	34.6	28.1	17.4	20.3	11.1
Private Sector	16.7	24.2	16.5	25.8	18.0	19.7	18.5	10.8
3. Broad Money	15.5	22.4	16.0	21.4	18.5	17.4	17.7	16.7
Reserve Money	7.0	18.1	15.0	21.0	16.0	9.0	16.1	15.0

Source: Bangladesh Bank

The shift to a tighter monetary stance and strong efforts in adhering to the quantitative monetary targets were clearly visible in terms of Bangladesh Bank’s success in achieving all major quantitative monetary targets. Bangladesh Bank even had to resort to sterilization operations to absorb the excess liquidity injected due to a much faster buildup of net foreign assets (NFA). Inflation rate started to come down in response to this tighter monetary stance along with marked strengthening of the balance of payments, which is also reflected in the rapid buildup of NFA.

Figure 3.14: Recent Monetary Policy Targets Vs Actual

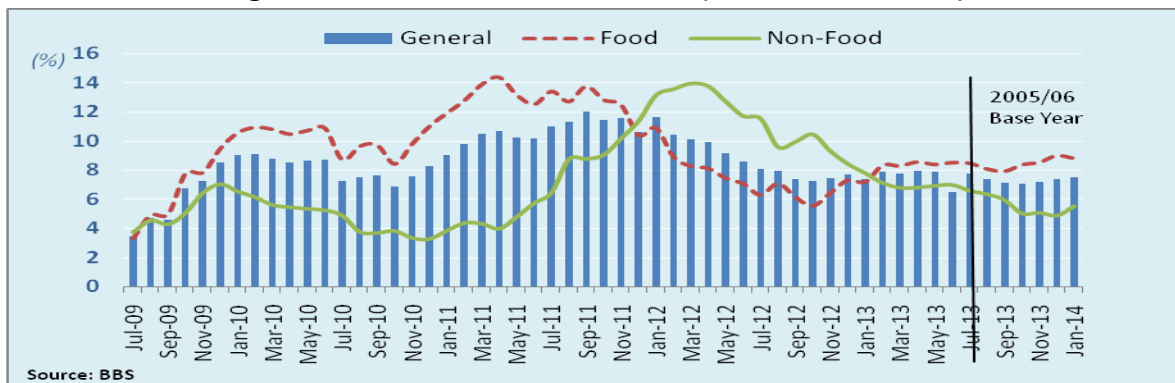


Source: Bangladesh Bank

In recent months, inflation has been moving in a relatively narrow range of 7%-7.5%, somewhat higher than the 7% established by the government and Bangladesh Bank. At its recent best, inflation came down to 4.96% in September 2012 supported by subdued domestic demand, stable global prices of basic commodities like petroleum and cereals (rice and wheat in particular), relatively cheaper imports from India due to the recent depreciation of Indian rupee, and prudent management of monetary policy have contributed to this outcome. In more recent months domestic inflation however has shown an upward trend driven by an acceleration of food inflation. At the moment the increased food price inflation appears to be primarily the result of supply disruptions caused by political unrest, although the increase in rice prices may be there to stay. In particular, rice prices have gone up by [6%-16%], according to data reported by the Trading Corporation of Bangladesh (TCB). Volatility in the prices of some other food products like onions, vegetables and imported food items because of supply disruptions also helped fuel food price inflation in recent months.

Non-food inflation however has been decelerating steadily and dropped to its recent low of 4.9% in December. Restricted movement and store openings, a sense of insecurity, and concerns about the near-term outlook have dampened demand for non-essential products, thereby helping the reduction of non-food inflation. The stance of monetary policy and the continued exchange rate stability have also played important supporting roles in this regard (see below).

Figure 3.15: Point to Point Inflation (Base Year 2005/06)



Looking forward, the near-term outlook for inflation will be influenced by the prospects for the boro crop and the inflationary environment in India which is a major commodity sourcing country for Bangladesh. This concern notwithstanding, the mitigating factors are that: (i) global supply situation for rice and wheat is very comfortable; (ii) following a very good monsoon, India has recorded bumper rice and wheat crops; (iii) the price of rice in Bangladesh is already above that of India allowing importers to make profit by importing rice from India; and (iv) the exchange rate of Bangladesh taka against the US dollar is expected to remain stable in the near term.

Looking forward, there is no scope as well as need for easing BB's monetary policy stance because of the upward pressure in the inflation rate in most recent months and the expected emergence of wage push inflationary pressures in the coming months. There is enough liquidity in the money market to support a pickup in the post-election economic rebound if that really happens. The monetary policy stance should at the same time guard against potential inflationary pressures which may arise from the large wage increases across the public sector, the RMG sector, the EPZ enterprises, and their impact on all other sectors of the economy. Monetary policy will not accommodate such potential inflationary pressures, rather the stance should be to offset their inflationary impact and strive for lowering the rate of inflation to 6-6.5% range set in the MPS. In its most recent MPS of January 29, 2014 Bangladesh Bank has essentially announced such a monetary policy stance with renewed emphasis on inflation fighting.

CHAPTER 4

Sectoral Growth Performance

A. Introduction

As noted in Chapter 2, the Sixth Plan growth and employment strategy was based on supporting a major transformation of the structure of GDP away from an agriculture-based and informal services dominated economy towards a more modern manufacturing and formal services based economy. The Chapter showed that some significant progress has been made in increasing the GDP and employment shares of manufacturing, but the progress falls short of the target in the Sixth Plan. This Chapter looks at the evolution of the sectoral growth performances in some detail. It highlights related policy progress and identifies areas where further efforts are needed.

B. Manufacturing Sector Performance

Manufacturing in a Changing Global Landscape

Both historical and cross-country evidences show that the prospects of rapid GDP growth with extensive job creation require a high-performing and diversified manufacturing sector at the early stages of the take-off period. Bangladesh faces an ever changing global landscape in which manufacturing sector development takes place. Four distinct phenomenon characterizes the global setting: (a) globalization and greater trade openness, which has resulted in the greater integration of the Bangladesh economy with the global economy, an integration that has yielded many benefits but also poses many challenges; (b) to be globally competitive, a high performing manufacturing sector must have reached a high level of industrial sophistication meeting internationally recognized standards of product quality within a compliant production environment; (c) technology has emerged as the key resource and input for industrial growth and development; and (d) fragmentation of production and vertical integration across countries through trade in intermediate goods is fast becoming the dominant trading pattern. It is in this backdrop that Bangladesh would need to transform its manufacturing sector into a more vibrant, dynamic, and competitive industry ready to seize opportunities in the global marketplace and cope with emerging challenges. For this purpose, addressing institutional and policy challenges has come a national imperative if the long-term goal of attaining middle income status is to be reached.

The manufacturing sector strategy under the SFYP took these global phenomenon and challenges into account in setting the course for rapid expansion of a globally competitive export-oriented sector. **Relative to targets, manufacturing sector performance in the first three years of the**

Plan was the best among sub-sectors, despite heavy odds stemming from sluggish global economic recovery and headwinds posed by disruptive politics domestically.

Past Trends in Industrial and Manufacturing Sector GDP Growth

Although the vestiges of state-owned enterprises in manufacturing still remained at the turn of the century, primarily in jute and cotton textiles, the leading role of the private sector as the driver of economic activities came to be firmly recognized in the formulation of policies. This has yielded good results for the manufacturing sector in the arena of exports, domestic production, and job creation (Table 4.1)

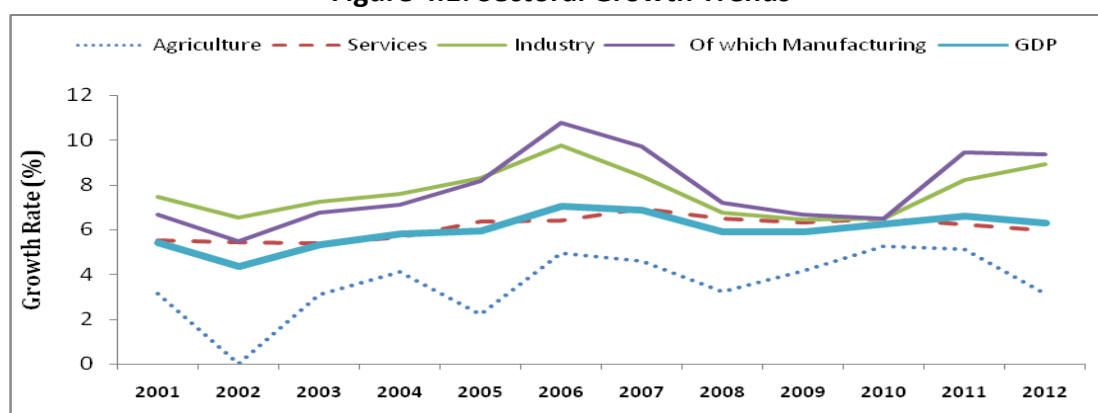
Table 4.1: Average Decadal Sectoral Growth Rates

	1981-1989	1990-1999	2000-2011
Agriculture	1.78	3.42	3.93
Industry	5.64	7.04	7.45
of which Manufacturing	4.68	7.19	7.44
Large scale	4.56	7.34	7.39
Small scale	5.40	6.83	7.59
Services	3.75	4.26	6.06
GDP	3.5	4.8	6.0

Source: National Accounts, BBS

Growth acceleration that occurred since the 1990s revealed that the economy had inherent strength to grow faster if policies and institutions were set right. It also revealed that the manufacturing sector was the driver of higher growth, because the Agricultural Sector was still unable to come out of the “low productivity” syndrome with growth typically averaging well below GDP growth (Table 4.1, Fig. 4.1).. Furthermore, keeping in step with the stylized facts of structural transformation in the course of development, industry – in which manufacturing is predominant – traditionally grew faster than GDP and is expected to continue to lead growth acceleration for many years to come, or until such time as the two most dynamic components of the service sector – ICT and telecom – are large enough to determine growth outcome.

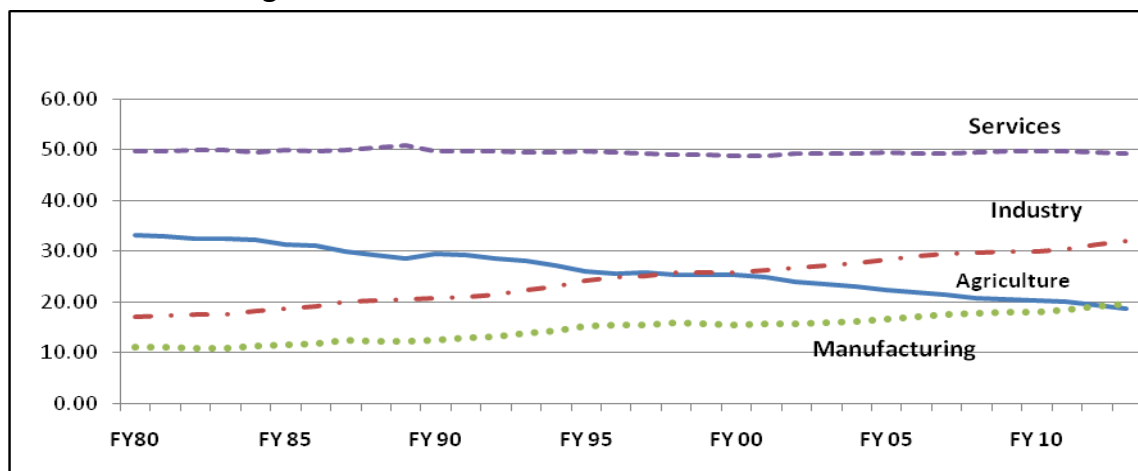
Figure 4.1: Sectoral Growth Trends



Source: National Accounts, BBS

The stylized facts of development predict structural transformation in which the share of industry in GDP rises to compensate for the decline in the size of agriculture. Bangladesh has experienced essentially this pattern of structural change (Fig.4.2).

Figure 4.2: Trends in Sectoral Share of GDP FY80-13



Source: National Accounts, BBS

Manufacturing, which accounts for 70% of industry, has been driving structural transformation. It is notable that Bangladesh has some way to go in its industrial expansion stage while many developed or newly industrialized countries (e.g. China, Malaysia, South Korea) have reached the phase of what economists describe as “deindustrialization” that is characterized by the share of manufacturing in GDP declining or remaining stagnant (Table 4. 2).

GDP Growth Targets for Industrial and Manufacturing Sector in the Sixth Plan

The Sixth Plan targeted an increase in the **industrial sector’s GDP share** from 28.5% in FY10, to **32 % in FY15**, and to 40% by FY21, with the share of manufacturing in GDP, rising from 17.9% in FY10, to **21.1% in FY15**, and **30% in FY21**. The share of manufacturing employment was to expand from 12% to 16% and 25% percent over the same periods⁴.

Table 4.2: Cross-Country Comparison of Manufacturing Performance

Year	1980	1990	2000	2010
Country	Manufacturing Share as % of GDP			
Malaysia	21.55	24.22	30.86	24.52
Thailand	21.51	27.20	33.59	35.62
Vietnam	10.50	12.26	17.09	17.95
S. Korea	24.45	27.26	28.26	30.29
China	40.23	32.66	32.12	32.46
Bangladesh	11.12	12.52	15.40	17.94

Source: World Development Indicators, World Bank & BBS National Accounts

⁴The industrial sector is defined by the Bangladesh Bureau of Statistics to include construction. Under this definition manufacturing accounts for 70 percent of industrial GDP and 80 percent of employment.

At the aggregate level the industrial and manufacturing sectors have both performed well during the first three years (Table 4.3). During the first three years of the Sixth Plan the industrial sector expanded by 8.7% per year while the manufacturing sector grew by 9.4% per year. In order to support the SME activities, Bangladesh Bank has established a refinancing window which includes Tk 600 crores coming from BB, \$125 million equivalent from the ADB, and Yen 5000 million by JICA. So far, out of this fund Tk. 3,456 crore has been disbursed as long term loans, and a total of 41,951 entrepreneurs (including 9,612 women entrepreneurs) have received funding from this refinancing facility. Apart from that, different financial institutions are also specifically focusing on cluster based SME programs.

These are solid performance compared to the past and are broadly in line with the Sixth Plan strategy.

Table 4.3: Performance of Industrial and Manufacturing Activities Relative to SFYP Targets

Sectors	FY11		FY12		FY13		Average Actual FY11-13	Average Plan FY11-15
	Plan	Actual	Plan	Actual	Plan	Actual		
Industry	9.2	8.2	9.6	8.9	9.9	9.0	8.7	10.1
Manufacturing	9.5	9.5	9.8	9.4	10.1	9.3	9.4	10.4

Source: Sixth Five Year Plan and BBS

Within the industrial sector, manufacturing performed best (Table 4.4). The construction sector grew at slightly higher pace than GDP, but fell short of the Sixth Plan target. Overall, the picture that emerges is a solidly performing industrial and manufacturing sector, but somewhat below the planned rates of growth.

Table 4.4: Industrial Sector Performance, FY10-13

	FY09-10		FY10-11		FY11-12		FY12-13	
	Share	Growth	Share	Growth	Share	Growth	Share	Growth
MANUFACTURING	17.94	6.50	18.42	9.45	18.96	9.37	19.54	9.34
CONSTRUCTION	9.10	6.01	9.09	6.51	9.2	7.57	9.37	8.05
ELECTRICITY, GAS AND WATER SUPPLY	1.60	7.28	1.6	6.63	1.69	12.03	1.73	8.57
MINING AND QUARRYING	1.29	8.80	1.26	4.8	1.28	7.79	1.34	11.12
INDUSTRY	29.93		30.37	8.2	31.13	8.9	31.98	8.99

Source: BBS

A detailed review of manufacturing sector performance shows that large and medium scale manufacturing along with RMG exports have dominated the performance of this sector (Table 4.5). The growth performance of small scale manufacturing enterprises remains lack luster. As well, **RMG exports continue to dominate manufactured exports.** The RMG sector has also been supported by the contribution of the Primary Textile Sector (PTS), which provides strong backward linkage for the RMG sector. Its share has grown further, reaching almost 80%

in FY13. While the expansion of large scale manufacturing and RMG exports are welcome development, the sluggish performance of small scale manufacturing enterprises and the lack of export diversification are worrisome and need serious policy attention. International evidence shows that small manufacturing enterprises can be a major source of employment outside agriculture and can provide the bridge between agriculture and modern manufacturing.

Table 4.5: Manufacturing Sector Performance, FY91-FY13

	FY91	FY01	FY10	FY11	FY12	FY13
Size of the Manufacturing sector						
Total (% of GDP)	12.90	15.60	17.94	18.42	18.96	19.54
Of which						
- Large and Medium Scale	9.15	11.13	12.68	13.20	13.73	14.28
- Small Scale	3.75	4.46	5.26	5.22	5.23	5.27
Growth Rate (%)						
Total	6.38	6.68	6.50	9.45	9.37	9.34
- Large and Medium Scale	6.02	6.55	5.98	10.41	10.52	10.32
- Small Scale	7.28	7.02	7.77	7.34	6.45	6.76
Employment						
Share of total domestic employment	10.10	9.90	12.38	NA	NA	NA
Exports						
Percent of GDP	7.03	13.66	16.18	20.56	20.95	20.24
Manufacturing share (% of Total Exports)	82.13	92.52	90.93	87.34	95.94	96.00
RMG (% of Total Exports)	50.47	75.68	77.15	78.16	78.60	79.63

Source: BBS and Bangladesh Bank.

Issues and Challenges for the Manufacturing Sector

A whole host of factors affect the performance of the manufacturing sector including external sector developments, the domestic political environment and policy and institutional issues. These factors are briefly reviewed below.

Challenges from global economic developments

Bangladesh economy now is much more integrated with the global economy than in the past. Although **financial sector linkage with the global financial system was minimal (under 1% of GDP during FY11-13)**, linkage through trade has been rising significantly, from 19% of GDP in FY90 to about 50% in FY12. Exports picked up pace from 1990 onward with Export-GDP ratio rising from a mere 6.5% in FY90 to 12% in FY00, and averaging 20% in FY11-13. Exports are a function of global income; hence, fluctuations in global economic fortunes now tend to have a significant impact on Bangladesh's economic performance via commodity trade.

Thus, in the context of evolving interconnectedness with the global economy, global economic trends and outlook are of relevance in evaluating progress in Bangladesh's Plan implementation, particularly with regard to **the manufacturing sector which contributes 95% of exports**. During the first three years of the SFYP, the global economy appeared to be on a roller-coaster ride following the financial crisis and the Great Recession of 2007-09. Table 4.6 presents these trends and outlook for the near future captured by two key economic indicators of great

relevance to the Bangladesh economy: World Output Growth and World Trade Growth. These trends show that Bangladesh faced a global economy that was generally slowing down, both in terms of output and trade.

Table 4.6: Global Economic Trends and Outlook

	2010	2011	2012	2013	2014 (p)
World Output Growth	5.1	3.9	3.2	2.9	3.6
World Trade Growth	12.6	6.1	2.7	2.9	4.9

Source: IMF, World Economic Outlook ,October 2013

The following are significant developments in the global economy that have implications for manufacturing sector performance during SFYP and, in the ultimate analysis, impinge on Bangladesh's economic performance as well as future outlook:

- Global economic recovery from the Great Recession has been sluggish as at end 2013 but apparently recovering up again.
- Europe came under the spell of a Eurozone Crisis stemming from unsustainable debt burdens of countries like Greece, Spain, Portugal, and Italy. With the exception of Germany, economies of the EU showed anemic recovery at best, while some economies faced unemployment rates well over 10%.
- The US economy has been showing signs of a decent pick up with annual GDP growth hovering between 2-3% after 2010 and unemployment declining from over 8% to under 7% in 2013.
- After a heady pace, growth momentum has slowed in various emerging market economies, notably Brazil, China, and India. China, in particular, is looking at below historical double digit growth rates and rebalancing of demand from external to domestic sources.
- Bangladesh is now recognized as a major global player in the RMG export market. After China, Bangladesh has become the second largest exporter of readymade garments in the world. **Roughly 90% of its garment exports are destined for US and EU markets though Bangladesh exporters are breaking into new markets like Australia, China, India, etc.**

All this reflects a weaker external environment for the globally inter-connected Bangladesh economy. In the face of these anemic trends in the global economy, the World Bank and other international agencies described Bangladesh's recent growth performance resilient in the face of global shocks and **above the average growth rates in South Asia, East Asia and the Pacific, though still below potential.**

While the Recession of 2007-09 had strong negative effects on Bangladesh's export performance, recent experience shows that even a slow recovery in the US-EU economies is enough to push up Bangladesh exports.

Challenges stemming from domestic political environment

Since the return to pluralistic democracy in 1991, economic performance has been relatively better than in the previous two decades, proving that democracy is not inimical to economic progress. Yet, political uncertainties tend to heighten as election approaches. While political difficulties and work stoppages have an adverse effect on economic activities, especially those located in urban areas (manufacturing, construction, trade and transport, primarily), the impact of this was not felt substantially in FY12-FY13. They could, however, likely cause difficulties for growth results in FY14.

Institutional and policy constraints

The SFYP target of reaching 8 percent annual GDP growth in the outer years was premised on a prolific manufacturing sector growing at double digits on a sustained basis. A strong and competitive manufacturing sector was especially important for creating productive high income jobs in the formal sector of the economy. This clearly required addressing several institutional and policy constraints that were identified in the SFYP document:

Quite apart from the global economic scenario and domestic political developments, the success of SFYP, at its mid-point as well as beyond, in achieving performance targets for the manufacturing sector depends on how well certain institutional and policy constraints are addressed. Below is a brief review of their status.

1. Weak Investment Climate

Chapter 2 pointed out the shortfalls in public and private investment rates in the first three years of the SFYP. It showed that a primary reason for the lower-than-expected increase in private investment is the continued weakness in the investment climate. The inability to attract adequate foreign private investment and the better performance of FDI in neighboring countries is a reflection of this. The Government needs to address this challenge much more comprehensively in order to further spur the growth of manufacturing to reach double digit rate.

2. Anti-export Bias of the Trade Regime

Manufacturing development requires the support of the right industrial and trade policies. This was recognized in the analytics of the SFYP. Industrial Policy 2010 guided the first year implementation of the SFYP strategy for deepening of industrialization in Bangladesh and laid the foundations for a dynamic manufacturing sector and robust export growth by providing a policy and institutional framework to create and sustain the momentum of accelerated industrial growth and employment generation. Special emphasis was placed on rejuvenation of small and

medium enterprises (SMEs), in addition to the traditional highlight on a list of thrust sectors, which was formulated on the basis of past performance.

With regard to trade policy, the SFYP did recognize the imperative of reducing anti-export bias. But so far there has been little or no progress in reducing anti-export bias during FY11-13. Indeed, if anything, there was further deepening of the bias as becomes clear from the analysis of trends in nominal (Table 4.7) and effective protection (Table 4.8). Apart from pharmaceuticals whose domestic price is controlled in lieu of the fully protected domestic market, effective rates of protection (ERP) average more than 200% for most import-competing domestic industries when ERP for export products is zero or modestly negative. During FY11-13, while average NPRs increased, those for intermediate inputs and capital goods declined further, thus raising ERPs (Figure 4.3).

Table 4.7: Nominal Protection Trends (FY 10-FY 13)

Fiscal Year	Un-weighted Average CD	Average para-tariff	Average NPR	Top NPR	Coefficient of Variation (%)
FY 10	13.67	10.21	23.88	79	153.38
FY 11	13.55	10.20	23.74	79	156.34
FY 12	13.57	13.39	26.96	88	164.97
FY13	13.87	14.72	28.93	108	156.41

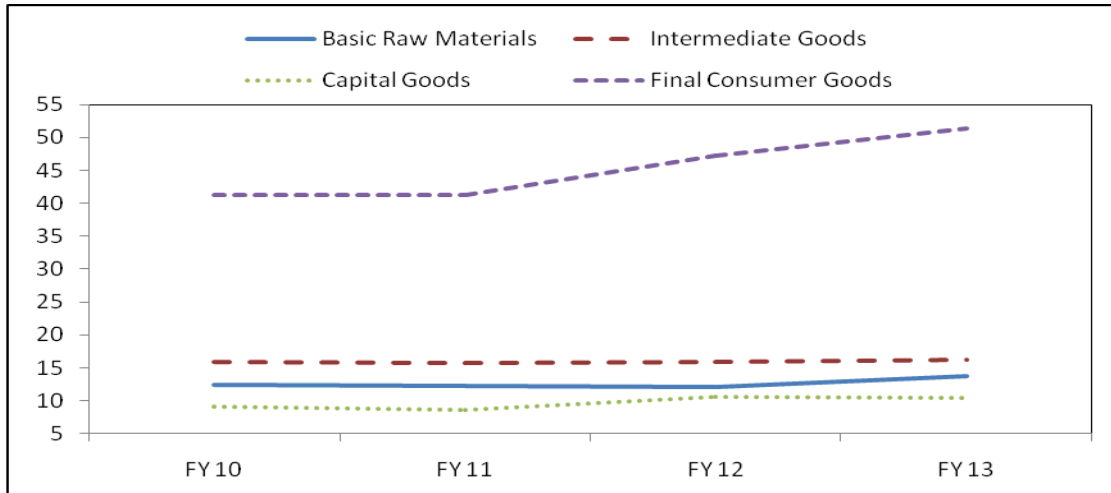
Source: Based on NBR Asycuda database

Table 4.8: Range of ERPs and Average ERPs 2012

Sub Sectors	Range	Average ERP
Footwear	214%-342%	273%
Jute Textiles	33%-125%	76.5%
Agro-based industry	4.5%-381%	187%
Light Engineering	117%-386%	219.5%
Ceramics	190%-239%	214.9%
Pharmaceuticals	9.4%-20.6%	3.1%
Electrical Products	1.6%-272%	NA
Domestic Garments & Embroidery	5.75%-51%	25%
Plastic Products	86.8%-483%	259.8%

Source: GED Estimates based on industry survey

Figure 4.3: Average Tariff on Import Categories FY10-13



Source: NBR Tariff database

The policy question is that if such asymmetrical incentives persist, it is difficult to understand how non-RMG exports could expect to reach the kind of heights that was attained by RMG in the global market. As the study of both nominal and effective rates of protection reveal, the current trade policy stance, while allowing a free trade regime to the RMG sector, essentially perpetuates the high degree of protection support to domestic (import substituting) industries, at the expense of emerging and potential export industries which are driven to import substitute production due to their relatively higher profitability. Continuation of this stance might prop up current profitability of import substituting firms, including that of many that might be uncompetitive or inefficient. But import substitute production catering to the domestic market cannot alone create jobs for the two million people added to the workforce each year.

High ERPs typically indicate latent inefficiency in firms which tend to perpetuate over time. It is then economically efficient to switch resources away from high ERP (processing margin) activities to lower ERP activities – with consequent increase in productivity and manufacturing growth. In Bangladesh, the way to do that would be to cut the sources of the high ERPs, which in turn means cutting the output tariffs which protect them (especially the para-tariffs) combined with increasing the very low input tariffs. This has the advantage of protecting against revenue losses. Increase in imports owing to reduction in tariffs and SDs will also help revenue growth.

In sum, the primary challenge before policymakers is to reverse the anti-export bias of the tariff and protection regime and overall trade policy to ensure neutral if not favorable pro-export nature of the overall incentive regime. Although the SFYP recognized this fundamental logic of trade policy, policymakers appeared unable to counter the predictable pressures from trade bodies whose constituents are engaged in import-substitute domestic production. As such, the expected dynamism in manufacturing products other than RMG remained unmet and export diversification stalled.

3. Addressing Power Shortages

The critical role of assured supply of electricity at an affordable price for social and economic development is universally recognized. The Government of Bangladesh identified power supply as a major constraint on GDP growth, private investment and overall economic development. During FY10-13, the government, therefore, adopted a strong and well-rounded reform programme to increase the supply of electricity involving substantial investment, sector reforms and regional trade. The detailed review of performance of the power sector in Chapter 5 shows that considerable progress has been made in expanding the supply of power. This has been a major improvement and a positive factor for the performance of the manufacturing sector. But the average cost of electricity has increased substantially. Also, demand continues to outstrip supply. So, continued efforts are needed to expand power supply and reduce the average cost of production.

4. Land Management challenge.

Serviced land is the single largest limiting factor for new or expanding entrepreneurs. The three main issues surrounding access to land are a) the cost of land, b) issues of procuring land and c) availability of serviced land. Doing Business in Bangladesh 2013 ranks Bangladesh among the ten worst countries for registering properties. Given the importance of this resource in an entrepreneur's decision to invest in the manufacturing sector further reforms and changes have to be introduced otherwise the growth of the manufacturing sector as one of the major sectors in the economy will be in jeopardy. However, during FY11-13 there was little progress in reforms that would have improved access to land for setting up manufacturing enterprises. This is a high priority area for policy attention.

5. Challenge of Labor Productivity

Abundant and cheap labor has been the primary source of Bangladesh's comparative advantage in labor-intensive manufacturing. However, while Bangladesh's manufacturing labor is cheap and growing at a rapid pace, labor productivity has been low. Moreover, there are structural barriers to improving labor efficiency, and pervasive skill shortages are reported. Despite past progress, the education and training challenges remain daunting. According to the Labor Force Survey of 2010, some 40 percent of the workforce is illiterate and 23 percent have only primary level education. So, it is a long and arduous road to raise skill-intensiveness in the manufacturing sector. But small steps have been taken in recent years, through business associations, and public-private partnerships to raise awareness on the need for creating demand-driven vocational training. Also, the RMG sector model of in-house training provides a good approach that could be emulated in other manufacturing sector. Education and training issues are reviewed in detail in Chapter 6.

6. Female Workers disadvantaged by Gender Bias

Higher growth in Bangladesh benefitted from a rising labor force both due to the demographic transition that produced a larger share of working population and an increasing labor force participation rate of the female labor. The RMG industry has shown the way. However, safety standards in RMG are becoming a major challenge for sustaining the continued expansion of RMG sector. Additionally, wage rates tend to be lower for female workers relative to male and proper employment regulations to facilitate the participation of female workers (e.g. maternity leave, child care facilities, etc) are absent in most areas of employment.

7. Burdensome Government Regulations

While good progress has been made to deregulate the manufacturing sector, there is still much to be done in improving business laws to ensure enforcements of contracts. Scaling down the coverage and size of SOEs is still needed to provide impetus to private enterprises which often face uneven competition from SOEs in procurement of raw materials and breaking into export markets (e.g. jute textiles). One significant development in removing regulatory bottlenecks and facilitating private investment in business and industry is the BUILD (Business Initiative Leading Development) initiative. Emerging from the Dhaka Chamber with support from IFC, BUILD will feature public private dialogue and is backed by Bangladesh Bank, National Board of Revenue, and Ministries of Commerce and Industries. Government support to this initiative can be helpful in promoting the manufacturing sector.

8. Absence of a Comprehensive Strategy for Small Manufacturing Enterprises

The Sixth Plan had recognized the importance of small manufacturing enterprises in creating jobs. It had advocated the development of a comprehensive policy strategy based on a sound diagnostics and proper database. Unfortunately, this policy area has not progressed much. While the emphasis of the 2010 Industrialization policy on SMEs is welcome, the implementation of policies and support strategies has largely focused rather narrowly on access to finance. No progress was made in regards to developing a focused strategy for SMEs that was well-founded on evidence and proper diagnostics and institutional support was lacking. The Government needs to focus on this urgently in order to utilize this potential area for diversifying the manufacturing sector and creating a stronger employment base.

C. Agricultural Sector Performance

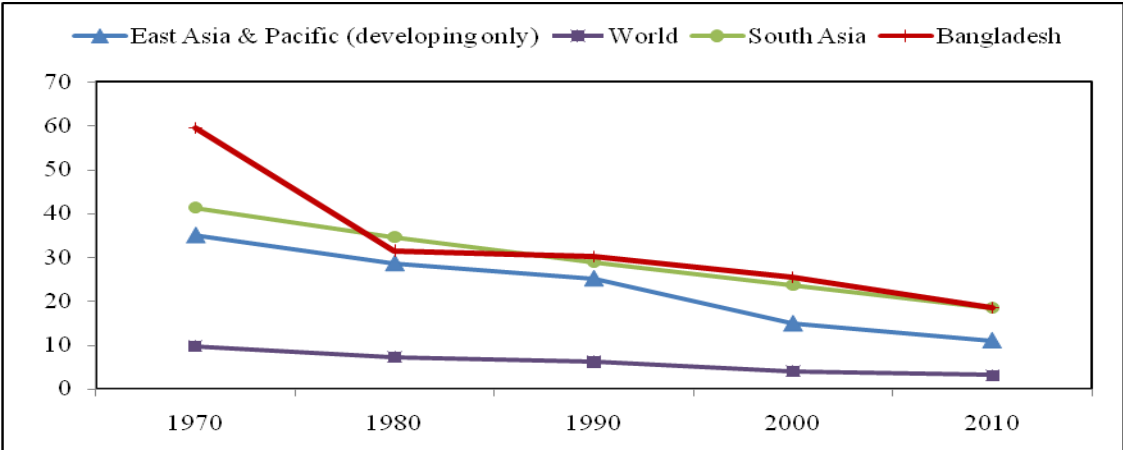
Context for Agricultural Sector Strategy

The share of agriculture in GDP has been on a secular decline as part of the structural transformation process of Bangladesh's development (Fig.4.4). Yet, compared to East Asian economies, Bangladesh still remains substantially dependent on agriculture, especially in terms of employment. The strategic importance of agriculture in meeting basic food demand and providing livelihood for a vast swathe of the labor force is beyond dispute. Cross-country

evidence shows that low agricultural productivity is linked to food insecurity, concentration in a narrow range of products, vulnerable and low wage employment, and high poverty rates, all features symptomatic of the state of play in Bangladesh’s agriculture sector. Hence, raising agricultural productivity coupled with a strategy of product diversification could become a critical driver of Bangladesh’s agricultural development on the one hand, and ensuring food security on the other. These historical and cross-country experiences provide the backdrop for a strategy of sustainable agricultural growth for the medium-term (SFYP) as well as the long-term (Perspective Plan 2010-21).

In Bangladesh, agricultural growth has accelerated from less than 2.0% per year during the first two decades after independence to around 3.0% during the last decade (FY2000-FY10). This steady growth in agriculture largely attributed by a strong emphasis on rice production along with proportionately balanced emphasis on non-rice crops has enabled Bangladesh to achieve virtual self-sufficiency in basic food grain and some other non-rice crops, especially vegetables except in abnormal years marked by severe weather conditions and floods. Solid agricultural performance of the past decade has been instrumental in raising farm incomes and increasing real agricultural wages, thereby contributing handsomely to rural poverty reduction. Against the backdrop, the Sixth Plan aimed at sustaining strong agricultural growth. It recognized that such growth cannot be sustained without agricultural diversification. With the sharp reduction of population growth rate and increasing average income, the Sixth Plan understood that the growth of rice production alone cannot support growing agricultural income on a sustainable basis. At the same time, Government’s policy to keep rice prices low to keep it affordable suggested the need for productivity improvements to maintain farmer incentives.

Figure 4.4: Trend in Agricultural Value Added as a share of GDP (%)



Source: World Bank, WDI 2012

Building on past progress in the agriculture sector, the broad objectives of the SFYP could be summarized as follows:

- Achieve an average of 4.5% real growth in agricultural sector over the Sixth Plan period (quantitative target in the revised RF)
- Raise farm productivity and real income of farming families in rural areas on a sustainable basis.
- Attain self-sufficiency in food grain production along with crop diversification with cereal as well as horticulture crops.
- Expand application of technology and mechanized cultivation.
- Ensure sustained agricultural growth through more efficient and balanced utilization of land, water and other resources; and
- Encourage research on adaptation to climate change, and proper use of genetically modified technology in agriculture.
- Promote non-crop agricultural activities related to horticulture, forestry, livestock and fisheries

Review of Agricultural Sector Performance under the Sixth Plan

Growth performance: The Sixth Plan sought to build on the success of rapid agricultural growth during FY05-FY10 and attain an average growth of 4.5% during the Plan period. It achieved considerable success in the first year and attained a remarkable 5.1% growth in FY11. Unfortunately this momentum could not be sustained subsequently and the growth rate fell sharply in FY12 to 3.1 %; it weakened further to only 2.1% in FY13. This did not happen due to any unusual weather related factor; instead it reflected the underlying structural weaknesses in the agricultural sector that remain to be addressed. The downward trend in performance is largely due to weakness in the crop sector. Non-crop agriculture fared better, especially in terms of a solid performance in fishing. Livestock did better than crops but could not sustain the momentum it gained during FY05-FY10. On the whole, the weak performance of agriculture is worrisome and needs careful review to overcome the obstacles and restore agricultural growth to the trend growth path of FY05-FY11.

Table 4.9: Growth Performance of Agriculture Sub-Sectors

	FY 80- FY90	FY 91- FY00	FY 00- FY05	FY 05- FY09	FY 10	FY 11	FY 12	FY 13
	(Growth rate)							
Agriculture(A+B)	2.5	2.8	3.3	4.2	5.2	5.1	3.1	2.1
A. Agriculture and Forestry	2.6	1.5	3.6	4.2	5.5	5.0	2.4	1.18
i) Crops & horticulture	2.7	1.1	3.2	4.0	6.1	5.6	1.9	0.15
ii) Animal farming	2.1	2.5	4.5	4.4	3.4	3.5	3.4	3.5
iii) Forest and related services	2.7	3.5	4.7	5.4	5.2	3.9	4.4	4.47
B. Fisheries and Aquaculture	2.3	8.1	2.6	4.1	4.1	5.2	5.4	5.52
	(Percent of GDP)							
Agriculture(A+B)	31.2	26.7	23.9	21.4	20.3	20.0	19.4	18.7
A. Agriculture and Forestry	26.5	21.4	18.5	16.6	15.8	15.6	15.0	14.3
i) Crops & horticulture	20.2	16.1	13.7	12.0	11.4	11.3	10.8	10.3
ii) Animal farming	4.0	3.4	3.0	2.9	2.7	2.6	2.5	2.4
iii) Forest and related services	2.2	2.0	1.9	1.8	1.7	1.7	1.7	1.6
B. Fishing	4.8	5.3	5.4	4.8	4.5	4.4	4.4	4.3

Source: Bangladesh Bureau of Statistics

In addition to weak growth performance, the export performance also weakened sharply. Except for tea, all agricultural products show poor export performance. There was an initial spurt in agricultural exports across the board in FY11, which rapidly lost momentum and got reversed. In particular, the promise shown by raw jute and fisheries in FY11 did not materialize in the next two years of the Sixth Plan. The poor export performance during FY12 and FY13 combined with the dynamism of RMG, caused agricultural export share to shrink to only 4.9% of total exports in FY13 as compared with 7% in FY10.

Table 4.10: Agricultural Export Trends FY10-13

	FY10		FY11		FY12		FY13	
Agricultural exports	Export share	Annual growth	Export share	Annual growth	Export share	Annual growth	Export share	Annual growth
Fisheries	5.6	5.8	2.7	40.4	2.6	2.0	2.0	-15.5
Tea, vegetables, etc.	0.3	-18.2	1.5	112.4	1.7	21.8	2.0	31.7
Raw jute	1.1	-0.04	1.6	141.1	1.1	-25.5	0.9	-13.6
All Exports	100	12.4	100	41.7	100	6.0	100	11.2

Source: Exports Promotion Bureau (EPB)

Agricultural Sector data reveal slow and only modest progress towards diversification over the decades. The shares of non-cereal and non-crop components of agricultural production have changed little in the new century, after some change in the previous two decades. This is despite the commitment to agricultural diversification in the SFYP.

Empirical evidence shows that contribution of all components of agriculture to GDP declined over time (Table 4.9). During the 1980's, crops and horticulture contributed 20% of GDP, which has gradually come down to less than 15% in the first decade of this millennium and recent

estimates (FY13) show that its contribution to GDP is only 10.5%. However, in spite of a steady decline in crop sector's contribution, the long-term trend in the share of other sub-sector remains more or less constant, indicating low level of diversification across sub-sectors (Table 4.9).

Crop sector: Within crop sector, rice production dominates. Over time, there has been some degree of diversification from this 'mono-crop' agriculture with increased production of non-cereal crops and commercial high-valued crops, particularly those of fruits and vegetables. The pace of diversification is however quite slow in comparison to other countries like India, Pakistan, South Korea etc.

Crop diversification has appeared to start from last few years. Between 2007/08 and 2012/13 period, wheat, maize, oilseeds, spices, pulses, potato and vegetables areas rose. By contrast, sugarcane and fruits area dropped. Fruits area declined, though at a slower pace in the last few years. It is worth mentioning that the share of rice area in total cropped area year-on-year dropped in 2012/13 with the increase in share of all other crops but jute and fruits. Actually, agricultural diversification seems to have improved in the last fiscal year as share of rice on total agricultural value year-on-year fell by 0.8 percentage points with rising shares of fishery and livestock sectors by 0.7 and 0.2 percentage points, respectively, in 2012/13. Overall, it can be said that although agricultural diversification did not improve in the earlier period, there is a sign of improving it in the last fiscal year after overcoming price crisis of food grain.

Greater recourse to dry season irrigation-based rice cultivation has expanded the total land area under irrigation which increased by 374% during FY81-08, primarily because of a rapid expansion in Boro rice cultivation. This trend continued during the first three years of SFYP. As a dry season crop supported by irrigation, Boro production also helped bring unused land into production thereby leading to increased cropping intensity. Most of the new varieties of rice introduced during the last several decades were also of Boro type leading to improved yield.

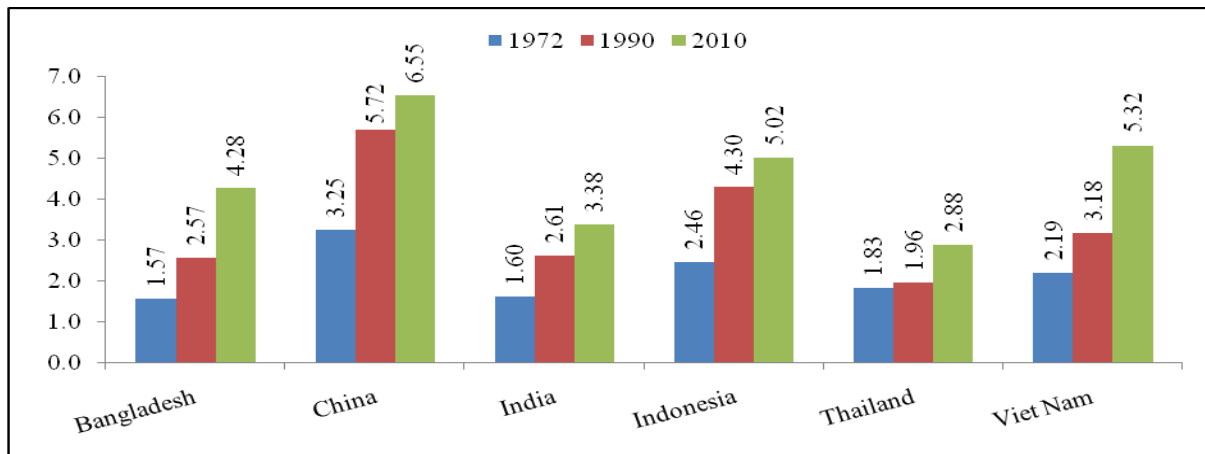
Table 4.11: Index of Food Grain Production (FY 72=100)

	Aus Rice	Aman Rice	Boro Rice	Total Rice	Wheat	Rice and Wheat
FY 72	100	100	100	100	100	100
FY 80	120.0	128.2	139.6	128.3	731.9	135.2
FY 90	105.7	161.6	347.1	181.2	787.6	188.1
FY 00	74.1	181.0	634.5	236.0	1628.3	251.9
FY 08	64.4	169.7	1022.0	296.0	746.9	301.2
FY 09	80.9	203.9	1024.7	320.4	751.3	325.3
FY 10	73.0	214.3	1039.1	327.1	797.3	332.5
FY 11	91.1	224.6	1071.2	343.2	860.2	349.1
FY 12	99.6	224.7	1079.3	346.7	880.8	352.8
FY13	92.2	226.5	1080.4	346.2	1110.6	354.9

Source: Ministry of Agriculture, Bangladesh Bureau of Statistics

Given the declining trend in cultivable land, SFYP focused on raising productivity as the key to increase production in agriculture sector. Within the existing structure, there is ample scope for productivity gain as many of the agricultural products are of low yield in comparison to other economies. As for rice, which is the dominant output of agriculture, over time there have been substantial increase in productivity (Figure 4.5). However, in comparison to other rice producing countries of the world, Bangladesh is lagging behind. Some small gains have been made in rice productivity during the first three years of the Sixth Plan, but the average yield remains substantially below those found in China, Indonesia and Vietnam.

Figure 4.5: Rice Yield (MT/Hectare)



Source: FAO

Non-crop sector: Regarding non-crop production, the fisheries sub-sector plays a very important role in terms of both contributions to GDP as well as generating employment. It grew at over 5% during FY11-FY13 accounting for 4.4% of GDP and engaging about 13% of rural labor force. This sector contributes 4.37% to our national GDP and almost one-fourth (23.37%) to agricultural GDP. In 2013, fisheries sector performs the highest GDP growth rate (5.52%) in comparison to other agricultural sectors. Fish alone is supplementing about 60% of animal protein in our daily dietary requirement. Fisheries sector has been earning a notable amount of foreign exchange. In 2011-12, the country earns almost Tk. 4313.00 crore by exporting almost 85.0 thousand MT of fish and fisheries products. The fisheries activities can broadly be classified under three categories: inland capture fisheries, inland culture fisheries and marine fisheries, where the former is the dominant part malign up around 40% of total production of this sector. Over time, there has been a structural change within this sector as the importance of small-scale open water fisheries declined while close water culture fisheries grew. A combination of export and buoyant domestic demand has spurred profitability and growth of fisheries activities. Real prices have been growing providing incentives for further investment and expansion in this important agricultural activity. Moreover, there is an ample opportunity to flourish the enormous potential of the fisheries sector, both vertically and horizontally.

As for livestock sector, its contribution to GDP averaged 2.5% in FY11-FY13, currently employs around 20% of rural work force and serves as a major source of protein. From a 2% growth during 1980's, its growth averaged 4.4% during FY05-.FY09, but fell by roughly one percentage point during FY11-FY13. Demand for livestock is buoyant and the growth of demand continues to outstrip supply. As a result, the real price of meat has continued to rise. This is an important area where greater policy focus and support would yield substantial positive benefit in terms of growth, employment and consumer welfare.

The remaining non-crop sub-sector is forestry. In FY13, forestry sub-sector contributed around 1.6% of GDP, with a growth rate of 5.5%. It is imperative that strong efforts are made to ensure sustainable use of forestry resources. Adequate forest cover is necessary to protect the coastal areas from natural calamities, to keep the rivers navigable, to maintain bio-diversity, to keep the air healthy, and so on. On the other hand careful management is required to utilize the proceeds from social forestry for the livelihoods of the local poor. However, with unplanned urbanization, construction of roads, bridges and other infrastructure, and increasing demand for food production, forestry sub-sector is under increasing threat of de-forestation with the resultant erosion of its capacity to protect the habitat and natural environmental balance.

Review of Food Security Situation

There has been considerable evolution in **policy level** thinking on the concept of food security over the past 25 years. The definition of food security globally has been refined through the various World Food Summits held over the past two decades. The widely accepted World Food Summit definition reinforces the multidimensional nature of food security as including food accessibility, availability, utilization, and stability⁵. Acknowledging the complexities of the concept, SFYP placed the focus mainly on food availability (domestic production and imports) and utilization (macronutrient consumption) measures of food security.

One of the biggest achievements in Bangladesh agriculture has been its ability to secure food for its 152.5 million people. In the past forty years, the country has moved from being a chronically food deficit country to self-sufficiency in its staple food requirement. The country has made significant progress on the food security front, primarily through efficient food delivery mechanism, improved rural infrastructure, and liberalized agricultural input and output markets. All these factors have contributed positively towards the increase in production of major crops, mainly cereal crops. However, the country needs to tackle a host of challenges in future if it is to ensure food security for its growing population, to meet their nutritional requirement, and to ensure a balanced diet for its population.

With the goal of ensuring food security for its people, the National Food Policy (NFP) approved by the cabinet in 2006 aims at attaining three core objectives: (i) to ensure adequate and stable

⁵ FAO (2003). *Trade Reforms and Food Security: Conceptualizing the Linkages*. Economic and Social Development. FAO, Rome.

supply of safe and nutritious food; (ii) increased purchasing power and access to food to the people and (iii) to ensure adequate nutrition for all, especially women and children. The food availability situation is broadly on track but greater progress is needed in terms of diversifying food consumption to a more balanced diet in terms of nutrient content. There is an over-load of carbohydrates and sugar but relative low intake of protein and other nutrients. Child nutrition still remains a major challenge that requires considerable attention (see Chapter 6).

D. Review of Services Sector Performance

The service sector of Bangladesh is the largest of the three broad sectoral components of GDP. In its structural composition, Bangladesh economy does not exactly reflect the standard features of a low-income developing country with its structural transformation overtime conforming to the stylized facts – a declining share of agriculture in GDP compensated by a rising share of industry, while the services sector share remains largely unchanged. Conforming to the standard pattern, manufacturing and industry share has increased and the share of agriculture has fallen. But interestingly, the share of services sector has expanded, rising from 47% in FY81 to 53% in FY10 (Table 4.12). This is similar to the experience in India where service sector led by services exports has been an important driver of GDP growth.

Within the sector, there has been a gradual transformation associated with growing urbanization, international trade and manufacturing activities. Although data is not available, it is generally accepted that there has been a growing share of formal service activities reflected in the expansion of telecommunications, financial sector, urban real estate, international trade, shipping and modern health and education services. The expansion of cities like Dhaka and Chittagong from somewhat smallish sleepy towns in the 1950s to bustling, over-populated and congested cities in 2000 and beyond is a reflection of the ongoing transformation of the services sector. Commensurate with this transformation the value added in trade, transport, telecommunications and financial and personal services have grown faster than average GDP, thereby contributing to the rising share of services sector.

The Sixth Plan recognized the long-term relationship between the expansion of services sector and the rest of the economy

Table 4.12: GDP Contribution of the Services Sector FY81-FY10

(Share of GDP %)	FY81	FY91	FY01	FY10
Services	47.4	47.9	50.0	52.9
Of which:				
Wholesale and Retail Trade	12.9	12.4	12.2	14.8
Transport, Storage and Communication	10.7	9.7	9.0	10.7
Housing Services	8.1	8.6	8.7	6.8
Public Administration and Defense	1.5	2.1	2.3	2.8
Other Services (professional services, finance, etc)	14.2	15.1	15.0	17.8
Growth Rate (% annual average over the decade)				

Services (annual average)	4.0	3.7	5.8	7.3
Of which:				
Wholesale and Retail Trade	5.0	3.6	5.0	6.9
Transport, Storage and Communication	4.0	4.3	4.4	7.5
Housing Services	3.0	3.2	3.4	3.7
Public Administration and Defense	4.6	6.7	7.1	7.3
Other Services (professional services, finance, etc)	6.3	4.8	6.5	7.0

Source: Bangladesh Bureau of Statistics

The Sixth Plan recognized the potential of services sector as a growth driver and projected that the sector will continue to follow the recent trends and grow at a somewhat faster pace than overall GDP growth (Table 4.12). The main elements of the services growth strategy underlying the Sixth Plan were:

- Continued transformation of the services sector away from informal activities to formal service activities relating to banking and financial services, education, health, tourism and international trade.
- Rapid expansion of ICT related services.
- Exports of services

The outcome during the first three year of the Sixth Plan suggests good progress in the areas relating to ICT and growth of formal services. The ICT sector has expanded rapidly with growing access of the population in internet and mobile phone. The government's effort to digitalize government services is also proceeding well, although somewhat slower than anticipated in the Sixth Plan. The growth in ICT activities in turn has helped modernize and expand the formal services sector. A major example of this is the growth of mobile financial services and e-banking. In health and education, competitive private supply of these services is rapidly changing the quality and quantity of these services in line with growing demand. However, efforts to increase services exports have not materialized substantially.

Government deregulation policies have helped the growth and transformation of the services sector considerably, especially in telecommunications, banking, health and education. Yet, there is a considerable unfinished agenda. These include foreign currency regulations on investments abroad, restrictions on inflow of experts for upgrading health and education services, restrictions on foreign investment in services, tax and licensing fee issues, and weak investor friendly regulators. A sound diagnostic study that looks in-depth at the constraints to the expansion of services exports and reviews the lessons of local and international experience of countries that have done well in the area of services exports can be helpful in identifying specifically the underlying constraints and support the Sixth Plan's strategy to export services.

CHAPTER 5

Progress in the Infrastructure Sector

A. Background and Overview

In the globalize environment of trade and investments it is most important for countries to be competitive and the quality of infrastructure is a key input for it. The Sixth Five Year Plan (SFYP) rightly prioritized the need for improved power, energy, transport and other infrastructure for achieving its growth strategy. The SFYP strategy was matched as much as possible through resource allocation by the Government through the Annual Development Programme (ADP), leveraging private investments in the power sector, and policy and institutional support.

The World Economic Forum regularly updates countries position on competitiveness based on 12 pillars. Infrastructure (transport and energy infrastructure) is a key pillar for economies like Bangladesh. Comparison of infrastructure among different Asian countries shows that despite progress Bangladesh is still deficient in terms of the quality of infrastructure in regards to all the countries shown in Table 5.1 except Myanmar. It is interesting to note that Pakistan, which is way below Bangladesh in country competitiveness rankings (133 compared to 110 for Bangladesh), is ahead of Bangladesh in regards to the quality of its roads and port infrastructure. It is also important to note Bangladesh's competitor country, **Cambodia, is not only way ahead in country rankings, but scores higher in quality of all the infrastructure services except railroads.** So Bangladesh needs to bring more focus in efficient implementation of infrastructure investments along with necessary institutional changes relating to implementation, regulation, and policy formulation.

Table 5.1: Comparison of Infrastructure Quality 2013-2014

Country/ Region	Country Ranking*	Overall Infrastructure Score	Electricity	Roads	Railroads	Port
Bangladesh	110	2.8	2.2	2.8	2.4	3.5
India	60	3.9	3.2	3.6	4.8	4.2
China	29	4.3	5.1	4.5	4.7	4.5
Cambodia	88	3.9	3.2	3.7	2.0	4.0
Myanmar	139	2.1	2.9	2.4	1.8	2.6
Pakistan	133	3.3	2.0	4.0	2.5	4.5
Sri Lanka	65	4.8	5.0	4.7	3.6	4.2
Thailand	37	4.5	5.2	4.9	2.6	4.5

Source: 2013 World Economic Forum, the Global Competitiveness Report 2013-2014, ranking out of 148 countries

The Sixth Five Year Plan (SFYP) rightly recognized that major infrastructure services relating to power and transport were constraining GDP growth and the expansion of private investment rate. As such the Plan put considerable emphasis to the growth of physical infrastructure, through higher levels of investments along with policy and institutional reforms to help mitigate these constraints. Major expansion programmes in power and gas supplies were identified for implementation. Important programmes for improving roads, highways, bridges, water and rail transport networks have been included in the Plan.

The policy and institutional support among other things were also meant to help leverage private investments alongside public investments in the energy and infrastructure sectors. The financing strategy emphasized both public funding as well as financing based on public-private-partnership. Emphasis is also placed on improving efficiency and service delivery through a series of structural reforms involving pricing policy and institutional reforms. The proper implementation of this program is essential to realize the Sixth Plan’s GDP growth targets.

This Chapter examines the progress made in realizing the Plan targets for infrastructure development relating to energy and transport sectors. The quantitative achievements are assessed on the basis of the revised DRF. Besides, an assessment of the ability of achieving some of the major objectives as stated in the Plan document has also been undertaken. It looks at aspects of physical expansion as well as makes an attempt to assess efficiency and service delivery. It also reviews the progress with the launching of the PPP strategy since this is a major initiative that has long-term implications for the development of the infrastructure sector in Bangladesh.

Progress with Achievement of the SFYP Targets

From the Global Competitive Index (GCI) published by WEF (Table 5.2 below), it is evident that Bangladesh while making some progress in its country rankings between 2010-11 and 2013-14 continues to face infrastructure challenges. Most visible progress has been made in electricity supply, where the score has risen to 2.2 from 1.6, thereby increasing the overall performance index for Bangladesh. But the score for a key infrastructure, roads, has slightly declined to 2.8 from 3.0. Railroad has also slightly declined (from 2.5 to 2.4), but the score for Ports slightly improved (3.5 from 3.4). We analyze the sectors in more details below.

Table 5.2: GCI Comparison between the 2010-2011 and 2013-2014 for Bangladesh

Year	Country Ranking	Overall Infrastructure	Electricity	Roads	Railroads	Port
2013-2014	110*	2.8	2.2	2.8	2.4	3.5
2010-2011	130**	2.7	1.6	3.0	2.5	3.4

Source: 2013 World Economic Forum, the Global Competitiveness Report 2013-2014

* Ranking out of 148 countries; ** Ranking out of 139 countries

B. Power Sector

The energy sector consists of electricity, gas, coal, liquid fuel, wind energy, solar and other non-petroleum fuel. These are all interlinked with the big focus on generation of electricity and the two primary fuels that Bangladesh possesses, gas and coal. The critical role of assured supply of electricity at an affordable price for social and economic development is universally recognized. The Government of Bangladesh has identified power supply as a major constraint on GDP growth, private investment and overall economic development. It has, therefore, adopted a strong and well-rounded reform program to increase the supply of electricity involving substantial investment, sector reforms and regional trade. The key elements of the Government's power sector strategy are:

- A rapid growth in electricity production, distribution and consumption.
- Mobilizing private investment in electricity production.
- Enhancing the availability of primary fuel based on expansion of gas and coal production.
- Improving power sector efficiency by reducing transmission and distribution losses.
- Improving power-pricing policy for better demand management and for reducing the burden on the national budget.
- Exploring electricity-trading options with neighbors (India, Nepal and Bhutan).

Table 5.3 below provides a snapshot of the progress so far in achieving the strategic objectives of the SFYP. As evident the most impressive performance has been the achievement of 9598 MW of generation capacity by FY13, which is a 65% increase over the baseline year of FY10.

Table 5.3: Energy Sector Objectives, Performance Indicators and Targets for the SFYP

Objectives/Performance indicators	FY10 (baseline)	FY13 (estimate)	FY15 (target)
--Make Power Sector Financially viable	--Subsidy Tk. 12 billion	--Subsidy Tk. 55 billion	--Surplus
--Increase generation capacity of Electricity	--5823 MW	--9598 MW	--15457 MW
--Increase efficiency of energy use as well as reducing system loss	--17% T&D loss (FY 08)	--14.36% T&D loss	--12.40%
--Diversify fuel use in power generation, i.e. coal, liquid fuel	--83% gas & 8% fuel oil (FY 2009)	--78% gas, 17% fuel oil & 3% coal	--73% gas, 19% fuel oil & 3% coal
--Increase private sector investments in	--26% of generation capacity (FY 2008)	--44% of generation capacity (48% with imported 500 MW)	--48% of generation capacity
	--0 MW	--500 MW	
Per Capita Consumption of Electricity	170 KWH	285 KWH	390 KWH
Access to Electricity	47%	62%	65%
Electricity Generation	5823 MW	9598 MW	15547 MW

Source: Power Cell and Ministry of Finance

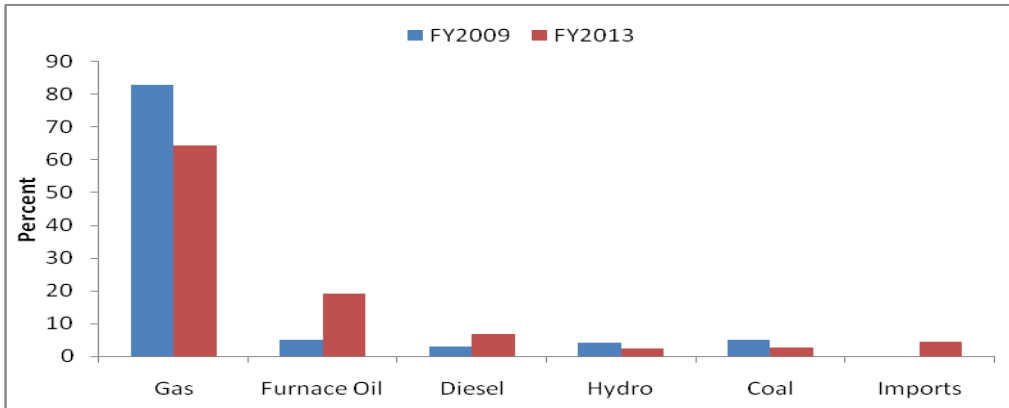
Achieving the Development Results Framework (DRF) Targets: This success with the expansion of generation capacity along with expansion of transmission and distribution networks helped achieve progress in both the DRF target indicators for energy sector as reflected in Table 5.3. **The population's access to electricity increased from the FY10 baseline of 47% to 62% in FY13**, and as per Power Cell's recent estimate they expect to achieve 70% access by FY15, which surpasses the 65% target set at the beginning for FY15. The other target indicator, per capita electricity consumption, also increased from 170 KWh to 285 KWh. While there is good progress on this target too, according to the latest estimate from the Power Cell the FY15 estimate of per capita consumption is 300 KWh, which is below the estimate for the DRF target for FY15. On the whole, these numbers suggest an impressive performance in electricity production, distribution and consumption over the past 3 years.

Concerns in spite achievement of key results: While generation capacity has increased remarkably with visible increase in private generation capacity and capacity increase through energy trade, this has also led to an unforeseen development – a huge increase in the marginal cost of electricity. Much of the additional private electricity supply has come from rental plants that supply electricity to the national grid at a higher unit cost than from other sources. For example, in FY10/11 the average generation cost of BPDB plants was taka 3.19/KWh while for rental power it was taka 8.05/KWh, which was 150% more expensive.

Fuel mix and primary fuel supply: Bangladesh power sector is heavily reliant on gas. In FY09, some 83% of power-installed capacity was gas-based; some 5% was coal based; 4% was hydro-based; and the remaining 8% was fuel oil based (Figure 5.1). With competing demands for gas and constrained supply, **the share of gas-based electricity supply fell to 78% in FY13**. The contribution of hydro and coal were already negligible; they fell further (2.3% and 2.5% respectively) in November 2013. **Some 5% of power supply is import based**; and the remaining 25% is now fuel oil-based.

The rapid growth in the share of oil-based power supply- from only 8% in FY09 to 17% in FY13- is a reflection of a major primary fuel constraint in Bangladesh. Gas supply is increasingly getting constrained relative to demand. There is now a severe rationing of gas. Even though priority has been given to power sector, which has come at the expense of fertilizer production, the galloping demand for primary fuel in power production far outstripped gas supply. Coal mining has not proceeded owing to the lack of a coal policy. Overall, there is an absence of a strategic long-term view about how the growing needs of primary fuel will be met in the next 10-20 years. It appears that the increasing reliance on imported fuel oil will likely continue that could exert considerable pressure on the balance of payments and the budget. This is a serious long-term challenge and a major weakness with the implementation of the Government's overall energy policy.

Figure 5.1: Installed Capacity by Fuel Type

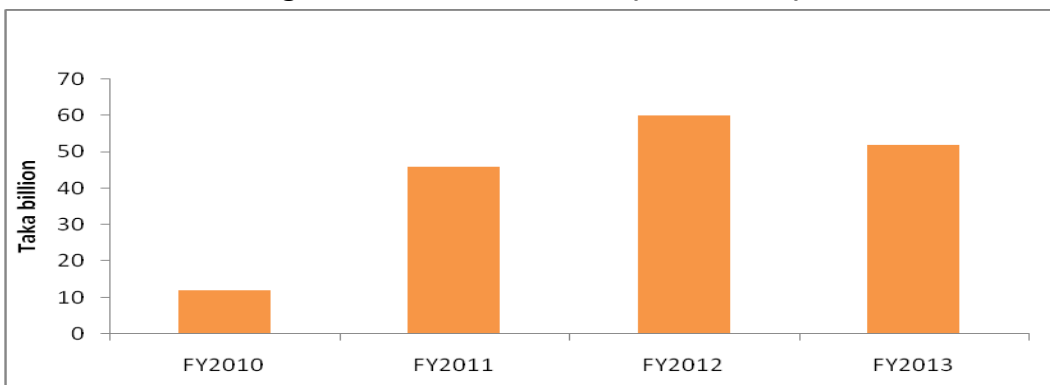


Source: Power Development Board

Energy pricing policies: The establishment of the Bangladesh Energy Regulatory Commission (BERC) in 2003-2004 improved power tariff setting mechanism. Tariffs now get adjusted fairly regularly in accordance with established BERC guidelines. Even so, the gap between the average cost of electricity production and the average selling price remains large.

The substantial reliance on rental power and the growing share of fuel oil in power generation have played largely on average generation cost of power and have severely strained power sector finances. The average cost of power surged from taka 2.68/KWh in FY10 to taka 4.20/KWh in FY11, which amounts to a galloping 57% increase in one year. The BERC responded by increasing bulk average tariff by 7.3%. Yet, the cost increase swamped the small price increase. The average sales price amounted to taka 2.5/KWh leading to a loss of taka 1.70/KWh. As a result, **total power sector loss amounted to taka 46.2 billion in FY11, compared with taka 8.3 billion in FY09.** Average electricity tariffs have been raised by BERC a number of times during 2012 and 2013. Yet, the gap between the cost of electricity per KWh and the average tariff paid by consumers remains large. The resulting financial losses have created substantial pressure on the national budget (Figure 5.2). Thus, the electricity subsidy bill increased from taka 12 billion in FY10 to taka **60 billion in FY12. The subsidy amounted to taka 55 billion in FY13.**

Figure 5.2: Power Subsidies (Taka billion)



Source: Ministry of Finance

Electricity is not the only energy product that faces a pricing challenge. Fuel oil and gas also have major pricing issues. In the case of fuel oil, the big challenge is the pricing of diesel. Despite numerous adjustments, the gap between average cost and price is substantial. Given the large volume of diesel consumption, the losses from the Government's fuel oil operations are enormous. The subsidy on account of fuel amounted to taka 152 billion in FY13. In the case of gas, there is no net financial loss because gas is produced domestically. But gas prices are very low in relation to the opportunity cost in terms of imported-fuel equivalence. If electricity were to be priced based on the full cost of oil and the opportunity cost of gas, the economic cost of electricity per KWh would be much higher and the resultant electricity subsidy in economic terms would also be much higher.

Even without accounting for the economic price of gas, total energy subsidies amounted to taka 204 billion in FY13, which is almost 2% of GDP. This subsidy excludes capital investments financed entirely from the national budget, which amounted to taka 100 billion in FY13. The total gap in energy sector finances was taka 304 billion, which is about 3.0% of GDP. Research shows that much of the energy subsidies benefit households that are not poor. As such, there is a huge policy issue relating to proper pricing of electricity, fuel and gas.

C. Transport Sector Progress

The transport system of Bangladesh consists of roads, railways, inland waterways, ports, maritime shipping, and air transport. Among the different modes of transport, road transportation has become the dominant mode, carrying over 70% of passenger and 60% of freight traffic. The SFYP recognized the importance of transport sector and has provided the strategic framework for a more efficient and balanced multimodal transport system along with regional connectivity that helps improve the competitive environment of the country. According to the SFYP, Civil Aviation Authority has increased the runway power, the development of electrical management system for running of operational activity, parking facilities and others passenger facilities of Hazrat Sahajalal International Airport. Additionally, the operational facilities of other airports of Bangladesh have improved. The Bangladesh Tourism Corporation has implemented different types of projects during this period. These projects and programs have increased the number of tourist visited in the year, the income of the tourism sector and different facilities and attractions for tourists. Moreover, development and advertisement of tourism industry has been increased by establishing Bangladesh Tourism Board. Some of the strategic goals for the transport sector include:

- Undertaking an optimal mix of “market integration approach” and “poles of development approach” through development of five main corridors: Dhaka-Chittagong, Dhaka-Northwest, Dhaka-Khulna, Dhaka-Sylhet, and Khulna-Northwest.
- Building an integrated transport network by constructing Padma Bridge at Mawa-Janjira point.

- Reinforcing the above by a rural transport development strategy that hinges on developing a rural transport system by integrating inland water transport with existing road transport system.
- Improving connectivity with neighboring countries through development of inter-modal transport network.
- Improving resource mobilization through introduction of user charges and fees in the entire transport network.
- Ensuring deficit free operation of Bangladesh Railway.
- Improving on transport safety standards to reduce incidence of accidents.
- Increasing private participation in the transport sector through the PPP framework.

Given the importance of transport sector in improving competitiveness and growth the Government has also been allocating significant resources through the ADP. However, unlike the power sector, the transport sector has not been up to speed and so runs the risk of falling short of achieving the RF targets. This gets reflected in the GCI for 2013-2014, where there has been deterioration since 2010-2011 in the scores for both roads and railway sectors (Table 5.2 above).

The transport sector strategy in SFYP was built around achieving an overall target of 7.5% annual GDP growth in the transport sector to help achieve the Plan's desired average growth target. The performance of the transport sector continues to lag in spite of growth in the sector, though some visible addition of new infrastructure in Dhaka and Chittagong. Table 5.4 below provides a snapshot of the progress so far in the Road and Railway sub-sectors achieving the transport sector strategic objectives of the SFYP.

Roads and Bridges

As noted in the Table 5.4, there has been some expansion of both road and railway networks. Some of the specific targets of the Roads and Highways Department (RHD) sought to achieve included a well-maintained, cost effective and safe road network. As part of this, they had the specific target to develop, maintain, and manage strategic road corridors, linking rural areas with National and District roads, improve Dhaka-Chittagong highway to six lanes, and other National Highways and corridors to 4/6 lanes, construct bridges tunnels, overpasses, flyovers, reduce road accidents. While different road networks, bridges are being constructed, and initial work for connectivity to the Asian Highway network has started, overall implementation appears to be slow. For example, work on improving the major corridor of Dhaka-Chittagong highway has fallen behind schedule. The slow progress in completing major roads construction and improvement may not help achieve the desired optimal mix of the transport strategy.

Table 5.4: Transport Sector Objectives, Performance Indicators and Targets for the SFYP

Objectives/Performance indicators	FY10 (baseline)	FY13 (estimate)	FY15 (target)
--Achieve a transport sector growth rate of 7.5% per annum	--6.62%	--6.7%	--7.5% (average FY11-15)
--Develop and manage strategic road corridors	--NHW 3478 kms; RHW 4222kms; Total (RHD) 20948kms Total 289334 kms (includes Rural Roads)	--NHW 3570 kms; RHW 4323kms; Total (RHD) 21462kms 290026 kms (Includes Rural Roads)	--26,134kms
--Construction of Padma Multipurpose Bridge at Mawa-Janjira	0	10%	30%
--Leverage private investments through PPPs for Expressways (Bangladesh Bridge Authority)	--0	--1 contract signed	-- 40%
--Construct Dhaka Elevated Expressway on PPP basis;	--2835 kms	2877 kms	--1210 km of new track
--Expand and improve the railway system to provide safer, better, environment friendly and less expensive and reliable transport system.	770064 ton-km ; 7305000 pas-km	611489 ton-km; 8638829 pas-km	
--Ensure deficit free operation of BR	--Operating Loss of Tk. 584 crore	--Operating Loss Tk. 841 crore	--Deficit Free
--PPP participation in transport sector by other agency	--0	--Jatrabari –Gulistan Flyover)	
Percent of road network in good to fair condition	66%	N/A	95%
Construction of new roads	349 kms	702 kms (cumulative FY11-FY13)	4672 km
Improvement/ Rehabilitation of roads	849 km	1868 km (Cumulative FY11-FY13)	8433 km
Construction of bridges/	7251 meters	14427 meters	10362 meters
Construction of Tunnel	0	0	20%
GDP Share of Transport (% of GDP)	0.55%	0.78%	1.3%

Source: *Bangladesh economic review 2013, Ministry of Communications*

The RHD had a target of constructing 4,672 kms of new roads by FY15. As reported by the Roads and Highways Department, between FY11 and FY13 a total of 406.5 kms of new roads have been completed, which, however, is only 8% of the FY15 target. Another important target for the SFYP has been the widening and strengthening of the roads. Roads and Highways Department had a target of widening and strengthening 8433 kms by FY15. However between FY11 and FY13 a total of 1993 kms of roads have been strengthened and widened, which is only

23% of the FY15 target. Given the time left it is unlikely that these two targets will be achieved and may require revisiting the target. For a faster implementation of the projects RHD is processing almost all the tenders through e-gp. In order to get a good result the Road network has been indicated through Geographic Information System (GIS) and Highway Development and Management (HDM) survey vehicle is being used to preserve detailed data base of the road network and Highway Development and Management Model (HDM-4) software is being used in road repair, maintenance and development activities.

Both construction of new roads and widening and strengthening of existing roads would be important input towards achieving of a key DRF target of increasing the percentage of road network to “good and fair condition”. As per the DRF a target of 95% of roads were expected to be in “good and fair” condition by FY15. Given the present pace of construction and improvement work and the fact that only 40% of roads were determined as in “good and fair condition” in first implementation review of the plan (and way below 66% bench marked at FY 10), it is very unlikely that any number near that 95% target will be achieved. So this DRF target also needs to be revisited.

Bridges:

Construction of the Padma Bridge at the Mawa-Janjira point has been a major infrastructure project under the Sixth Plan. As per the original timeline this project should have now neared completion. However, because of procurement related problems and subsequent withdrawal of donor fund the implementation of the project has been substantially delayed. There is now a revised schedule for the project and some initial work has started. The construction works of 3 packages such as Janjira Approach Road, Mawa Approach Road and Service Area-2 have already started. The construction works of Main Bridge and River Training Works are expected to commence July 2014 and August 2014 respectively. The delay in implementing this project has adversely affected the size of public investment in transport and the associated growth target of the transport sector.

Railways:

The performance of the railway sector is also lagging with respect to Sixth Plan targets (Table 5.5). The DRF specific sectoral target for railways is expressed as “kilometers of railway in usable condition”. As of FY13 there is 2877 kms of usable railway track, which is 42 kms more than the benchmark figure of FY10. The target for FY15 is 3252 kms of useable track. Given the present pace of implementation extra effort from the Bangladesh Railway is required so that the FY15 target could be achieved in time.

Table 5.5: Railway Freight and Passenger Carriage

Fiscal Year	Kilometers	Freight Carried (Tons-in Thousand)	Ton-KM (in Thousand)	Passenger number (in Thousand)	Passenger- KM (in Thousand)
FY10	2835	2714	770064	65627	7305000
FY11	2791	2558	692640	63536	8051920
FY12	2877	2192	582107	66139	8787234
FY13*	2877	2304	611489	65022	8638829

*Estimated figure.

Source: Bangladesh Economic Review 2013, Ministry of Finance

Looking at the performance of railway in carrying goods and passengers in FY13, a mixed picture emerges. The best measure for passenger traffic is “passenger-kilometers” and that for freight carried is “tons-kilometer”. There has been an increase in “passengers-kilometer” carried from 7,305,000 in the benchmark year of FY10 to 8,638,829 in FY13. This is also the period when the Dhaka-Chittagong highway was taken up for upgrading to 6 lanes causing serious road traffic flow problem, resulting in increasing number of people opting for rail travel. The increase in “passengers-kilometer” resulted in spite of number of passengers carried being almost at same level between FY10 and FY13.

On the other hand **there was a sharp decline in freight carried from the benchmark year of FY10 to FY13. It declined from 7,70,064 ton-km in FY10 to 6,11,489 ton-km in FY13, a 21% decline.** This is a matter of concern because an important element in improving the efficiency of the Chittagong Port hinges on increased ability of the railway, road, and river transport system to move the containers to and from the hinterland more efficiently.

A major institutional objective of SFYP was to ensure a deficit free operation of the Bangladesh Railway (BR). As part of the effort **there has been an increase in its ticket prices; yet the evidence shows that BR’s Operating Loss increased from Tk. 560.97 crore in FY10 to Tk. 758.11 crore in FY13 but** operating ratio decreased from 199.05 in FY10 to 194.30 in FY13.

Urban transport: The quality of urban life and economic activities in urban areas largely depends on the provision of infrastructure and basic services. Efficient delivery of essential services such as water supply, sanitation, health, education, transportation, power, and telecommunication is critical for reducing poverty and improving welfare. Investments in improving the delivery of services (whether infrastructure related, social or regulatory) can make significant contribution towards raising productivity and accelerating the pace of economic growth. The quality of infrastructure and service provision in a city has also become increasingly important in attracting new investments.

The SFYP recognizes the urban challenges to growth particularly those linked to the Dhaka city transport system. The goal and vision for Dhaka is to take short, medium and long-term measures to develop a multi-modal integrated and safe transportation system for the city. Better

traffic management measures and increased public transport including metro-rail are part of that strategy. Government has taken initiative to reduce traffic congestion and air pollution in Dhaka city through implementing Bus Rapid Transit (BRT)-1, 2 & 3, BRT from Gazipur to Airport and Mass Rapid Transit (MRT)- 4, 5 & 6, which are already planned. Another Bus Rapid Transit called “Greater Dhaka Sustainable Urban Transport Project” from Gazipur to Airport is scheduled to complete in December 2016. For construction, maintenance and operation of the Mass Rapid Transit or MRT (Metro), a 100% state owned Dhaka Mass Transit Company Limited has been formed in 2013, which has Project life up to June 2024.

A number of measures have been undertaken to improve on multimodal and integrated urban transport system. Some have been completed. These include flyover/overpasses that have been completed on the airport road helping avoid two railway level crossings and connecting Mirpur and the Bashundhara and the Purbachal new town. Besides, a major flyover connecting Gulistan with Jatrabari has been completed under PPP easing up entry and exit to the city from Narayanganj area. There is also a PPP contract for building the Dhaka Expressway connecting Uttara and Kamalapur. However, implementation has been extremely slow and way behind original time frame of completion. As part of the multi modal transport system commuter DEMU (Diesel Electric Multiple Unit) train service has been introduced. A project to introduce metro rail system has been taken up with support from JICA. Formal implementation of the project is yet to start. Another addition has been new east-west connecting roads as part of the Hatirjheel project.

While some new infrastructure addition has been made, Dhaka continues to face increasing traffic congestions. The broader governance, institutional challenges, and improved traffic management along with timely completion of the different projects will be key to achieving the SFYP goal.

Ports: Ports are lifelines for international trade and the Chittagong Port handles 95% of the country’s sea borne export and import trade. So the SFYP had projected **Chittagong Port’s cargo handling to increase to 41 million ton in FY13 from 35 million ton in FY11. Similarly its container handling was projected to increase from 1.31 million TEUs in FY11 to 1.6 million in FY13.** This would require increasing efficiency in port handling as well as quick implementation of the Dhaka-Chittagong Highway expansion and improved rail links. While there has been some improvement in Chittagong Port handling as reflected in the Table 5.6 below, the roads and the railway part of the equation are lagging behind. **There has been improvement in turnaround time of vessels, which is 4.91 days in FY13 compared to 6.90 days in FY11.** Throughput per ship day for both container and bulk cargo has increased in FY13 compared to FY11. The improvement of Port handling is also reflected by slight improvement in the GCI (Table 5.2 above).

Table 5.6: Chittagong Port Performance

Indicators	FY10	FY11	FY12	FY13
Turn Around Time of Vessels (days)	5.15	6.90	4.88	4.91
Throughput per ship day Container	416.82	372.69	442.27	490.27
Throughput per ship day Cargo (Tons)	1598.02	1615.04	1636.34	1666.97

Source: CPA website- Port Performance Indicators

D. Financing Strategy and Resource Allocation for Infrastructure

Given that the role of infrastructure investments are critical for increasing private investments and overall growth, the Government responded positively to the SFYP targets by making relatively large allocations for infrastructure sector, as well as policies to leverage private investments in infrastructure sector through PPPs, IPPs, and Quick Rental power stations. As evident from Table 5.7 and Figures 5.3 and 5.4, the Government on its part allocated relatively large public resources (32% of total ADP in FY13) through the ADP to the Power, Energy, and Transportation sectors. In fact the infrastructure Ministries/Divisions have repeatedly been among the top 10 recipients of ADP allocations since FY11. It is evident from Fig 5.3 that Transportation and Power sectors have been receiving the highest ADP allocations in line with the priority placed on developing the infrastructure.

Table 5.7: ADP/SFYP Allocation and Actual Expenditure for Infrastructure Ministries/Divisions (Taka billion)

Ministry/ Division	FY11			FY 12			FY 13		
	Allocation		ADP Expenditure	Allocation		ADP Expenditure	Allocation		ADP Expenditure
	ADP	SFYP		ADP	SFYP		ADP	SFYP	
Power Division	50.17	49.95	59.12	71.85	70.69	71.57	85.61	85.57	88.51
Energy and Mineral Resources	10.71	10.80	9.70	7.26	15.53	7.46	16.08	17.17	16.34
Ministry of Communication				28.47		26.20	36.34		35.96
Ministry of Railway				22.66		19.08	30.22		28.73
Road and Railway Division*	35.04	34	29.69	51.13**	51.39**	45.28***	66.56***	59.05**	64.69***
Bridge Division	11.06	12.77	3.84	6.88	15.50	4.18	8.23	17.45	7.66

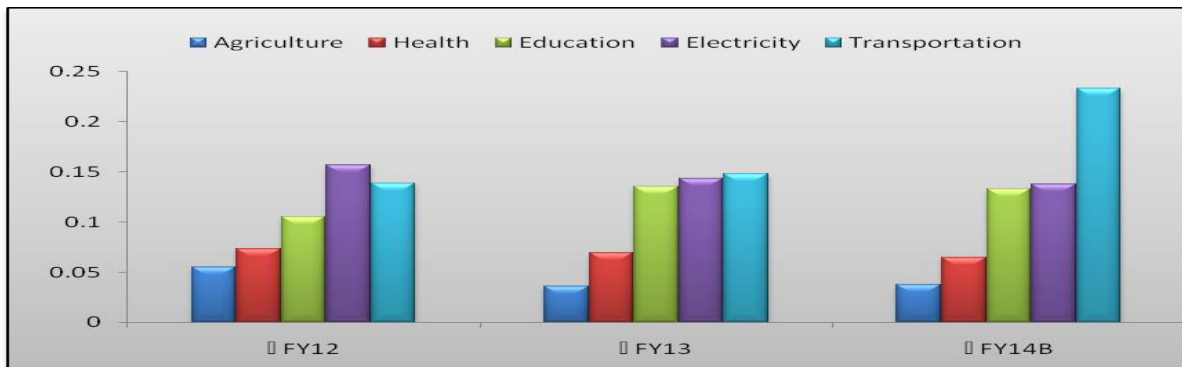
*Roads and Railways were one Division till FY11

** SFYP document allocation is shown for Roads and Railways together for FY 12 and FY13

*** Sum of the above two figures

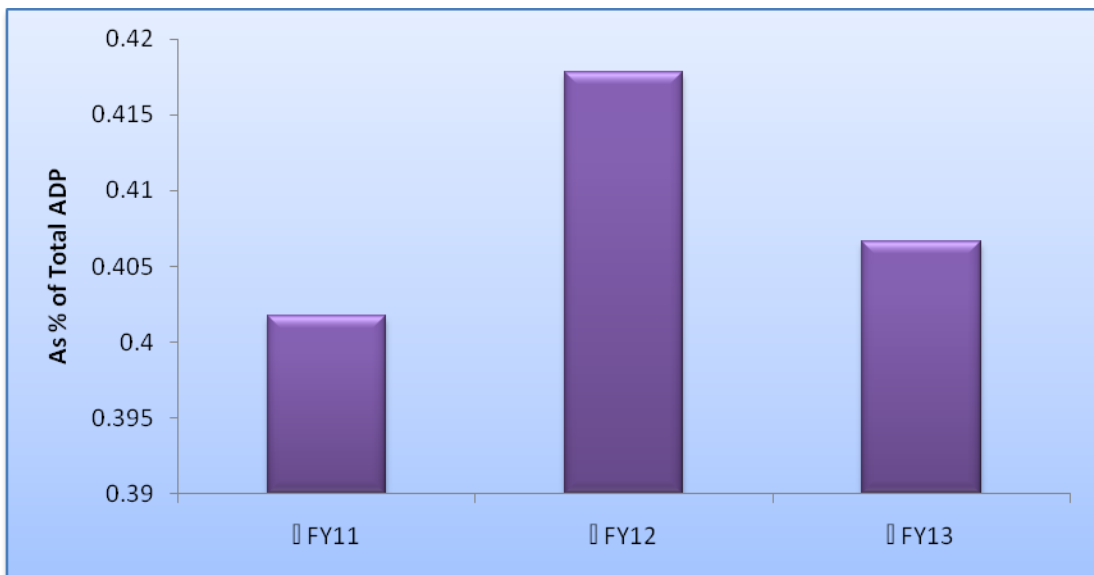
Source: Ministry of Finance and SFYP.

Figure 5.3: ADP Allocation of Major Sectors as % of Total ADP



Source: Ministry of Finance

Figure 5.4: Infrastructure Allocation as % total ADP



Source: Ministry of Finance

Power Sector received the necessary resources with positive results: More specifically, as shown in Table 5.7, a comparison with original sectoral allocations envisaged under the SFYP shows that only the Power sector received more than SFYP allocations in FY11, FY 12 and FY 13. **It also has been diligent in spending more than ADP allocations each year.** The policies undertaken for the power sector also saw a surge in private investments through rental power and IPPs. These had positive impact in generation of power.

In the other energy sector the Government action was mixed. While ADP allocation almost matched the FY11 allocation projected under SFYP, it fell short in FY12 and FY13. As reflected earlier, the rapid growth in the **share of oil-based power supply- from only 8% in FY09 to 25% in November 2013- is a reflection of a major primary fuel constraint in Bangladesh.** Gas supply is increasingly getting constrained relative to demand. There is now a severe rationing of gas. Coal mining has not proceeded owing to the lack of a coal policy. Overall,

there is an absence of a strategic long-term view about how the growing needs of primary fuel will be met in the next 10-20 years. So the energy sector has not kept pace with the country's need both for lack of adequate public investment, inadequate or lack of policy, and inability to bring in higher levels of private investments, though some oil blocks have been tendered out for exploration by oil companies.

The Road and Railway sector together have been receiving allocation of resources through ADP in FY 11, FY12, and FY13 which are in line with SFYP expectations. In fact in FY 13 the two combined received much higher ADP allocation (Taka 66.56 billion) compared to SFYP envisaged allocation (Taka 59.05 billion). Yet the main challenge facing the Road and Railway sectors are implementation capacity and too many projects in the pipeline compared to resource availability.

Even though in FY 11 and FY 12, both roads and railway sectors received resources envisaged under SFYP, in both the years they spent below their allocations (Taka 29.69 billion out of allocation of Taka 35.04 billion in FY 11 and Taka 45.28 billion out of allocation Taka 51.13 billion). This improved a little in FY 13, but the expenditure still fell short of a much higher allocation.

The Road and Railway sectors are critical for ensuring the growth targets and a project like “*4 Laning of the Dhaka-Chittagong Highway*” should be considered as one of the transformational investments for taking Bangladesh to a higher growth trajectory. Yet the slow pace of implementation of such a transformational project is pulling back the SFYP growth expectations. As reported in the IMED evaluation this high priority project which started in January 2006 was originally supposed to be completed by December 2013. However, as per IMED report, until end of FY 12 only 18.38% physical progress was achieved while 27.18% of the total project cost was spent.

More generally, a major challenge facing the roads sector is its implementation capacity constraint. **The Roads Division has 156 projects under implementation with ADP allocation of Taka 358.52 billion for FY 13. The original project cost for the 4-Lane Dhaka-Chittagong highway was 238 billion and Taka 64.74 billion was spent until FY12.** This meant that Roads Division has not been allocating adequate resources through ADP for its timely completion. Though SFYP envisaged resources were allocated through ADP, the slow completion of projects both for inadequate resource for important projects, over programming of number of projects in the pipeline ADP vis-a-vis resource availability, along with implementation challenges makes the performance of the Roads sector less than satisfactory.

Another transformational project of high priority is the construction of the Padma Bridge at the Mawa-Jajira point to be implemented by the Bridge Division. The SFYP Proposed high allocation for each fiscal year, and in FY 11 government allocated Taka 11.06 billion but finally spent only Taka 3.84 billion. The project was supposed to have major donor funding but because

of procurement related problem the implementation halted and none of the major contracts could be awarded. Had it not been for procurement problem, by now this project could have been near completion.

Progress with public-private partnership (PPP) in infrastructure: While preparing the SFYP the infrastructure resource constraints compared to the need of the country was recognized. The Government made an effort in expanding the role of PPP investments by putting in place a regulatory and institutional framework. A PPP office was set up to provide the institutional support and identify potential projects. The PPP office identified 16 road, rail, port, and energy related projects for implementation (Table 5.8 below). While some private investment materialized in the power sector, this did not happen in the transport sector.

Table 5.8: Status of PPP Financed Projects

SL.	Sectors	Name of the Project	Estimated Project Cost (\$ Million)	Negotiation	Contract Signed
1	Road	Dhaka-Elevated Expressway	\$1,088	●	●
2	Port	2 Jetties at Mongla Port through PPP	\$50		
3	Road	Dhaka-Ashulia Elevated Expressway	\$1,471		
4	Road	Flyover from Santinagar to Mawa Road (New) Bridge over Buriganga River	\$313		
5	Road	Upgrading of Dhaka Bypass to 4 Lane (Joydevpur-Debogram-Bhulta-Madanpur)	\$117		
6	Road	Hemayetpur-Singair-Manikganj PPP Road	\$86		
7	Road	Jatrabari-Sultana Kamal Bridge-Tarabo PPP Road	\$45		
8	Road	Dhaka-Chittagong Access Controlled Highway	\$1,625		
9	Port	Construction of Laldia Bulk Terminal	\$60		
10	Rail Depot	Construction of a New Inland Container Depot (ICD) near Dhirasram Railway Station	\$205		
11	Rail Bridge	Fulchhari-Bahadurabad MG Railway Bridge	\$1,435		
12	Rail Bridge	Dual gauge Double line Bangabandhu Bridge	\$1,025		
13	Port	Construction & Operation of Inland Container Terminal (ICT) at Khanpur	\$32		
14	Bridge	2nd Padma Multipurpose Bridge at Paturia-Goalundo	\$1,640		
15	Port	3rd Sea Port	\$1,200		
16	LPG / Energy	LPG Bottling Plant at Kumira (Jetty, Pipelines & Storage Tank)	\$31		
		Total	\$10,422	1	1

Source: PPP Office

PPP initiative in the Transport Sector:

Out of the 6 roads related projects, so far 2 projects to be implemented by the Bangladesh Bridge Authority. To implement Dhaka Elevated Expressway, the largest PPP project in Bangladesh, revised alignment had already been finalized as per decision by the Government for minimizing acquisition of private land. Accordingly a revised agreement has been signed with the investor,

“Italian-Thai Development Public Company Ltd.” The construction work is expected to commence in June 2014 and be completed within the next 42 months.

E. Major Institutional and Policy Reforms in Roads, Energy and Power Sectors between FY10 and FY13

There were a number of important policy and institutional reforms that has happened so far in the area of infrastructure. These are summarized below

Roads Sector

- To help improve connectivity and also achieve a more balance transport sector, the “National Integrated Multimodal Transport Policy 2013”, covering all modes of transport, was approved on August 26, 2013.
- Proper road maintenance is critical to achieve the RF target of having the roads in “good and fair condition”. The Government has established a dedicated fund for this named “Road Fund”. It has also provided the institutional support for its implementation by approving the “Road Fund Board Law 2013”.
- To help improve road safety the Government has adopted the “Vehicle Axle Load Control Station Operation Policy 2012”.

Energy and Power

- Sustainable and Renewable Energy Development Authority (SREDA), Act 2012
- The Rural Electrification Board (REB) Act, 2013
- Interim Action Plan for Improvement of Energy Efficiency and Conservation
- Clean Cook Stove Country Action Plan
- Special Act for Quick Procurement in Power and Energy Sector
- Electricity (Amendment) Act, 2012 (drafted)
- Energy Efficiency and Conservation Rules

F. The Way Forward

Major infrastructure challenges affecting achievement of growth targets remain in place. Bangladesh needs to be more strategic about identifying infrastructure projects and then allocating resources accordingly. The priority should be what is deemed *transformational infrastructure investment*. It is most important the Roads and Railway sectors select a number of

high-priority projects and completes them in a timely manner. The Roads and Railway performances have implications for the performance of Chittagong Port and the competitiveness of the manufacturing sector. Similarly the focus of the Power sector should not be just increasing generation at any cost, but for long term competitiveness of industry as well as for being fiscally sound to go for more efficient and least-cost generation. One big challenge in the infrastructure sector is the absence of a strategic long-term view about how the growing needs of primary fuel will be met in the next 10-20 years. Policy on primary fuel, particularly coal policy is urgently needed. Urban transportation remains a big challenge, and Dhaka continues to face increasing traffic congestions. The broader governance, institutional challenges, improved traffic management, along with adequate investments, policies, along with timely completion of the different projects will be important in achieving the SFYP goal.

As an example, the Road Division has 156 projects under implementation. This has led to **over programming of projects without adequate budgetary allocations for each project**. Besides budgetary constraint the Ministry of Communication itself identified inadequacy of qualified staff, procurement related problems, delay in release of funds, and long approval process as major constraints that are obstacles to meeting the SFYP targets. **Given the constraint the Government should prioritize the most transformative projects and provide all necessary resources for completion within timeline**. Other projects of less importance should be delayed for later implementation. This should be the practice for Roads, Bridges Division, Railway Ministry, Power Division, and for Urban Transportation. Some examples of transformative projects that need to be prioritized and fully resourced include:

- The 4-Lane Dhaka Chittagong Highway
- Double Tracking of the Dhaka-Chittagong Railway
- The Padma Multi-Purpose Bridge
- Completion of the two Bibiyana gas field based large power plants.
- The Dhaka metro rail

The budgetary and some of the implementation related challenges should be overcome through PPPs. There were projects identified but because of institutional constraints no major infrastructure project could start. The institutional and any policy bottleneck relating to PPPs should be overcome. The Government while prioritizing the list of infrastructure projects should do due diligence to seek PPP finance for projects which are financially viable. Those investments will attract private sector, releasing resources for Government to undertake other projects where private sector may not be forthcoming.

CHAPTER 6

Progress with Human Resource Development

A. Introduction

Bangladesh is **currently experiencing ‘demographic transition’ as a result of slower population growth**. Even so entry of young population in the labor force will continue due to demographic factors. The Sixth Plan recognized that this demographic dividend will need to be properly harnessed. The quality of labor force is weak due to low access and low quality of education; women are especially lagging behind. The Sixth Plan therefore sought to address these by developing and implementing a well thought out education and training strategy and associated policies and institutions. The strategy Proposed in the Sixth Plan is sensitive to reducing the access gap of the poor, especially in the under-developed or lagging regions of the country, and to improving the skill base of women. A significant part of the additional investment for higher growth was Proposed to be deployed to the development of the labor force. The main Human Resource Development objectives underlying the Sixth Plan were translated into concrete quantitative targets to monitor and track the performance of the Sixth Plan. Some of these core targets were included in the RF, but quite a few were outside in order to avoid overloading the RF.

Using the targets and indicators from the result framework and other chapters of the plan as well as qualitative assessment, this chapter will provide an evidence-based implementation review of HD in the SFYP. Looking at education and health in turn, the review will first describe the strategies and objectives formulated in the SFYP. The implementation of these strategies will then be assessed and a discussion on its successes and limitations will follow. Finally, recommendations for the future will be provided to guide the effective completion of the plan.

B. Education

Objectives, Targets and Strategies

The education sector in Bangladesh is very diverse and complex, with over 30 million students and an important number of different education providers. In addition to the formal education cycle (primary, secondary and higher education), other channels of education are encompassed in this sector. These include Vocational and Technical Education (VTE), Non-Formal Education (NFE) and apprenticeships. The governance of such a large sector has been put under the responsibility of two institutions: the Ministry of Primary and Mass Education (MoPME) -

responsible for preschool, primary education and mass literacy, and the Ministry of Education (MoE) - responsible for secondary and higher education, as well as VTE.

The main strategy in the SFYP for enhancing education in Bangladesh is two-fold: first, the educational services and their delivery need to be improved, and second, the capacity to deliver these services must be strengthened. Educational services will be improved by ameliorating the educational inputs - teachers, curricula, learning materials and physical infrastructure. In order to do this, various points of action were formulated for each of the different sub-sectors of education to achieve quantitative and qualitative improvements.

The main elements of the Sixth Plan's education strategy are:

- **Pre-school** will be improved by 1) adding pre-school classes to existing primary schools; 2) developing a policy framework for early childhood development.
- **Primary schools** will be enhanced with 1) better education quality, 2) increased equality in access and 3) the extension of compulsory education to grade 8.
- For **Secondary schools** 1) the participation will be increased with more infrastructure, financial incentives, new teachers, etc, and 2) the quality of education will be enhanced by modernizing the curricula, introducing more science based subject as well as ICT.
- The **Higher Education** will see 1) improvements in the equality of access and 2) increases in the quality of the education.
- For **Non-formal Education** 1) the learning of functional and life skills will be enhanced, 2) more life-long learning opportunities will be developed.
- Finally, **Training** will be improved through 1) expanding and modernizing the skill development courses to match the market demand, 2) increasing access and making it more equal and 3) strengthening the links between training and job opportunities.

Additionally, the SFYP advocates for better governance and management of these issues by 1) improving the human resource management, 2) increasing coordination between different sectors and actors of education, 3) making the budget planning and management more efficient, 4) strengthening partnerships with the civil society and private sector and finally 5) improving the policy-making process by making it more participatory and ensuring the policies and laws are enforced.

As primary education is seen as the fundamental base and minimum requirement for a skilled labor force, priority has been given to this sub-sector. Targets have been formulated against which progress can be measured (Table 6.1).

Implementation of the Education Strategy, Policies and Programmes

Formal Education Cycle

Looking at the education sector, the Government's major policy effort was the establishment of the National Education Policy of 2010. The vision of this policy, aligned with the SFYP's one, is to achieve high quality education for all. Its main objectives consist of promoting awareness of one's constitutional rights, ensuring equitable and inclusive education for all and improving the quality of education. This will endow the future workforce with the necessary productive skills to meet the demands of international and national labor markets. Another important component is the proposal to extend compulsory education to grade 8, ensuring children remain in education for a longer period of time.

In terms of programmes, the launching of the third Primary Education Development Program (PEDP 3) by the Ministry of Primary and Mass Education (MoPME) has been the cornerstone. The PEDP 3 is a five year program using the sector-wide approach (SWAp), aimed at improving preschool (1 year) and the 5 years of primary school (grade 1-5). Its overall goal is to guarantee: "an efficient, inclusive and equitable primary education system delivering effective and relevant child-friendly learning to all Bangladesh's children from pre-primary through Grade 5 primary."⁶ Six key areas have been defined in which progress is needed to reach this objective. These areas are: learning outcomes, participation, reducing disparities, decentralization, effective use of budget allocations, and program planning and management. PEDP 3 was formulated as a continuation of PEDP II (implemented between 2004 and 2009) whilst improving on its limitations. Their main difference is the increased focus in PEDP 3 on the effective use of resources to improve completion rates and the quality of learning. In PEDP II, this was one of the major areas of failure.

Regarding secondary education, two important development projects are still on-going: Secondary Education Quality and Access Enhancement Project (2008-2014) and Secondary Education Sector Development Project (2007-2013). For tertiary education, the Higher Education Quality Enhancement Project has been initiated, although little else seems to have been done.

In addition to the above policies and programmes, further actions were taken to implement the SFYP's objectives. Financial incentives to participate and remain in education have been increased through various initiatives. These include the Prime Minister's Education Assistance Trust Act 2011 (a trust fund for poor meritorious students), the Creative Talent Hunt 2012 (which finds and supports creative talent in Bangladesh), and the increased coverage of the School Feeding Program and stipends programs (ibid.). Improvements in the quality of education were achieved through reducing the teacher-pupil ratio, as well as implementing a Primary Teacher Training Institute (PTI). To that end, 90,000 teachers have been recruited (with a bias

⁶ See MoPME, 2011. *Third Primary Education Development Program (PEDP 3)*. Dhaka: MoPME

for female teachers), as well as a number of head and assistant teachers. An early childhood care and development policy framework was developed, with pre-school classes established in all government funded school, leading to more than 8 lakhs children receiving pre-school education. Books are now being distributed free of charge to all students in primary and secondary schools and ICT labs have been introduced in over three thousand secondary schools. Finally, greater access to education has been facilitated through new and improved physical infrastructure. Physical infrastructure was developed through the Primary Education Development Project 2012, which provides better infrastructure, including sanitary latrines and safe water, to improve the educational environment. Various projects have been developed to increase the number of secondary schools and colleges. In physical terms, this translates to 1,383 new primary schools, 4 new universities and 306 new model high schools. In addition, the construction of 1,500 new colleges has been initiated and upgrades in existing infrastructure at all levels are being carried out.

Other Education Systems

Alongside the formal education cycle, the Government recognizes the importance of other formal and non-formal education systems as tools to reach individuals of all ages, and to develop the skills of the workforce. These other education systems include formal and non-formal Vocational Training and Education (VTE), apprenticeships and non-formal education (NFE).

To enhance the effectiveness of such systems, a National Skill Development Policy (NSDP) was formulated in 2011 by the Ministry of Education (MoE) and the National Skills Development Council. The vision of this policy is to ensure rapid economic growth with a more equal distribution of its benefits by improving the skills of the workforce. The main strategies consist of improving the quality of VTE and its pertinence to market needs, ensuring access and quality to all social groups and increasing the quality of governance and management for skills training. The NSDP has also taken action to strengthen the links between training and the job opportunities by requiring all state-owned industries to hire apprentices, and providing financial incentives to informal industries to also take on apprentices. To further this, three new projects have been implemented: the Skills and Training Enhancement Project (STEP), the EC-ILO Technical Vocational Education and Training (TVET) Reform project and the Skill Development Project (SDP). The STEP was initiated in collaboration with the World Bank to enhance the quality of training and improve the employability of the trainees. The TVET Reform project, implemented with the ILO, aims to improve the capacity of the TVET system through increased technical assistance. Finally, the SDP in partnership with the Asian Development Bank aims to strengthen the links between industries and trainees by creating more partnerships between the key stakeholders.

A framework for a Non-formal Education policy has also been formulated, with the intention of providing quality education and training. This training will provide productive income-generating skills and allow trainees to become self-reliant. The policy will include channels of

education such as early childhood education, second chance, lifelong learning, basic education, vocational and other training using alternative channels of education. This will be achieved through two means – first, NFE will be provided not only by the government but through collaboration with NGOs and the private sector to ensure quality and effectiveness. Second, the good governance of this sector will be established through increased decentralization of the management, allowing for greater community ownership. In addition to this, three key projects have been carried out to increase the reach of NFE. The first is the Reaching Out of School Children 2013 project, which provides financial incentives for students to remain in school and attempts to create more PPP to improve primary education. Second, the Second Chance Education Program targets children that were never enrolled in, or dropped out of primary education. These two projects have provided over 8 lakhs children with education opportunities. Finally, the Capacity Development for Education For All and Literacy was implemented with UNESCO between 2009 and 2011. It aimed at improving adult literacy and the capacity of the government to provide the necessary services.

Evaluation of the Implementation

The efforts carried out for the education sector fall in two categories: improving education services and their delivery, and strengthening the capacity of the relevant institutions to deliver these services. The success and failures of the SFYP’s implementation will be assessed using this framework. A good starting point for evaluating the progress made in education is the relevant quantitative targets set in the SFYP and in the updated result-based framework (Table 6.1). The

Table 6.1: Current Status of the Indicators for the Education Sector

Indicators	Baseline Status	Target (2015)	Current Status (2011 unless cited otherwise)
Gross Intake Rate	115% (2009)	116%	105.8% (DPE-ASC 2012, PN 24)
Net intake rate	99% (2009)	100%	97.4% (DPE-ASC 2012, PN 24)
Gross enrollment rate primary	103.5% (2009)	116%	104.4% (DPE-ASC 2012, PN 36)
Net enrollment rate primary	93.5% (2009)	100%	96.7% (DPE-ASC 2012, PN 36)
Completion rate (grade V)	55% (2009)	100%	73.8% (DPE-ASC 2012, PN XXVIII)
	Girls: 57% (2010)		Girls: 77%
	Boys: 53% (2010)		Boys: 73.5%
Survival rate (% of cohort reaching grade V)	59.7% (2009)	100%	75.3% (DPE-ASC 2012, PN 36 XXVIII)
Repetition rate (each class)	12% (2009)	<5%	7.3% (DPE-ASC 2012, PN 36 XXVIII)
Student absenteeism	18% (2009)	3%	14% (DPE-ASC 2012, PN 52)
Student teacher ratio	1:48 (2009)	1:30	1:49 (DPE-ASC 2012, PN 71)
Classroom size	40 (2009)	25	40 (DPE-2011)
Percentage of trained teacher	70.39% (2009)	100%	GPS (2012):

Indicators	Baseline Status	Target (2015)	Current Status (2011 unless cited otherwise)
			Male Teacher in Trained: 36.5% Female Teacher in Trained:63.5% RNGPS (2012): Male Teacher in Trained: 61% Female Teacher in Trained:39%
Net enrolment rate in secondary education, by gender	Girls: 50.8 % (2009)	75%	78% (UIS, 2013)
	Boys: 39.5% (2009)	75%	61% (UIS, 2013)
Ratio of girls to boys in primary and secondary education	106% (2010)	100%	110 (NIPORT <i>et al.</i> , 2013)
Ratio of girls to boys in tertiary education	32% (2010)	100%	70% [2013] (WEF, 2013)
Adult literacy rate	58% (2010)	N/A	53.7% (11-45 age group; BBS-LAS 2011) 58.8% (15 and above age; MDG Report 2012)
Public expenditure on primary education as % of total education public expenditure	45.36% (2009)	50%	42.1% [2012] (UNICEF, 2012c)
Public current expenditure on education as % of GDP	2% (2009)	4%	2.02% [2013] (Budget, 2013)

Source: Sixth Five Year Plan; Directorate of Primary Education (DoPE), 2012; Annual Primary School Census (ASC 2012); Literacy Assessment Survey 2011 (LAS 2011); Page Number (PN; UNESCO Institute for Statistics (UIS, 2013); National Institute for Population Research and Training (NIPORT), 2013; World Bank Education Report, 2013; National Budget, 2013; World Economic Forum (WEF), 2013; N/A : data not available

white cells indicate the targets that have made progress and are likely to reach the 2015 projection levels, whilst the shaded cells show indicators for which little progress were achieved and will likely miss the targets.

The SFYP's execution has been particularly successful at improving access to and participation in education. Efforts such as increasing the educational inputs and providing more financial support and incentives have led to remarkable achievements, especially in primary schools. Enrolment rates are on the rise, as well as completion and survival rates as (Table 6.2). At the secondary school level, efforts have resulted in higher enrolment rates as well as higher numbers of students participating in public exams. The indicators also show that quantitative advances were accompanied by some qualitative ones, such as the increase in the number of schools with pre-school classes and the rise in the proportion of teachers trained. Greater gender equality has also been observed, mainly in enrolment rates as well as in assessments. Gender parity has been achieved at the primary and secondary level and the ratio of girls to boys in higher education has

increased considerably. By 2011, gender parity had also been achieved in primary and junior secondary public examinations and in 2012 it was achieved in higher secondary examinations. These are impressive achievements and Bangladesh out-performs most developing countries.

Nevertheless, despite the quantitative headway in education access and attendance, the quality and equity of education remain far from sufficient. The high enrolment rates conceal the equally high repetition and absenteeism rates in Bangladesh education. The indicators for primary education reveal that the targets for repetition and absenteeism rates are unlikely to meet the Sixth Plan targets for 2015. The evidence suggests that the main explanation for the persistent low quality in education is the lack of effort in improving teachers' training as well as in upgrading curricula, textbooks, and examinations.

Looking at **teachers** first, the main concerns reside in their training (or lack of) and in their appointment. Although an important and rising number of teachers have some kind of qualification for teaching, many still have not received any form of training. More importantly, the training that teachers have received may not be adequate or relevant. For instance, only one system exists for training primary teachers: the PTI. This one year in-service program leads teachers to the Certificate in Education, a qualification that over 80% of primary teachers have obtained but which is seen as largely insubstantial and irrelevant⁷. The ratio of trainers to trainees is too low and leads to large classroom sizes. The training is viewed as too theoretical, where important topics such as the inclusion of students with special needs, receive insufficient attention. More worryingly, a study has shown that teachers' credentials were not significantly correlated with high performance in primary schools⁸. These issues are not limited to primary education - insufficiencies in training have been seen at all levels of education. Another limitation is the inability to change the appointment process of teachers. Corruption remains wide at this level, with many officials at local levels pressurizing school committees to appoint teachers through nepotism, or to demand "contributions" from potential teachers. Finally, despite the good intentions behind imposing female quotas in teachers' appointment, it created further inefficiencies as many posts were left vacant due to a lack of trained female applicants.

A separate limitation in implementing the quality improvements required under the Sixth Plan has been the lack of modernization of education. Indeed, the curricula, textbooks and assessments are seen as out of date. Textbook and assessment revision have been planned for 2013, making it premature to assess whether the changes have been beneficial to education quality. Endeavors have been made to unify the curricula between different educational institutions, however this has only been Proposed for basic subjects. The situation is exacerbated by the politicized nature of the curricula, especially in terms of national history, which is often rewritten when the government changes hands.

⁷ See Thornton, H., Thornton, P. 2012. *Institutional Assessment of Education in Bangladesh*. British Council.

⁸ World Bank, 2013. *Seeding Fertile Ground: Education that Works for Bangladesh*. Washington DC.

These setbacks in the quality of educational inputs have had significant repercussions on students' learning capacities. This can be observed in the lack of mastery in subjects: over 75% of students that participated in the national student assessment test in 2011 achieved a grade of at least 50%, however when looking at mastery (grade of at least 80%) the number falls to less than a third.

The importance of VTE programmes for increasing the skilled labor force is undeniable. The VTE programs such as TVET and apprenticeships would have the most beneficial impact on unskilled informal workers as well as self-employed people. However the performance has been less than satisfactory. First, programmes are still not geared towards those it would benefit the most. All of the programmes require an education up to at least grade 8. This condition excludes informal or poor workers who often do not have the opportunity to pursue their education up to that level. Instead TVET primarily reaches a group of educated, relatively wealthy individuals rather than the original target group. Apprenticeships have also failed to increase the skills of workers due to its low usage by the formal and informal sector. The Government has linked many financial incentives, such as microfinance, with taking on apprentices; however this has had little effect on the rate of apprenticeships. Furthermore, the education given by VET programmes has not improved much. TVET programmes lack quality standards, and the skills taught do not match the skills needed in the labor market, such as entrepreneurial skills. The curriculum remains too theory-oriented, taught by trainers with little industry experience and using obsolete or broken machines. This has caused the labor market – employees and employers – to view TVET and other VET programs unfavorably. Hence enrolment rates in such programmes have remained at only 2%, post grade 8.

Regarding equity, significant disparities still exist, mainly in terms of attendance and achievements, between wealthy and poor students, girls and boys, slum and non-slum dwellers, and students with special needs⁹. One of the primary causes of this persistent inequality is the inability to align the different education institutions (private, government, registered non-government, Madrassahs etc.) under the same standard of quality. In a 2013 report on education in Bangladesh, the World Bank noted that the most important determinant of student performance is the institution they attend (World Bank, 2013). Therefore it is imperative that the standards of quality are standardized between the different institutions. This need has been advocated by the SFYP as well as policies and programmes, yet in practice little has been done in the Plan's implementation to achieve this. This has hurt equity and has notably increased the educational gap between wealthy and poor students. Quality education is often achieved through enrolling in expensive institutions (such as private ones) or by incurring the cost of a private tutor. These costs cannot be sustained by many poor households. For some households, education even at institutions free of charge (government owned or registered non-government)

⁹ UNICEF, 2012. *Children and Education Budget in Bangladesh*. [online] UNICEF; and Sommers, C., 2013. *Primary Education in Rural Bangladesh: Degrees of Access, Choice, and Participation of the Poorest*. Falmer: CREATE.

is still unattainable due to the associated other costs (uniforms, stationary, transportation). Moreover at the secondary level, government expenditure becomes notably less pro-poor. In a review of the education budget in 2012, UNICEF found that “the top 40 per cent households get 52 per cent of public expenditure in secondary education” (p.6). The student stipend program, formulated to remove financial restrictions in education access is too small to make a substantial difference at higher levels of education. Looking at net enrolment rates, the difference between poor and non-poor at primary levels is 8 percentage points; in secondary education this jumps to 27 percentage points and in tertiary education, poor students are insignificantly represented. This inequality can also be seen between urban slum dwellers and non-slum dwellers. Not enough attention has been given to urban slum dwellers since NGOs and government programs tend to see poverty as a strictly rural issue. This has led to large gaps in education performance: for example, **51% of slum inhabitants have no education, compared to only 31% of urban dwellers.**

Regarding the strategies to strengthen the capacity to deliver education services, evidence shows that their implementation was limited. One piece of evidence for this conclusion lies in the share of GDP allocated to education. **The SFYP aimed to increase this share from 2% to 4% by 2015. However, the revised budget for the financial year (FY) 2012-2013 saw an allocation of only 2%, an almost insignificant increase since 2009.** This raises serious uncertainty about the feasibility of achieving the 4% of GDP target by 2015. In fact, in terms of the quantitative indicators set for primary education in the SFYP, none of the indicators of educational expenditure are likely to be attained. When looking at the educational budget in more detail, it becomes apparent that funds are falling for some of the programmes intended to promote equity in access. This includes projects such as the female secondary stipends, the “Stipends for Dropout Students”, and the “Fundamental Education for Urban Working Children”.

C. Health, Population and Nutrition

Health

Strategy and Objectives

Health service includes, inter alia , maternal, newborn and child health (MNCH), communicable and non-communicable diseases, life expectancy and immunization. This sub-sector is headed by the Ministry of Health and Family Welfare (MoHFW) and the Directorate General of Health Services (DGHS). Strategies have been developed for the health sub-sector, which can be categorized into 3 sections: 1) strengthening service delivery strategies, 2) strategies improving the quality of health inputs and 3) strategies to build up the capacity to deliver these services.

For the first section, **building up service delivery**, strategies include 1) decentralizing health services delivery to reach rural communities, 2) strengthening the delivery of maternal, newborn,

child and reproductive health services, 3) strengthening the delivery of urban health and disease prevention services and 4) ensuring gender equality within the service delivery.

The second, **improving the quality of health inputs**, requires 1) raising public awareness, 2) stepping up drug provision, 3) promoting food quality and increasing access to food, 4) augment surveillance of diseases, 5) ensure effective use of alternative medical care (AMC), 6) implement ICT in the HPN sector, and 7) expand medical education and strengthen research and training.

Finally the third section, **building up the capacity for service delivery**, has strategies such as 1) improving the management and governance of the sector, 2) ensuring effective budgeting and financing and **allocating 12% of total budget to the HPN sector**, 3) provide incentives for staff to do well and 4) strengthened partnerships with the civil society and the private sector.

As noted before, the strategies within the health domain will undoubtedly have an effect on the other domains. In fact, the strategies directed at supporting the capacity to deliver services apply to all the subsectors: health, population and nutrition. Finally, to appraise the success of these strategies, quantitative targets have been developed in the plan.

Implementation

In 2011, a new National Health Policy was formulated with the purpose of providing quality health care through cost-effective means. To achieve this, the policy calls for improvements in health systems and ensuring equitable access to health services. As part of the Government's Sector-wide Approach (SWAp), the policy encompasses objectives to be achieved within the health sector as well as nutrition and population. The focal point is on nutrition – especially for children and pregnant women – and population control through increased use of family planning services.

In the past 15 years, the development of the HPN sector and improvements of the services delivered has followed a SWAp programme. Between 1998 and 2003, the Health and Population Sector Programme (HPSP) was implemented; in 2003 it was replaced by the Health, Nutrition and Population Sector Programme until 2011. The execution of the SFYP's HPN strategy is being achieved through the new Health, Population, Nutrition Sector Development Programme (HPNSDP). The HPNSDP was formulated based on the objectives of the National Health Policy, the SFYP and the Vision 2021, using a SWAp approach. The fundamental goal of this programme is to create conditions whereby the people of Bangladesh have the opportunity to reach and maintain the highest attainable level of health.

The core approach developed for this programme falls under two broad categories: improving health services and strengthening the health systems. The former includes population control, adequate nutrition and improved health. This will be attained through increased family planning services and use of contraceptive methods; mainstreaming nutritional services within regular health services; using better preventive and curative approaches to diseases, increasing drug

quality and provision, and enhancing maternal care and child health services. The need for policy and institutional reforms, and decentralization of management will be addressed by improving the health system. Thirty-two operational plans (OPs) were defined for this programme, of which a sixteen OPs fall in the health sector and are the responsibility of the DGHS. These, inter alia, include Maternal, Neonatal, Child and Adolescent Health, Essential Service Delivery (ESD), Community Based Health Care, Hospital Services Management, Pre Service Education, Health Education and Promotion, Communicable Disease Control (CDC), and Non-Communicable Disease Control (NCDC). In addition to those, 8 other OPs have been developed in order to support the health system, falling under the MoHFW and other agencies.

Evaluation of Implementation

Against the HPNSDP development budget of **Tk. 22,176.65 crore for 2011-16**, as of December 2013 an amount of TK. 5528.18 crore was spent. When assessing the successes and limitations of the SFYP's health strategies, it makes sense to look at the quantitative indicators for a good starting point. Table 6.2 below has been updated with the current values of the statistics. As for the health sector, the white cells indicate that the indicators that have made progress and are likely to reach the 2015 target, whilst the shaded cells show indicators for which little progress was achieved and will likely miss the FY15 targets.

Table 6.2: Current Status of the Indicators for the Health Sector

Indicators	Baseline Status (Year)	Target (2015)	Current Status (2011 unless cited otherwise)
Life expectancy	66.6 (SVRS 2007)	70	69.0 (SVRS, 2011)
Maternal Mortality Ratio (per 100,000 live births)	194 (BM MS 2010)	143	209 (SVRS, 2011)
Neonatal Mortality Rate (per 1000 live births)	37 (BDHS 2007)	27	32 (NIPORT <i>et al.</i> , 2013) UESD (utilization of Essential Service Delivery)
Infant Mortality Rate (per 1000 live births)	52 (BDHS 2007)	31	35 (NIPORT <i>et al.</i> , 2013)
Under 5 Mortality Rate (per 1000 live births)	65 (BDHS 2007)	50	44 (NIPORT <i>et al.</i> , 2013)
Maintain low prevalence of HIV	<1%	<1%	0.1% (WB, 2013b)
Prevalence of Night blindness among pregnant women	2.90%	1%	2.74% (MoHFW, 2013)
TB case detection rate	73% (NTP 2008)	75%	70% [NTP 2012] (MIS DGHS, 2013)
TB cure rate	92% (NTP 2008)	95%	92% [NTP 2012] (MIS DGHS 2013),
Malaria mortality (per 100,000 population)	1.4 (NMCP 2008)	0.6	0.11 (MIS NMCP, 2013)

Indicators	Baseline Status (Year)	Target (2015)	Current Status (2011 unless cited otherwise)
Proportion of h/h own at least 1 insecticide treated net	64%	80%	82% (MoHFW, 2013)
Under-5 children sleep under treated net	81% (NMCP 2008)	90%	90% (MIS NMCP, 2013)
Births attended by skilled health personnel	26.5% (UESD 2010)	50%	34.4% (PMMU, MOHFW 2013b)
Facility level delivery	15% (BDHS 2007)	50%	28.8% (NIPORT <i>et al.</i> , 2013)
ANC coverage (4 visits)	20.6% (BDHS 2007)	50%	26.8% (INFSU, 2013)
PNC coverage (mother)	21.3% (BDHS 2007)	50%	27.1% (NIPORT <i>et al.</i> , 2013)
PNC coverage (children)	21.9% (BDHS 2007)	50%	29.6% (NIPORT <i>et al.</i> , 2013)
Met need for EOC services	22.43% (BDHS 2007)	80%	55.95% (BDHS, 2011)
TT coverage (children protected at birth from Tetanus)	93% (CES 2008)	95%	94% (WB, 2013b)
Valid coverage of full immunized children	75.2% (CES 2008)	90%	81.2% (CES, 2013)
Immunization of 1 year old children against measles	83% (CES 2008)	100%	84% (NIPORT <i>et al.</i> , 2013)

Source: Sixth Plan; NIPORT et al., 2013 ; Institute for Nutrition and Food Sciences University (INFSU), 2013 ; MIS Directorate General of Health Services (DGHS) 2012; UNDP Human Development Report, 2013; Programme Management Monitoring Unit (PMMU), Ministry of Health and Family Welfare (MoHFW); MoHFW Sixth Plan Progress Report, 2013; N/A : data not available.

Significant improvements have been achieved in the health sector through the execution of the SFYP. For instance the number of births at a health facility or attended by skilled health personnel has increased and mortality rates for newborns and children under-5 have decreased and are reaching the targeted level. Strides have also been made towards detecting and preventing both communicable and non-communicable diseases, thus increasing the life expectancy to almost 70. These are substantial achievements.

However, challenges remain in three key areas of the health sector: human resources, procurement and data collection. Looking at trained medical personnel, the number is too low for adequate coverage of the whole population. Indeed, there are approximately **3.05 physicians and 1.07 nurses per 10,000 individuals, one of the lowest ratios in the world.** Indeed, the MoHFW reported the lack of skilled manpower to be one of their biggest constraints affecting their performance. The issue resides in the slow capacity of the sector in filling the sanctioned vacant health worker positions. **There is an 18% vacancy rate for health workers, rising to almost 23% when looking at physicians.** Furthermore, this lack of skilled health personnel is aggravated by the geographical misdistribution of the staff. A majority of health workers are concentrated in urban areas, with as little as **16% of doctors operating in rural facilities.** This is due to the lack of incentives for health workers to work in rural areas.

Procurement of drugs and supplies presents challenges. Most of districts hospitals reported having adequate drug availability and some of the Community Clinics lacked some of the most basic drugs. Most Community Clinics were also short of basic equipment whilst in many other institutions the equipment provided was not put to use. In addition to funding constraint, this is also caused by lengthy procurement processes. A more simplified and standardized procedure must be developed. Besides these challenges, issues related to governance in health sector, both in public and private are prominent challenges, especially, it is widely perceived in the mass people through media that fraud pharmaceutical companies and clinics are deceiving native and ignorant rural people by marketing dangerously low quality drugs and treatment which risk the lives of those patients.

As for the MIS, the database collection and analysis requires a major effort. Many important data are missing in the routine MIS while a considerable amount of redundant data due to the lack of coordination between the relevant institutions. Again, simplified and harmonized MIS system to collect information efficiently, collating them and storing in computerized system needs to be established.

D. Population

Strategies and Objectives

Bangladesh has a population size of over 152.5 million people, making it the 9th most populated country in the world, despite its comparatively small size. This important population size coupled with high fertility rates is a major constraint for development. Recognizing this, subsequent governments have placed considerable importance to population control. Through continuous intervention and programs, coupled with exponential growth in contraceptive prevalence rates (CPR), fertility rates have fallen significantly. However in recent years, this positive trend has slowed down. For that reason, the SFYP has made it imperative that efforts are revived and that the total fertility rate (TFR) reaches its replacement level of 2.2 by 2015.

To that end, strategies in the SFYP included renewing efforts to deliver and promote FP as well as lowering incentives for early marriage and childbearing. These include 1) strengthening efforts in and focus on population control, 2) managing the population momentum effect, 3) mainstreaming the population services at all levels of health centers, 4) improving the effectiveness of population control programs, 5) increasing the contraception rate to 74%, 6) strengthening the family planning services, 7) improving the monitoring and evaluation process, 8) improving human resources. To ensure these strategies lead to the desired outcomes, human resources in the responsible institutions, MoHFW and the Directorate General of Family Planning (DGFP), were to be strengthened. A monitoring and evaluating (M&E) system was to be set up to identify any inefficiencies or gaps in the delivery of population control services.

Implementation

As part of the Sixth Plan's execution, various policies and projects have been carried out. The new National Long-Acting or Permanent Method of Family Planning Policy was approved in 2011 and the National Population Policy was finalized in 2012. Population control program was also implemented through the HPNSDP. Out of the 32 OPs, 7 were designed to improve population control services and strengthen the capacity of this field. These include, inter alia, Clinical Contraception Services Delivery (CCSD), Family Planning Field Services Delivery (FPFSD), Maternal Child Reproductive and Adolescent Health (MCRAH) and Information Education and Communication (IEC). Although the HPNSDP follows its predecessor's strategies for population control, new elements have been added. FP interventions are to be diversified and their targeting is to be improved. The focus is on long acting permanent methods (LAPM), with programmes aimed at raising people's awareness of such methods.

Contraception is also widely employed as a FP strategy. Efforts have been made to improve procurement and distribution, therefore avoiding shortages. Mix-method contraception will be promoted, with actions taken to increase the use of LAPM. Indeed behavioral change communication and other means to increase awareness have been used significantly more to increase the population's knowledge on FP and contraception. Important actions have been taken in increasing the number of trained staff as well as improving the coverage of FP interventions. Since FY10, more than 6,500 new staff members have been recruited for the DGFP. 2,957 CCs' family welfare workers at the community level have completed their training, and 10,264 personnel have been trained in clinical contraception. Family welfare workers are employed to provide family planning and contraception methods to communities. Interventions for post-partum family planning have been initiated in 30 facilities. Focused program has been undertaken in Sylhet and Chittagong Divisions with a view to reducing total fertility rate (TFR) in those low performing areas.

Evaluation of Implementation

Unfortunately, updated data is a major constraint in assessing progress, especially regarding the input targets. However, in terms of fertility rates and population growth rate, the progress seems to be on track. Both of these indicators are very close to reaching their objectives for 2015 (Table 6.3).

Table 6.3: Current Status of the Indicators for the Population Sector

Indicators	Baseline Status (2007)	Target (2015)	Current Status (2011)*
Population Growth Rate	1.40 (SVRS,2007)	1.3	1.37 (BBS,2011)
Total Fertility Rate	2.7 (BDHS,2007)	2.2	2.11 (BDHS,2011)
Contraceptive use rate of married	37.6%	50%	42.4%

Indicators	Baseline Status (2007)	Target (2015)	Current Status (2011)*
adolescent	(BDHS,2007)		(BDHS,2011)
Permanent & Long acting FP	7.3% (BDHS,2007)	20%	8% (BDHS,2011)
Contraceptive Prevalence Rate	55.8% (BDHS,2007)	74%	62% (UESD, NIPORT,2013)
Modern method of contraceptive	47.5% (BDHS,2007)	63%	53.1% (UESD, NIPORT,2013)
Discontinuation rate of FP methods	56.5% (BDHS,2007)	20%	35.7% (BDHS,2011)
Unmet need for FP	17.1% (BDHS,2007)	7.6%	13.5% (BDHS,2011)
Percentage of women using modern contraceptives in low performing areas	Sylhet: 25% Chittagong: 38%	Sylhet: 65% Chittagong: 65%	Sylhet: 39% Chittagong: 44%

*Source: Sixth Plan; Bangladesh Demographic & Health Survey (BDHS)2007, 2011, Utilisation of Essential Services Delivery (UESD)*NIPORT et al., 2013.*

Research done in the area of population management suggests several areas where policy attention is needed. First, despite the advances made in hiring and training personnel, staffing still remains a major challenge. In absolute numbers, there is a shortage of family planning workers, as the demand is much greater than the supply. Another issue is **the large amount of vacancies in hard-to-reach areas**. A third concern is the training for these workers, which may have become obsolete and will require updating in the near future to reflect international standards and best practices. These concerns have led to very uneven patterns in fertility rates across the country. Most of the west of the country has now reached replacement levels, compared to the east of the country that has a fertility rate of up to 1.5 children above the replacement rate.

In a similar fashion, the contraception prevalence rate has also observed mixed results. The **LAPM still only accounts for 8% of all contraceptive use**. The objective of the **SFYP to increase this rate to 20% by 2015 seems fairly unrealistic at this point in time**. In fact, apart from the contraceptive use rate of married adolescents, all other indicators have failed to show significant progress. It is unlikely that any of these will be able to reach the 2015 targets without considerable additional effort.

Clearly, additional efforts are needed to improve the supply of family planning staff, contraceptive supply and budgetary resources to support the Sixth Plan's target for reduction in the total fertility rate.

E. Nutrition

Strategy and Objectives

Nutrition is an important factor in development, as it is directly linked to poverty and mortality. Malnutrition predominantly affects poorer and more vulnerable populations as well as children, women and adolescent girls. The main challenges with regards to nutrition are undernutrition and micronutrient deficiency. Undernutrition falls in two categories: **stunting** or chronic undernutrition and **wasting**, or acute undernutrition. **As of 2011, 41% of the children under-5 suffered from stunting and 36% of them were underweight** (BDHS 2011). Maternal undernutrition stood at 18% overall with significant regional disparities. The other challenge, micronutrient deficiencies, refers mainly to lack of iron and iodine. This leads to anemia, a condition affecting around 60% of children between 6-23 months and 50% of pregnant women.

For these reasons, the SFYP called for renewed efforts in the nutrition field. The key approach to nutrition advocated in the Plan is to mainstream all nutritional services for all levels of health services. The strategies formulated look at improving the overall nutritional status of the population with a renewed focus on maternal and infant nutrition. This will be achieved mainly by increasing and expanding the distribution of free micronutrients and vitamin supplements. To make certain that the desired outcomes are reached, actions will also be taken to strengthen the nutritional services systems such as identifying the roles and responsibilities of the ministries/directorate as well as increasing the knowledge and training of health workers in nutrition.

The key interventions to nutrition are being provided by an Operational Plan titled ‘National Nutrition Services’ of DGHS. The other government bodies accountable for the nutrition sub-sector are the Institute of Public Health Nutrition and the Bangladesh National Nutrition Council. In an effort to mainstream it within the health sector, nutrition now falls under the responsibility of DGHS of MoHFW. Other ministries will also partner up to allow for a holistic approach to nutrition, notably the Ministry of Food (MoF), Ministry of Agriculture, Ministry of Fisheries of Livestocks, Ministry of Disaster Management and Relief (MoDMR), Ministry of Women and Children Affairs (MoWCA). In order to evaluate the development of this sub-sector, indicators have been developed within the five year plan.

Implementation

The implementation of the SFYP’s goals for nutrition has taken three different avenues: through the National Health Policy, the Country Investment Plan (CIP) and the HPNSDP. Within the National Health Policy, 3 goals have been defined to end malnutrition. These goals are: goal 1: develop the nutrition and health status of the population; goal 2: reduce the level of malnutrition, emphasizing efforts for maternal and child malnutrition; and goal 3: render quality food, food for children and safe water available.

In 2006, the government formulated a National Food Policy, which was later supported through the implementation of a Plan of Action in 2008. The National Food Policy is based on three fundamental ideas: food availability, access to food and food utilization. In 2010, the government approved the CIP, a tool to effectively mobilize and invest funds to achieve the objectives of the National Food Policy which were in line with those in the SFYP's nutritional goals. In 2011, this CIP was upgraded through a participatory process involving the main stakeholders, and renewed the emphasis on ensuring sustainable food security. Food security will be achieved by securing a sufficient and stable food supply, improving the population's access to food, and ensuring adequate nutrition of the population.

The third implementation pathway was through the HPNSDP. A nutrition Operational Plan (OP) was formulated in order to mainstream nutrition within the health sector. This OP, the National Nutrition Services (NNS) is the largest nutrition project operating in Bangladesh, focusing on childhood under-nutrition (under-2 and 3-5 year old children), adolescent girls, and lactating and pregnant women. The core purpose of this OP is to reduce the prevalence of malnutrition among the people of Bangladesh with special emphasis on the children, women, adolescents and underprivileged section of the society. To that end, four objectives have been Proposed. The first objective is to secure universal access to nutrition services through mainstreaming nutrition with health and family planning services. Secondly, the OP will be using a multi-sectoral approach to malnutrition through improved coordination between relevant institutions such as the MoHFW, the MoF, MoDMR and the MoWCA. Third, the human resources' capacity to manage, monitor and deliver these nutritional services must be built up. These services will be delivered at all levels of society and to people of all ages, with prominence given to the "window of opportunity" (the time from pregnancy to the second year of life). Finally adequate managing of the information system and monitoring and evaluation will be required for a result-based assessment of this OP. The strategies for this OP include promoting good nutritional practices through education, training and behavioral change communication. Micronutrient supplements such as iodine, vitamin A and iron are also an important part of the action plan. In addition, necessary measures will be taken to target the vulnerable population, the hard-to-reach, and the population during and after emergencies such as natural disasters.

Various projects and programmes have also been undertaken to fulfill the Sixth Plan's objectives. These include different initiatives to distribute vitamins and micronutrients to urban and rural communities. New communication strategies have been implemented to improve the population's awareness on the importance of nutrition and good practices to adopt, especially in terms of infant feeding. Finally, more monitoring has been put in place to survey the nutrition situation throughout Bangladesh, for instance through household surveys and the Food Security Nutritional Surveillance Program.

Evaluation of Implementation

Table 6.4 shows the progress in the area of nutrition measured against Sixth Plan targets. White cells denote indicators that have improved successfully and are likely to reach their 2015 targets, whilst shaded cells denote indicators where progress has lagged and they may not be achieved.

Table 6.4: Current Status of the Indicators for the Nutrition Sub-Sector

Indicators	Baseline Status	Target (2015)	Current Status (2011)
Postnatal VAC supplementation	29%	80%	75% (UESD, NIPORT <i>et al.</i> , 2013b)*
Severe anemia (children)	64%	50%	33% (BMNS, 2012, ICDDR,B)*
Exclusive breast feeding of children (< 6 months)	42%	80%	63.4% (INFSU, 2013)
VAC coverage (6m-6y)	98%-100%	98%-100%	94% (WB, 2013b)*
Severe anemia (pregnant women)	46%	40%	42.4% (BDHS, 2011)
Underweight of Under-5 children (6-59 months)	41%	33%	36% (BDHS, 2011)
Stunting of Under-5 children	43%	25%	38.7% (UESD, 2013b)

*Source: GED, 2011b, p.130; BDHS, 2011, NIPORT, UESD, NIPORT et al., 2013 ; INFSU, 2013 ; World Bank, 2013c ; N/A : data not available; *[Note : value only includes 6m-5y]*

The Table shows mixed results, with some indicators such as Postnatal VAC supplementation having achieved phenomenal progress and others, like severe anemia in pregnant women, showing signs of worsening. There are various reasons behind the mix performance of this sector. Looking at the monitoring report done in 2012 for the National Food Policy and CIP, food security is far from being achieved¹⁰. The food supply was increased as advocated – however, this increase has almost entirely been achieved through increases in the rice stock. There has been very little progress in terms of diversifying the food supply. This was reflected in the utilization of food, with cereal being the main dietary energy supplement. The proportion of children receiving a minimum acceptable diet has actually fallen, as well as the consumption of iodized salt. Finally, despite the improvements made in poverty reduction, the access to food has seen very little change, especially in terms of gender-based inequalities. In addition to the limitations of the CIP, the goal of reaching underserved and vulnerable populations still requires a lot of work. In fact, the inequalities between geographical regions, wealth quintiles and gender are still very prominent in nutrition. For instance, stunting of children in the wealthiest quintile is a half of that in the poorest quintile. Children living in rural areas also have a larger chance of being affected by stunting than children living in urban areas.

¹⁰ Food Planning and Monitoring Unit (FPMU), 2012. *National Food Policy Plan of Action and Country Investment Plan: Monitoring Report 2012*. Dhaka: FPMU.

The nutrition sub-sector system and the capacities of its responsible institutions might be responsible for these low-level outcomes. Indeed, very few of the strategies to improve the governance and management of this sector have been executed. The nutrition interventions, especially those targeting acute under nutrition, have had a very limited scope: interventions for moderate acute under nutrition only covers 2% of under-5 children and interventions for severe acute under nutrition covers 10%. The lack of coordination between the head institutions also holds the development back. The nutrition sector isn't the sole responsibility of just one ministry/directorate; instead it is implemented by various institutions. This leads to fragmented interventions, duplicated activities and a lack of accountability. **Lastly, the budget for this sector is substantially insufficient.**

F. Progress with Cross-Cutting Issues

There are several institutional issues that are cross-cutting in nature and affect the overall delivery and quality of Human Resource Development services. Progress in these areas is long-term in nature and requires continuous attention.

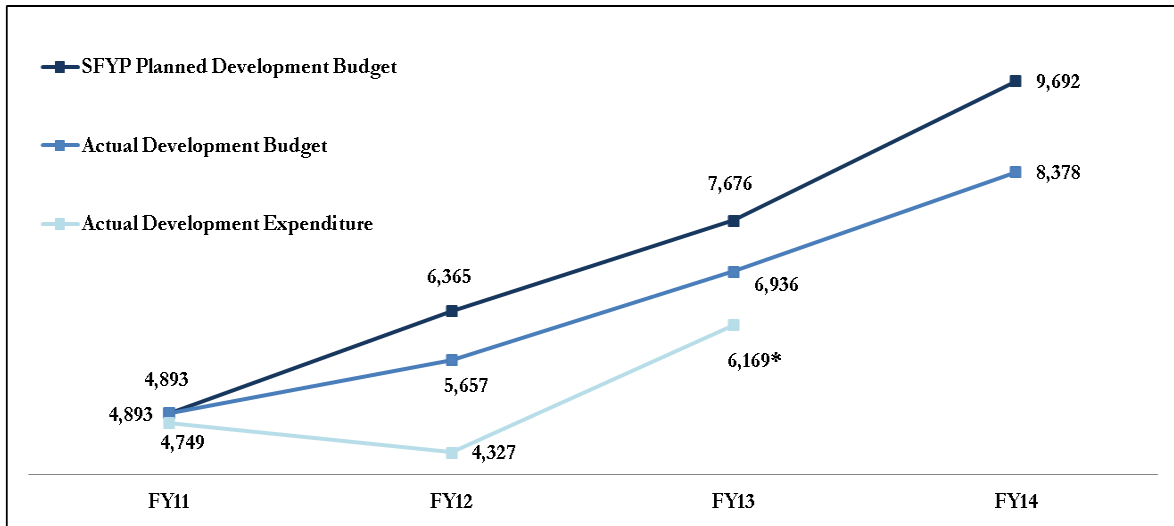
Governance Issues

Accountability within the different responsible levels of ministries and directorates is a difficult challenge and requires continuous effort. The centralized administration of Human Resource Development services also hinders the SFYP's performance. **Despite the Sixth Plan's call for greater decentralization of the administration of the HD sectors, the decision making power remains largely at the central level.** This leads to many issues such as delays, internal inefficiencies and the misuse of resources. Many of the programming decisions (procurement of inputs, delivery, etc.) are being taken by the ministries when instead they could be handled more efficiently at the local level. This highlights two key issues stemming from bureaucratic and centralized governance. First, policies and programmes are planned at the top level with little involvement from local stakeholders. This can lead to projects and policies that do not reflect the needs of communities. Local stakeholders therefore tend to take little ownership in the implementation of these programmes and their participation is likely to be weak. Second, it often means policies and projects are slow to adapt to changes and to the different characteristics of the population.

Fiscal Commitment

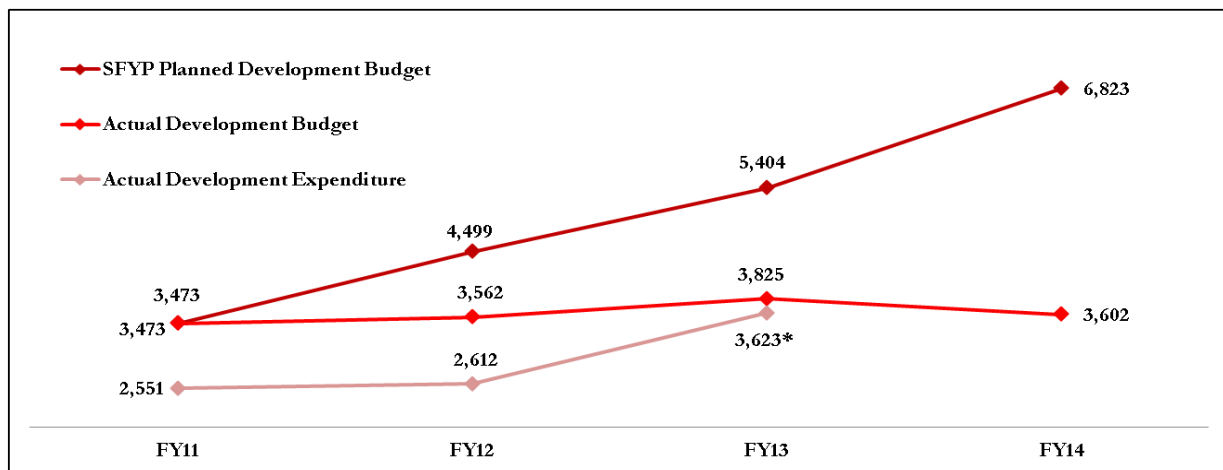
The national budget is one of the most important tools the government has to achieve the SFYP's objectives, and it can be seen as the fiscal translation of the Government's commitments. However, in the past three years the budget allocations did not follow the recommendations of the Sixth Plan. The actual expenditures were lower than what had been Proposed in the Sixth Plan (Figure 6.1 and Figure 6.2). **Indeed, the usual pattern has been that actual expenditure falls short of both budgeted and revised budget expenditures.** This partly reflects financing constraint but also reflects procedural problems in release of finance, procurement and other implementation constraints.

Figure 6.1: Education’s Development Budget (Planned, Actual, and Expenditure) in Crore Taka



Source: Sixth Five Year Plan and Ministry of Finance.

Figure 6.2: Health’s Development Budget (Planned, Actual, and Expenditure) in Crore Taka



Source: Sixth Five Year Plan and Ministry of Finance

The fiscal commitment challenge can be better seen by looking at the total education and health budgets. Current spending that finances salaries of staff, books and materials and drugs supplies etc are often even more important than capital spending (buildings and equipment). **Bangladesh spends about 3% of GDP on education and health from the budget as compared with 5-6% in East Asian countries.** Given the huge challenges in upgrading skills of the labor force and improving the general well-being of the population, **Bangladesh needs to gear up its Human Resource Development expenditure to at least 4-5% of GDP.** This financing challenge was recognized in the Sixth Plan but remains almost unaddressed.

G. Future Prospects

The evaluation of performance shows progress in many areas but also shortfalls and areas of concern. Many of the quantitative targets in education and in the HPN sector have shown promising progress and will likely reach the desired value by 2015. Some such as nutrition, family planning and internal efficiency of education may well fall short of the objectives. In addition, other goals such as strengthening the management and governance capacity of these sectors and improving the quality of the services have made limited progress. The equity aspects also require much more attention. Based on the lessons of the implementation record so far, a number of recommendations can be made.

First, stronger efforts are needed to implement the Sixth Plan's recommendation to devolve service responsibilities in health and education to the local governments. This agenda is high on the government's list but actual implementation is slow.

Second the coordination within the government (between ministries, directorates and other levels) needs to be improved. Greater decentralization, with responsibilities and budgets actually divided between the different institutions and levels, will help this coordination process considerably. This will avoid overlaps of projects and programs and ensure the objectives and targets are aligned.

Third, a re-examination of budgetary priorities is needed to allocate greater resources for health and education. **The target should be to allocate at least 1% of GDP more resources to these activities by the end of the Plan period.** The implementation of the government's health insurance programme will also help.

Fourth, the equity aspects of education spending can be improved by providing additional resources for scholarships for the children of the poor and vulnerable families as Proposed under the National Social Security Strategy (NSSS). Partnership with NGOs could be strengthened to deliver health and education services in the hard-to-reach areas as well as to reach out the socially-excluded groups.

The nutrition programmes need additional efforts. Outreach programmes need to be strengthened. Stronger partnership with international institutions such as UNICEF and with NGOs can provide greater push and visibility to this effort.

Finally, the upgrading of skills for the workforce needs renewed attention. Greater efforts are needed to learn from the East Asian experiences with training, including stronger partnership with private sector in the design and implementation of training programmes including support for on-the-job training. Consultations with the various chambers of business and commerce on a training strategy and associated policies can be a useful first step.

CHAPTER 7

Poverty Reduction, Gender Empowerment, Social Inclusion and Social Protection

A. Introduction

The Sixth Plan's strategy for poverty reduction puts emphasis on Human Resource Development and higher-income, higher productivity job creation as the two most important elements. Even with higher growth, better jobs and better access to essential services, the Sixth Plan recognizes that a part of the under-privileged population - among them poor women and people from ethnic groups and socially excluded groups - still will likely be left out. Additionally, substantial risks are posed by natural disasters and climate change for this vulnerable population. To address this challenge, the Sixth Plan aims at significantly strengthening the social protection programs. The strategy will be to design and implement a range of social protection programs that meets the needs of this under-privileged group. In this regard, existing programs will be reviewed and reformed to establish better targeting with a view to ensuring that all under-privileged groups including the disable, the elderly, the tribal population, and children and women at risk are given priority in the distribution of benefits. Particular attention will be given to strengthening the underlying institutions. **In view of large financing needs for social protection programs, options will be explored to move towards contributory social protection schemes including participation by the private sector. Emphasis will also be given to design social protection programs that create assets and employment opportunities.**

Establishing equal opportunities for women in all sections of the society with the objective of integrating them much better into social and economic sphere is a core strategic element underlying the Sixth Plan. It is recognized that women are a heterogeneous groups such that their situations, deprivations, and needs vary according to their locations within various communities, religions, and regions. Thus, along with promoting rights and entitlements of women, Sixth Plan envisages to cater to all these differential and specific requirements ensuring equal access of women to political, economic and social space.

B. Progress with Poverty Reduction

Objectives, Targets and Strategies

The SFYP formulated a two dimensional poverty reduction goal. It aims to reduce poverty by creating productive jobs and income opportunities for the poor; simultaneously it seeks to reduce income inequalities such as those experienced between regions, gender, occupation, ethnicity etc. Regarding job creation, the main focus is on increasing the rate of growth of the economy,

improving the sectoral composition of growth and strengthening Human Resource Development. These aspects were analyzed in depth in Chapters 2 and 6. In addition, **the Sixth Plan aimed to boost income opportunities for the poor through a number of channels. These include: 1) boosting agricultural productivity, 2) facilitating and strengthening remittances flow, and 3) expanding microcredits.**

Agriculture Productivity

Improving labor productivity in the agro-sector would raise income for the workers. As 47% of the labor market is employed in the agricultural sector, this is a potentially very effective poverty reduction strategy. The analysis of the poverty reduction experience based on HIES 2010 showed that the increase in agricultural incomes was a major contributing factor to poverty reduction. Accordingly, the SFYP endeavors to implement more pro-poor agricultural policies and programmes, with special attention given to lagging regions. These would include facilitating the poor's access to factors of production and credit, as well as through the distribution of farm subsidies on water, fertilizer and seeds. Research and development in agriculture and support for agriculture marketing will also be undertaken.

Remittances

Remittances account for an important share of the GDP and have the potential to help raise the wealth and assets of the receiving population. To that end, the SFYP aims to expand overseas labor markets, emphasizing primarily on migration in lagging regions and female migration. Training courses are to be developed for migrant workers to help them acquire high-skilled and high-income positions. Rules and regulations regarding labor migration are to be enforced to avoid exploitation of workers. Through policy discussion with host governments and local embassies, the Government of Bangladesh will ensure that male and female migrants are treated humanely and with dignity. Finally, the transaction costs of remittances are to be reduced with better banking services to ensure the whole process is more efficient and transparent.

Microcredit

The key actions recommended by the SFYP are to expand the coverage of credit to more households, both through formal rural credits and through microfinance institutions (MFIs). To even out inequalities between regions, access and volume of microcredit will be strengthened in poverty prone areas. The outcomes of the borrowers will be improved through skill development and access to information that may be crucial to their operations. Finally, microcredit amounts would be scaled up for the recipients that have proven their abilities to handle larger size loans.

Implementation

The Sixth Plan targets related to poverty reduction in the revised RF is shown in Table 7.1. The lack of actual data based on HIES limits the ability to make precise conclusion about the poverty

and employment impacts so far. The projected employment and poverty data derived in Chapter 2 suggests that the results are generally positive. The 6.4% average growth rate achieved during the first three years of the Plan combined with 3.5% average growth in agricultural GDP suggests that poverty has continued to fall. **Employment creation has performed better than expected so far owing to very favorable labor absorption abroad.** Agricultural wages have also continued to increase positively in real terms. One downward trend though is the much slower-than-planned growth in agricultural output. On the whole it is reasonable to conclude that poverty has continued to fall, but it is likely that the reduction in poverty may be less than projected in the Sixth Plan partly due to slower than planned growth in GDP and also because of considerably slower growth in agricultural GDP.

Table 7.1: Progress with Poverty, 2010-13

Objective	Performance Indicators	Baseline (2010)	Target by 2015	Current Status (2013)
Reduction in poverty, across	Poverty headcount rate with CBN method	31.5%	22.5%	26.3%
	Rate of growth of GDP	6.1%	7.3% (Avg.)	6.4%
	Expansion of employment		10.4 million	6.1 million
	Employment share of manufacturing	12.0 %	15.7%	13.8
	Rate of growth of agricultural GDP	5.20%	4.3%	3.14 %
	Growth of real wages in Agriculture		positive	positive

Source: Sixth Five Year Plan; Chapter 2 Mid-Term Review: BBS.

Remittances

As noted in Chapter 3, remittances have continued to perform outstandingly. Government has supported this through a range of policies as envisaged under the Sixth Plan. To facilitate remittance **27 microfinance institutions have been authorized along with 28 banks through mobile banking. The number of jobs created in the first three years of the Sixth Plan (2.0 million) substantially exceeded the projected employment (1.2 million).** This has been a major contributory factor to the growth of remittances. On the whole, this area is fully on track

Microcredit

With regards to microcredit, programmes have continued to improve access and services. The Bangladesh Bank has taken a strong pro-active role to improve the access of credit and other

financial services. New financial instruments based on ICT are slowly changing the landscape of financial service access to the poor in both rural and urban areas. In the area of micro-credit, rules were developed for the Microcredit Regulatory Authority (MRA) in 2010 to properly supervise MFIs and protect both the borrowers and the lenders. The number of registered MFIs, as well as the number of borrowers and saving per borrowers has been steadily increasing throughout the Plan's time frame. **In 2012, some 135 new MFIs registered with the MRA, and in 2011, the savings per borrowers had increase by 19%.** There are now about 1212 applications under process from microcredit related organizations for MRA registration. **The government has provided microcredit financing through 272 partner organizations (NGOs).** So far through the PKSf program about 8 million borrowers has received microcredit of whom 91% are women. The present outstanding loan from this partner organization is 3564 crore taka. Policies and programs for small and medium enterprises were also formulated in 2010 to enhance financing services for SMEs' entrepreneurs. According the Bangladesh Bank data, almost 700 billion BDT was distributed to SMEs, 15% of which went to women entrepreneurs.

C. Gender Empowerment

Objectives, Targets and Strategies

Women make up almost half of the population of Bangladesh; however they remain one of the most at risk social groups of the country. Although strides have been taken to advance women's position in society, they continue to have lower economic, social, political and legal statuses. For instance, in 2008, women held less than 20% of parliament seats and in 2010 the female share of the labor force was less than 40%. This underprivileged position leads to a higher threat of poverty for women as a social group. It also subjects them to other risks such as physical and emotional violence, exploitation, and natural disasters..

The SFYP calls for a two-sided approach for empowering women and ending gender-base discrimination. First, gender will be mainstreamed into all sectoral interventions. Second efforts will be taken to remove all biases against women in society but also in policies, programs, institutions. The strategies adopted in the SFYP to improve women's empowerment and social participation will be provided for the main social spheres: political, economic, social and legal, as such:

- **Political and legal empowerment** will be ensured by 1) addressing women's advancement and rights issues taking into account the Constitution and other commitments to international forums and 2) ensuring participation and representation of women in all national and local political institutions.
- **Economic empowerment** will be addressed by 1) increasing and improving the opportunities for women's employment; 2) providing an enabling work environment; and

finally 3) strengthening women’s economic decision making power by promoting women producers, women trade unions and women entrepreneurs in trade negotiations .

- **Social empowerment** requires 1) eliminating gender health and education disparities, 2) prioritizing women in social programs, loans and microcredit, 3) eliminating violence against women through adequate reporting of incidents, and medical, legal and psychological treatment, 4) recognizing the multitude of social identities women can have: ethnic, religious, wealth groups, disabilities and taking it into account when formulating policies and programs to address their needs and 5) promoting women’s statuses through media.

A set of targets have been articulate to monitor the extent to which gender equality and women empowerment has been achieved during the plan’s execution. These targets are found in the result framework and reproduced in Table 7.2.

Implementation

Table 7.2 shows the progress in the area of gender empowerment against the targets of the revised RF. **Considerable progress has been made in further improving gender empowerment in a number of areas. Bangladesh already stands out among comparable per capita income countries**

Table 7.2: Progress with Women Empowerment

Sector	Objective	Performance Indicators	Baseline FY(2010)	Target by FY 2015	Current Status (FY2013)
Gender and Inequality	Women and men enjoy equal opportunities	Ratio of girls to boys in tertiary education	32%	60%	73%
		Seats held by women in national parliament	18.55% (2008)	33%	25%
		Ratio of literate females to males (percent of ages 20-24)	85%	100%	86%
		Share of women employed in the non-agricultural sector	20%	50%	Not available

Source: Proposed Results Framework,

out in terms of achieving parity in primary and secondary school enrollment. Solid progress has been made in reducing the large gap between male and female students at the tertiary level. Other indicators also show commendable improvement, although there is still a substantial gap. On the whole, progress seems to be on track although further progress is needed in the area of female adult literacy.

Looking at what has been achieved, the most important step from the government has been to ratify the National Policy for Women’s Advancement (NPWA) in 2011. Its vision is to “create a society where men and women will have equal opportunities and will enjoy all fundamental

rights on an equal basis". A list of 20 goals was formulated in order to empower women in all aspect of life: socially, legally, economically and politically.

Following this policy, a number of other government legislation was passed, and a number of new projects and programs to empower women within the society were developed. In the past 20 years, the number of parliament seats held by women more than doubled. This was facilitated by the reintroduction of quotas in 2004, allowing 45 parliament seats to be reserved for women with a further increased to 50 in 2011. Following this push towards greater political empowerment for women, Bangladesh is now achieving impressive results in this field compared to neighboring and other low income countries. **Indeed according to the Gender Gap Report (GGR) of the World Economic Forum, 2013, Bangladesh ranked 7th out of 136 countries for women political empowerment.**

The Government has tried to change socio-cultural norms that may hinder women's status and empowerment within the society through adopting laws to ban child marriage, acid throwing, violence against women, dowry etc. However the implementation of these laws remains the major challenge. Additionally, many discriminatory laws still exist in Bangladesh despite the commitment made by adopting the CEDAW¹¹ convention to change or eliminate them. Also, Bangladesh scored low in terms of women's legal parental authority in marriage and after a divorce in the GGR 2013.

The Government has carried out various initiatives to help promote women employment and their economic empowerment. Training centers have been established to provide women with different income generating skills (e.g.: IT, entrepreneurial, food processing). Unfortunately, this has been insufficient in creating gender equality within the economic sphere. With regards to women accessing important factors of production such as land and credit, Bangladesh scores low in the GGR 2013. Women's labor force participation rate (36%) still remains low by international norms (LFS 2010). When included in the labor market, women still face different forms of discrimination. They are more prone to under-employment, and wage and occupational gender gaps remain significant: **only 53% of women receive equal pay for equal work, and less than a third of senior officials and managers are women**¹².

The Domestic Violence (Prevention and Protection) Act of 2010 was passed in accordance to international commitments to enable women to file legal complaints against all form of domestic violence. The act provides a very wide definition of domestic violence which includes not only physical and sexual abuse, but also psychological (harassment, controlling behavior and verbal abuse) as well as economic abuse (forceful deprivation of financial and economic resources). Another project that has been executed to eliminate VAW is the third phase of the Multi-Sectoral Program on Violence Against Women, implemented jointly by the Government of Bangladesh and the Government of Denmark (DSS, 2013).

¹¹ Committee on the Elimination of Discrimination against Women

¹² Gender Gap Report, WEF 2013

Other projects and programmes have been implemented to protect and empower women. Amongst these the “Multipurpose Rehabilitation Center for Destitute Age-Old People and Socially Disabled Adolescent Girls” project, to rehabilitate elderly women and disabled girls through skill training and the “Bangladesh Mohila Samity Complex Building for the Underprivileged Women in the Society” to create a space for undertaking women development programs in a safe and proper environment .

Finally, steps have also been taken to incorporate gender dimensions in the formal budgeting process. **In 2005, the GoB introduced Gender Responsive Budgeting (GRB) in an effort to mainstream gender issues at all policies and decision making levels.** In FY13, 25 of the ministries were undergoing GRB. A set of guidelines has also been issued to ensure development projects are prepared and reviewed in a gender sensitive way.

D. Social Inclusion

In addition to women, vulnerable populations in Bangladesh encompasses different social groups such as children, elderly, ethnic and religious minorities, people with disabilities or physical impairments and low caste groups. All these heterogeneous groups are generally vulnerable to extreme poverty, natural disasters, and other external shocks that may impact their well-being. Likewise, their access to health and nutrition services is often restricted and their education participation and achievement tends to be low. Therefore the different needs and priorities of these social groups must be taken into account when planning to eradicate poverty and improve Human Resource Development. Empowerment through increased participation in the various spheres of a society is the most efficient and inclusive way to do so. This positively reinforces the development of a nation and strengthens economic growth both directly and indirectly, in addition to increasing social stability and the well being of its citizens.

Goals and strategic approaches have been devised in the Sixth Plan for each of these groups, exploring the most efficient ways to include and empower them within the society.

Children

Objectives, Targets and Strategies

Major progress has been made in promoting children’s status, their survival and their development. For instance Bangladesh has already achieved the MDG for gender parity in primary and secondary education as well as the MDG for reducing child mortality. Nonetheless, **children make up 46% of the poor in Bangladesh, and are more susceptible to abuse, exploitation and natural disaster.** Many additional issues linger in terms of malnutrition, poverty, and low or lack of education.

The Sixth Plan’s approach to empower children focuses mainly on their development as well as their legal protection and their rights. Improved health will be achieved through 1) controlling

communicable and non-communicable diseases as well as increasing behavioral change communications in schools about health and healthy practices, 2) increasing food and nutrition intakes of children, and 3) ensuring access to safe water and sanitation to reduce environmental health hazards for children. The children's access to good quality education will be strengthened through early childhood development strategies and access to formal and non formal education. Legal protection will be achieved by 1) creating a national platform for allowing children to express opinions on their needs, 2) enforcing and harmonizing laws against children abuse, trafficking, exploitation, 3) mobilizing municipal corporations to register all births, 4) eliminating child labor by instigating the National Plan of Action for Implementing the National Child Labor Elimination Policy, 2010 and 5) ensuring children are removed from abusive and exploitative circumstances.

Implementation

Three crucial piece of legislation have been passed as a mean to implement the children empowerment section of the Sixth Plan. The key one was the National Children Policy was adopted in Bangladesh in 2011. This policy aimed to empower children and protect their rights by eliminating all form of abuse, violation and discrimination that may impact their well-being. Amongst the objective of this policy, the importance of providing all children (regardless of age, gender, religion, ethnicity and location) with equal opportunity for development is highlighted. The policy recognizes that children are a heterogeneous social group, with different needs that must be met. Prior to that, the National Child Labor Elimination Policy was approved in 2010 with the aim of improving children's life and well-being through the removal of all types of child labor, especially dangerous and degrading work. Emphasis was put on children with more predispositions to enter child labor, such as children from poor households and ethnic minorities. The policy looks at increasing the incentives for these children to return to the education system. The stakeholders are directed to coordinate amongst themselves to develop short, medium and long-term programs to eliminate child labor in Bangladesh. Finally, the Government passed the Children Act of 2013 based on the Convention of the Rights of the Child. It defines children as an individual under the age of 18, a definition universally recognized. It also provides legal instruments to protect children with regards to a wide range of potential exploitation and abuse such as child marriage, work, and issues with the justice system.

Despite the impressive progress made through the ratification of such policies and acts, the changes in child labor and other potentially harmful attitudes and norms has been slow to come by. The reasons for this include the lack of enforcement capacity for these laws and the lack of public awareness. The Government must persist in its efforts to empower children by scaling up awareness campaigns to ensure these laws become common knowledge to all and that every household is sensitized in the different risks children may face.

In addition to laws, the strategies have also been put into action via various new and ongoing projects. For instance, the "Services for Children at Risk" aims to strengthen the protection of

children and the government's capacity to do so, and the "Child Sensitive Social Protection in Bangladesh" improves children's access to social protection programmes. A Child-Helpline program is being implemented, 250 Community-based Child Protection Committees are being formed and 7 Integrated Child Protection Service Centers have already been established. Regarding the Human Resource Development strategies, their review was done in the chapter 5. The evaluation showed that education access and participation was improved, both for boys and girls, especially within the primary and secondary cycles. Furthermore, the number of schools offering pre-school classes had increased as well, offering children the opportunity for early development. In terms of health, important advances have been made in detecting and preventing communicable and non-communicable diseases, as well as in reducing the under-5 mortality rates. However, challenges remains in terms of education quality and nutrition which continues to hinder children's empowerment and development.

Ethnic Communities

Objectives, Targets and Strategies

In Bangladesh, there are 45 different small ethnic communities making up around 2 million people, including many of Bangladesh's extreme poor. Historically, these ethnic group populations have been marginalized from society and faced restricted access to basic social services such as health, education, justice and politics. To combat these issues, the SFYP aims to ensure ethnic people their social, political and economic rights; ensure security and fundamental human rights; and preserve their social and cultural identity. This will be achieved by providing them with improved health and education services, promoting their employment, as well as protecting their rights to land and other resources. One of the chief strategies is to fully implement the 1997 Chittagong Hill Tracts (CHT) accord. Others include actions to promote their economic empowerment, improve their quality of life and legally protect them, as such:

- **Economic empowerment** through 1) the expansion of non-farm income generating opportunities and rural development, 2) the provision of microcredit along with vocational training, 3) the development of a sustainable tourism industry.
- **Improve quality of life** by 1) expanding Human Resource Development programs to address the special needs of ethnic people, 2) formulating a National Language Policy to protect the culture of these communities, 3) extending national power grid and distribution systems for electricity supply to meet these communities' demand for electricity and 4) providing ethnic communities with preferential access to social protection programs.
- **Legal protection** ensured by 1) implementing the UN Declaration on the Rights of Ethnic groups Peoples 2007 and ratify the ILO Convention 1969, 2) formulating a land policy to deal with land disputes involving ethnic communities and finally 3) ensuring the participation of local governments in the management of natural resources.

Implementation

In 1997, the CHT accord was signed between the GoB and the Jana Sanghati Samiti as a mean to end the civil uprising that had taken place in CHT for the past 20 years. The accord recognizes the CHT as “tribal inhabited” region and acknowledges the region’s traditional governance system, the status and importance of its chiefs. This accord was seen as a stepping stone for strengthening ethnic groups’ autonomy in this region. Recent progress in continuing the implementation of this accord includes the transferring of 5 new institute functions under the Hill District Council’s authority. Various meetings and discussions have also taken place between different stakeholders to discuss the state of the implementation and the way forward.

With regards to securing coverage of Human Resource Development services to ethnic communities, diverse initiatives have been taken. The Tribal Health, Nutrition and Population Plan (THNPP) was formulated as part of the Health, Population and Nutrition Sector Development Program (HPNSDP) to ensure ethnic minorities have access to the health, nutrition and population services. The purpose of the THNPP is to offer need-based, area-specific services delivered in an ethnic sensitive way. Both the National Education Policy of 2010 and the Third Primary Education Development Program (PEDP 3) recognize the different needs of ethnic communities, and have committed to educate student from those minorities in their mother tongue.

Land remains the main issue for empowering ethnic minorities. Finally, the legal and political empowerment of these populations is still lagging. On the whole, progress is good but further effort is needed.

Persons with Disabilities

Objectives, Targets and Strategies

Bangladesh has gone a long way in terms of promoting and protecting the rights of persons with disabilities (PWD). Both the UN Convention on Rights of Persons with Disabilities and the Beijing Proclamation on the Full Participation and Equality with Disability in Asia and the Pacific Region have been ratified. A 5 year National Disability Action Plan in 2006 was also implemented, making all relevant ministries responsible for undertaking various initiatives to include and protect PWD. However challenges remain in terms of equal opportunities starting from education access to employment possibilities. Therefore to overcome these issues, a series of strategic actions have been formulated by the SFYP. These fall under 4 broad categories: education, health, inclusion and governance.

- **Improve access to and achievements in education** by 1) developing an integrated education program for visually impaired children, 2) expanding existing institutions for hearing impaired and mentally retarded children, 3) establishing new institutions to provide access to more children with disabilities at primary, secondary and tertiary levels

and 4) collaborating with NGOs and private sector to develop and implement the improvements in the education sector.

- **Implement a lifelong health support service** by 1) strengthening early detection of symptoms of disability, 2) undertaking nutrition programs for pregnant women, 3) appointing trainee doctors, nurses and other caregivers to deal with disability issues and 4) introducing support services of assistive devices and equipment at the health centers.
- **Strengthen their inclusion in society** by 1) taking measures to provide persons with disability access to all physical facilities, information and communication, 2) improving their decision making power at national and community level, and 3) introducing community based rehabilitation (CBR) programs in rural areas.
- **Develop the capacity of the ministries and divisions to protect and promote their rights** by 1) amending the Bangladesh Disability Welfare Act to clarify definitions of disability and make it consistent with international standards and 2) strengthening the National Coordination Committee for PWD to monitor and coordinate activities of different ministries/divisions.

Implementation

In the FY12, the Government conducted a “Disability Detection Survey” to map out the location, number and type of PWD. The survey’s intention was to allow for more informed policy, SPPs, health services and other projects aiming at enhancing PWD’s well-being and social inclusion. In addition to this, many of the recent policies and programmes aimed at improving Human Resource Development have made provisions for PWD, such as the National Education Policy, the PEDP 3 and the HPNSDP. Furthermore, the Department of Social Services (DSS) has introduced new projects and strengthened existing ones to improve the welfare of PWD. These include the Integrated Education Program for the Visually Impaired project, the establishment of a hostel for visually impaired children, and the expansion of the PROYASH institute dedicated to the wellbeing of persons and children with special needs. Finally, various centers were set up to provide one stop services for PWD, 35 for physically challenged persons were established, and mobile physiotherapy with necessary equipment centers have been made available for PWD located in rural areas. Even so, Human Resource Development progress is still limited for PWD. In terms of health, services are too costly for many households with a PWD to afford treatment, driving them further into poverty. With regards to education, very little has been done for students with disabilities and special needs. Financial incentives for students with disabilities to participate in the education system are too low with very limited coverage.

Another **very important advancement** was the **ratification of the 2013 Disable Persons Protection and Rights Act to protect PWD’s rights. Amongst other things, this law bans educational institutions, enterprises and other organizations from discriminating against PWD.** Organizations and individual will face fines and imprisonment if they discriminate against PWD, for instance by “creating obstacles to them in getting due share of inherited assets, giving

negative impression of them in books, publications and media both directly and indirectly and forgery of identity cards” . A national committee will also be established as per the Act to oversee and coordinate activities regarding PWD’s rights and protection. Nevertheless, discrimination, exclusion and abuse of PWD and their household are still prevalent, as the laws are not being sufficiently enforced.

Disadvantaged and Excluded Population

Objectives, Targets and Strategies

The SFYP recognizes that social groups such as “dhopa, muchī, napit, and other traditional low caste people” are often discriminated against and marginalized within society. This disadvantaged social position often prevents them from accessing basic social goods such as health and education, and may lead to trapping these individuals in extreme poverty. The Sixth Plan aims to include these disadvantaged individuals in the socio-economic realm and protect their rights through different strategies. First the Plan aims to cooperate with local bodies and NGOs to identify the disadvantaged people and enable them to participate in development activities. Then priority will be given to the disadvantaged communities in khas land allocation. Tea Garden owners will also be encouraged to assign some land within the estate to their extreme poor workers as a mean for them to build their own garden. Finally, all government functionaries will need to coordinate their activities at all levels to ensure the effective governance of this issue.

Implementation

The Government remains committed and highly sensitive to the needs of these marginalized groups. Legal provisions are in place to protect them against social and political discrimination. Yet the weakness in public administrative capacity and the absence of strong local governments has limited the implementation of government policies. The new National Social Security Strategy (NSSS) puts considerable emphasis to bring these marginalized groups under the umbrella of social protection. The adoption and eventual implementation of the NSSS would be a considerable step forward.

E. Social Protection

The Government of Bangladesh is strongly committed to reducing poverty, improving Human Resource Development and reducing inequality. Reflecting the Government’s commitment to social protection, budgetary allocations have grown in absolute terms as well as a share of GDP. The allocation for Social Protection Programmes (SPPs) increased from 1.3 percent of GDP in 1998 to 2.2 percent in FY2010. Although this level of funding is modest by international standards, when measured against the Government’s tight budget situation, this represents a substantial commitment, accounting for 12 percent of total government spending, and reflects the high priority accorded by the Government to this aspect of the social development policy.

This commitment was strengthened in the Sixth Five Year Plan FY11-FY15, whereby the Government sought to increase the amount of spending on social protection from 2.2% of GDP in FY 10 to 3.0% of GDP by FY15. The Government seeks to build on past progress with poverty reduction and further deepen this progress by both addressing the root causes of poverty as well as by lowering the impact of risks faced by the poor and vulnerable population. The Government appreciates that notwithstanding the past impressive progress with poverty reduction, there is a substantial population that remains exposed to poverty owing to various vulnerabilities.

Implementation

There is a long history of formal social protection in Bangladesh, which, in part, has shaped the nature of the current social protection system. At independence, the main social protection scheme in place was the government service pension. It was complemented by a Provident Fund that acted as a savings vehicle for government and formal private sector employees, providing them with a lump sum amount on retirement. In the 1990s the Government began to introduce schemes that addressed risks across the lifecycle, such as school stipend programmes and allowances for the elderly, people with disabilities, and widows. During the 1990s, there was also significant investment by donors in various programmes managed by non-government organizations (NGOs), providing a range of social services, including social transfers.

The Sixth Plan continued with this effort while seeking to introduce reforms in a number of areas including reform of the workfare schemes, efforts to reduce leakages through better improvements in design and service delivery and selectively introducing monitoring and evaluation of individual schemes. Progress, however, has been slow. Importantly, the ability to increase the volume of social protection spending to 3% of GDP has not materialized owing to budget constraints. The spending level was initially increased on 2.5% of GDP in FY11, but it fell back to 2.3% in FY12 and further to 2.2% in FY13.

At the national level the impact of the SP spending can be assessed by the reduction of hunger, the impact on poverty and the impact in lowering the depth of poverty (the poverty gap). One major achievement of Bangladesh is the sharp reduction in the incidence of hunger-based poverty. Furthermore, simulation exercise shows that in the absence of SSNP spending the poverty rate would have been 33.4 percent, almost 2 percentage points higher. The depth of poverty would also have been higher.

Issues and Challenges of the Present SPS

Bangladesh's current social protection system (SPS) is complex, comprising a large number of programmes and managed by many ministries. According to a comprehensive official compilation prepared by the Ministry of Finance, there are 95 programmes under the social protection system currently financed through the budget. The total amount spent on these programmes in FY13 was Tk 231 billion, which was equivalent to 2.2 percent of GDP. These

programmes are administered by as many as 30 line ministries/agencies and there is no formal mechanism for sharing information among the implementing ministries/agencies.

Because of the proliferation of programmes, the budget for most programmes is small and the average benefit per individual is low. While coverage of beneficiaries has increased, the targeting performance suggests the need for improvement. **For example, in 2010 of the 24.5 percent of households who reported benefitting from at least one of the 30 SPPs covered in the HIES, 82 percent of the beneficiaries belonged to the poor and vulnerable group while some 18 percent of the beneficiaries were non-poor. Importantly, as noted above, 64 percent of the poor did not have access to any SSP.**

A strategic review of programmes shows that some 65 percent of the SPPs are seeking to address life-cycle related risks. Yet, there are significant gaps. Despite a high rate of under-nutrition among very young children, coverage of children aged 0-4 years is almost insignificant. Furthermore, only a small proportion of people with disabilities and elderly persons receive some form of benefit. Coverage is highest among school age children but the transfers they receive are low in value, a problem that affects almost all of Bangladesh's social protection schemes.

There is a dominance of food-transfer and rural employment programmes in terms of beneficiary participation as well as funding owing to the nation's focus on eliminating hunger and reducing rural poverty. With rapid GDP growth over the past 10 years and good agricultural performance, the incidence of hunger and food poverty is being reduced substantially. There is also evidence that the labor market in agriculture is tightening as reflected in growing agricultural real wages. In view of this changing economic landscape, the nature of poverty and the risk profile is also changing. This requires a reassessment of the adequacy of the present SPS schemes to meet the social protection requirements of the Bangladeshi population in the 21st Century.

Presently, the employment market is dominated by informal employment. Bangladesh is aspiring to become a middle-income country by 2021. Already, the per capita annual income level has crossed the US\$ 1000 mark. As the economy grows and the share of modern manufacturing and organized services in both GDP and employment expands, the requirements demand from the SPS system will change dramatically. The approach to delivering social benefits will therefore need to broaden from the concept of a safety net to a more inclusive concept of a social protection strategy that is aligned to the life cycle and incorporates formal employment policies as well as social insurance schemes. This will fit more cogently with the needs of a modern urban-based economy the demand for this is already seen from the risks faced by the Readymade Garments sector.

Another major shortcoming of the present SPS is the absence of effective monitoring and evaluation (M&E). There is no formal mechanism for reviewing the performance of the SPS either at the national level or by individual programmes. Some limited efforts aimed at studying

the impact of a few programmes supported by donors have been done. The absence of a results-based M&E system is a part of the reason for the proliferation of SPPs in Bangladesh.

The Proposed National Social Security Strategy

In recognition of these concerns, the Government of Bangladesh has embarked upon the formulation of a comprehensive National Social Security Strategy (NSSS) that seeks to streamline and strengthen the existing safety net programs with a view to achieving better results from money spent, and to broaden the scope of social protection from the more narrow safety net concept to include also employment policies and social insurance to address the emerging needs of a middle income Bangladesh in 2021 and ahead¹³. The Government also believes that a well-designed and effective social protection system will help lower income inequality and contribute to higher growth by strengthening Human Resource Development. The NSSS draws on the past experience with social protection programmes in Bangladesh and good practice international experience.

The Proposed new NSSS provides a sound strategy that defines the various life-cycle risks faced by poor and vulnerable population and seeks to mitigate those risks by instituting a well-designed income transfer system that reaches the poorest and most vulnerable segment of the population (the young children, school going children, vulnerable women, the elderly and the physically challenged). The NSSS is inclusive of all population irrespective of race, religion, profession, location or ethnicity. It seeks to modernize the Bangladesh social security by combining tax-funded safety net programmes with contributory social insurance and employment regulations to protect the workers. It also seeks to considerably improve the administrative arrangements for social protection programmes by consolidating complementary programmes, by strengthening staffing and institutions, by instituting a modern MIS system, by replacing food-based transfer payments with cash-based payments using the financial sector based G2P (government to people) system, by introducing a grievance redressing mechanism and by installing proper results-based M&E system. These reforms will be instrumental in eliminating leakages, improving targeting, increasing the average value of the transfers, lower the risks faced by the poor and vulnerable population, reduce poverty, help reduce income inequality and build social capital

The successful implementation of this NSSS will provide a strong basis for Bangladesh to extend proper social protection to its poor and vulnerable population. The Proposed reforms will be instrumental in eliminating leakages, improving targeting, increasing the average value of the transfers, lower the risks faced by the poor and vulnerable population, reduce poverty, help reduce income inequality and build social capital The implementation of the NSSS is a fundamental challenge for the remaining years of the Sixth Plan and beyond.

¹³ See “The National Social Protection Strategy”, GED, Planning Commission, Government of Bangladesh, 2014.

CHAPTER 8

Progress with Sustainable Development: Environment, Climate Change and Disaster Management

A. Introduction

The nexus of environment, climate change and disaster management is becoming an increasingly important policy issue for Bangladesh, as in the wider South Asian region and globally. There is a broad consensus globally that the environment and production systems should be tailored to minimize damage to the environment to ensure the sustainability of development and the environmental services should be directed towards poverty reduction. **The Maplecroft's index (2012)¹⁴ ranked Bangladesh as the second most vulnerable country in the world to climate change.** Its vulnerability is increasing as a result of population growth and the increased frequency and severity of extreme weather events. It is absolutely critical to integrate climate change into development planning, increase its capacity to cope with disaster risk and set up the right institutions to access international finance.

As one of the most climate vulnerable countries in the world, the Government of Bangladesh recognizes climate change as both a serious environmental and development issue. It has put in place a Bangladesh Climate Change Strategy and Action Plan (BCCSAP) and was **the first country to set up its own Climate Change Trust Fund supported through domestic resources.** To preserve the long-term sustainability of development, the Sixth Five Year Plan (SFYP) adopted major policies and programs in the areas of environment, climate change and disaster management. Along with the SFYP, the Perspective Plan also commits to take effective measures to retain the development gain from the adverse effects of climate change and global warming. In addition, the convergence of disaster risks reduction, climate change adaptation and environmental management will be taken into account to attain a resilient Bangladesh.

It is recognized that progress in these areas are long-term in nature. As such, much of the short-term progress will be reflected in policies, adoption programmes and initiation of institutions. Even so, the Sixth Plan identified a number of intermediate quantitative indicators to measure progress. This Chapter reviews the progress with the indicators of the Proposed Results Framework and the implementation of the major policy and institutional initiatives in these areas

¹⁴ Maplecroft is a global risk and strategic consulting firm based in Bath, UK. Its work includes analyzing key political, economic, social and environmental risks impacting global business and investors.

It provides an assessment of whether the progress is on track and offers some suggestions for improving performance over the longer term.

B. Environmental Change Management: Sixth Plan Targets

The Sixth Plan identified a number of core objectives and targets for environmental and climate change management. These included:

- Increase productive forest coverage by 2 percentage points.
- Territorial coverage of protected area increased to 5% including Community Conservation Area (CCA) and Ecologically Critical Area (ECA)
- Improve air quality in Dhaka and other large cities and enacted Clean Air Act
- Treat all urban waste water by FY15 to clean river waters
- Promote Zero discharge of industrial effluents.
- Urban wetlands are restored and protected in line with Wetland Conservation Act
- At least 10% of the wetland in peak dry season is protected as aquatic sanctuary
- Jolmahal leasing system phased out in favour of pro-poor community based management
- Regeneration and afforestation of 25,000 hectares of fresh water swamp forest in haor basin.
- Risk Atlas for at least 7 cities/towns developed by 2015.
- 500 meter wide permanent green belt established and protected along the coast
- Eco-tourism promoted at least in 15 protected areas and ECAs
- Comprehensive Marine Resources Management Plan developed
- Land zoning for sustainable land/water use completed.
- Environmental, Climate Change and disaster risk reduction considerations are integrated into project design, budgetary allocations and implementation process.

- Canals and natural water flows of Dhaka and other major cities restored.

- Increase energy efficiency by 10%

It was recognized that these are stretch targets and many are longer-term in nature that will require continuous effort. A more limited set of quantitative targets were set to measure the performance of the Sixth Plan as defined in the RF and subsequently fine-tuned in the revised RF. Progress against these targets is indicated in Table 8.1.

As can be seen, a huge problem for performance assessment against the quantitative indicators is the lack of adequate and timely information. This is a shortcoming and also indicative of weak capacity in the Ministry of Environment and Forest.

Table 8.1: Performance Indicators for Environment and Forest Ministry/Sector

Specific sectoral performance indicators	Baseline (2010)	Actual Data 2011/2012	FY 13 (Est.)	SFYP (FY15) target
Hectare of forest coverage (%)	13.14	13.14	--	15
KM of waterways navigable year round	3800 km	3805 km (June 2011)	--	3910 km
Productive forest area (%) (70 % tree density)	13 (2005-2010)	--	--	15
Consumption of Ozone Depleting Substances (in ODP tons)	72.6	77	72.6	65.34
Proportion of terrestrial and marine areas protected (%)	1.7 (2005-2010)	2.29	--	5
CO2 emissions (tones per capita)	0.25 (2005)	-	0.34	0.38

Source: Proposed Results Framework, GED; Ministry of Environment and Forestry Management

In 2010, 13.14% area was covered by forest therefore achieving 15% by 2015 appears to be feasible. No data for FY13 has been provided by the department of Forest. As for water ways according to the information provided by Bangladesh Inland Water Transport Authority, in June 2011, the corresponding figure was 3805 kms. It is likely to achieve the Sixth Plan target of 3910 but significant effort is required from the government side.

According to the information of the Department of Forest, at present there is only 19.42 percent of land in Bangladesh having tree cover with density of 10 percent and above. Based on the spatial dimension, the area having tree cover is much closer to the target (20 percent) set by the Government but the density is much less than the target (>70 percent).

In Bangladesh, the major ozone depleting substances (ODSs) are CFC11, CFC12, CTC and HCFC22, and HCFC141b. **The country is in compliance with the ODS target and consumption of ODSs has been in line with the Montreal Protocol obligations.**

At present, the proportion of terrestrial and marine areas protected is 2.29 percent which is much less than the target of 5 percent. Although Bangladesh is not a big emitter of CO2 and the country has no obligation to reduce greenhouse gas emissions given its LDC status, the Government has identified mitigation and low carbon development as one of the priority areas in its Climate Change Strategy and Action Plan 2009. The total carbon emission was 33.23 tonnes in 2001 and 37.17 tonnes in 2005. The per capita carbon emission was 0.26 tonnes and 0.25 tonnes in 2001 and 2005 respectively. It showed an increase of 0.35 percent per year. In 2007, the emission was 0.30 tonnes per capita and it is expected to go up to 0.38 tonnes in 2015. Understandably, **the per capita CO2 emission in Bangladesh is very low in the global context. However, there are some major areas of intervention to reduce emission such as, power generation, transportation and industrial production.**¹⁵

¹⁵ MDG Progress Report 2012, GED, Planning Commission.

Progress With Environmental and Climate Change Management Policies and Institutions

The government has developed and implemented various policy and strategy instruments to attain a sustainable environment and to address the fallout of climate change. There is now awareness among the people at large that environmental protection is necessary for their own and national benefit. A key element of the strategy of the Sixth Plan is a firm commitment to pursue an environmentally sustainable development process. Natural resources like land and water are limited and their per capita availability is diminishing due to rising population on the one hand and also due to excessive use of common pool resources on the other hand. A key focus of the Sixth Plan's environmental protection strategy is conservation and maintenance of natural resources, reducing air and water pollution, and liberating encroached rivers, water bodies, forest areas and khas land.

The Climate Change impacts that Bangladesh may face and some of it being experienced are very daunting to say the least. Adaptation is the prime need as recognized in the SFYP. Effective steps as explored and adopted in collaboration with the international community should be further looked into within the Sixth Plan period to mitigate the adverse consequences of climate change. In this context, strengthening institutions for environment, disaster, land and water management have also been given emphasis in the SFYP for effective adaptation and such effort should build on the principles of participation community.

The progress with environmental management and Climate change policies and institutions is summarized in Table 8.2.

Table 8.2: Progress With Environment Management and Climate Change Policies and Institutions

Sub Sector	Policies and Institutions
Environment	National Environment Council headed by the Prime Minister has been activated.
	Environment committees at Division, District and Upazila levels have been activated .
	Existing environment laws and regulations have been amended to address new issues.
	The Department of Environment has enhanced its institutional capacity. The Department discharges its responsibilities through a head office, six Divisional offices located in Dhaka, Chittagong, Khulna, Rajshahi, Barisal, Sylhet and two Metropolitan offices like Dhaka Metropolitan and Chittagong Metropolitan. Of late, the Government has set up 21 new offices at district level and with the creation of 468 new positions. As a result, the manpower of DOE has been increased to 735.
	Drafting of EIA guidelines for all sectors under the Conservation Act (ECA) 1995 have been formulated
	Sectoral legislations have been reviewed and redrafted in light of Bangladesh's commitments expressed through signing and ratifying of a number of International Conventions and Protocols on environment.
	'Polluters Pay Principle' has been adopted in order to ensure compliance of environment legislation.
	Incentives, in the form of tax-rebate, tax-holiday and subsidies are being considered for

	implementation.
	'National Environment Fund' has been established in order to provide assistance to the victims of environment degradation caused by the natural disasters and anthropogenic activities.
	Environmental Impact Assessment is required for processing each development project that needs approval of the Government.
	Efforts are underway to strengthen the Government's capacity to mainstream poverty-environment-climate nexus in the development project design, budgetary process, project implementation and monitoring process.
Climate Change	A pro-poor Climate Change Management strategy has been adopted which prioritizes adaptation and disaster risk reduction and also addresses low carbon development, mitigation, technology transfer and mobilization and international provision of adequate finance.

Source: Sixth Plan and MoEF

These constitute major policy and institutional commitments. However, implementation has been uneven. Progress is good in terms of instituting new environmental protection laws. These include:

- 2010 Amendment to the Bangladesh Environment Conservation Act, 1995.
- Environment Court Act 2010
- The Brick Manufacture and Brick Kiln Installation (Control) Act, 2013
- Hazardous Waste and Ship Breaking Waste Management Rules, 2011
- Bangladesh Biosafety Rules, 2012
- Guideline on Environmental Management, Waste Treatment and Worker's Occupational Health and Safety for Ship Breaking Yard, 2011

A number of laws are in process:

- Bangladesh Biological Diversity Act, 2013 (Draft Final)
- Environment Conservation Rules, 1997 has been Proposed for amendment.
- Solid Waste Management Rules, 2013
- Ecologically Critical Area Management Rules, 2014 (Draft Final).
- E-waste Rules, 2013 (1st Draft).
- Stone Extraction Guidelines 2014 (Draft Final).

However, implementation is constrained in particular, incentive policies such as polluter-pays-principle and taxes and subsidies remain more as intentions rather than actively implemented policies. The capacities of the MoEF also remain severely constrained. As a result monitoring of illegal logging of forestry resources is a serious problem.

Better progress has been made in terms of global advocacy and policies in the area of climate change. The MoEF has taken the lead on discussing, planning and developing policy and programmes on climate change issues in the government system. It is also taking the climate change issue at the global level as operational focal point of United Nations Framework Convention on Climate Change (UNFCCC) and Global Environment Facility (GEF). The MoEF has made substantial progress in developing some policy and institutional instruments to reduce impacts of climate change. These mainly include preparation of the National Adaptation Programmes of Action (NAPA) in 2005 and Bangladesh Climate Change Strategy and Action Plan in 2009, establishment of the Climate Change Unit (CCU), creation of the Climate Trust Fund, and some high level committees with specific functions to facilitate the adaptation actions.

The Government is also playing a vital role in global climate negotiation processes by raising its voice for the country, the LDCs, and also as a member of G-77 and China. The Civil Society Organizations (CSOs)/Non-Government Organizations (NGOs), private sectors and development partners are also playing their respective role to deal with the impact of climate change in Bangladesh.

Financing Aspects

Budgetary resources for environmental and climate change management has been generally small and has fallen as a share of GDP (Table 8.3). Although there is considerable donor funding available to support adaptation initiatives for climate change, these are fragmented and do not support capacity creation or funding for large-scale and visible projects relating to river restoration or the reduction of vulnerabilities of the lower delta region. Bangladesh will benefit from a strategic rethinking of its environmental strategy and climate change management that combines elements of regulations, incentives, capacity development and visible high-impact projects.

Table 8.3: Budget for the Ministry of Environment and Forestry

Year	GDP (TK bl)	Budget (TK bl)	Budget (% of GDP)	Environment & Forestry Budget (Tk ml)	Environment & Forestry Budget (% of total budget)	Environment & Forestry budget (as % of GDP)
FY09	6149	893	14.52	226	0.25	0.04
FY10	6906	1015	14.70	820	0.81	0.12
FY11	7875	1283	16.29	1,116	0.87	0.14
FY12	9148	1524	16.66	1,235	0.81	0.14
FY13 R	1,0380	1893	18.24	910	0.48	0.09
FY14 P	1,1888	2225	18.72	797	0.36	0.07

Source: Budget Documents, Ministry of Finance

C. Disaster Management

As a low-lying country, Bangladesh is prone to natural disasters. Floods and earthquakes disrupt food supply, cause severe environmental damage and decimate the livelihoods of the many Bangladeshis working in agriculture. Over the years the Government of Bangladesh has placed strong emphasis on disaster management with a view to sharply reducing the loss of lives and related vulnerabilities of the affected population.

The most notable success of public policy for Bangladesh as a whole is the sharp reduction in loss of lives and injuries resulting from natural disasters owing to a fairly successful public policy support for natural disaster management. This has taken the form of early warning system, good dissemination of this warning system, establishment of shelters, and provision of urgent care relief supplies including mass-communicable disease prevention methods. Climate resilient varieties of rice and other crops have also been developed. As a result of these efforts, people are much better prepared to avoid death and injuries from the storm.

The Sixth Plan Disaster Management Strategy

In the Sixth Plan, the Government aims to bring a paradigm shift in disaster management from conventional response and relief to a more comprehensive risk reduction culture. As such, a National Disaster Management Plan (NDMP 2010-15) was developed and is being implemented. It will continue the comprehensive all hazard, all risk and all sector approach and will be built on the foundations laid in the last several years and learn from the positive experiences. The Bangladesh Disaster Management Model, which made the basis for revising the disaster management policy and planning documents, has mainly comprised of two inter-related elements: Disaster Risk Reduction and Emergency Response. The Government accords the focus on community level preparedness, response, recovery and rehabilitation emphasizing the following three broad-based strategies:

- Disaster management would involve the management of both risk and consequences of disasters that would include prevention, emergency response, and post disaster recovery.
- Community involvement for preparedness programs to protect lives and properties would be a major focus. Involvement of local government bodies would be an essential part of the strategy. Self-reliance should be the key for preparedness, response, and recovery.
- Non-structural mitigation measures such as community disaster preparedness training, advocacy, and public awareness must be given a high priority; this would require an integration of structural mitigation with non-structural measures.

Implementation of Disaster management strategy and programmes

For disaster management, two basic targets were set in the development results framework (DRF) provided in the SFYP:

- To increase the number of usable cyclone centers to 5352 from the base year number of 2852 in 2010 and
- To increase the number of rural communities with disaster resilient habitats and community assets to 300 by 2015, which were only 90 in 2010.

Table 8.4: Performance Indicators for Disaster Management and Relief Ministry/Sector

Objectives	Specific sectoral performance indicators	Baseline data (2010)	Actual Data 2011/2012	SFYP (FY15) target
To reduce the risk of people, especially the poor and the disadvantaged, from the effects of natural, environmental and human induced hazards, to a manageable and acceptable humanitarian level, and to have in place an efficient emergency response system capable of handling large scale disasters	Number of usable cyclone shelters	2,852	3286	5,352
	No of rural communities with disaster resilient habitats and community assets	90	92	300

Source: Proposed Results Framework, GED 2013 and Ministry of Disaster Management and Relief

Progress with Natural Disaster Management Policies and Institutions

At the national level, the National Plan for Disaster Management 2010, the Standing Order on Disasters and the National Plan for Disaster Management are among current policies and plans to address disaster risk reduction. The comprehensive disaster management programme (CDMP) has also been launched which is a flagship collaborative initiative of the Bangladesh Ministry of Disaster Management and Relief and UNDP. The programme has brought a paradigm shift in Bangladesh's disaster management culture by moving away from the earlier response mechanism of primarily relief and rehabilitation to disaster planning, preparedness, early warning dissemination, emergency response and rehabilitation building capacities at all levels (national, sub national and grassroots). The Government has also launched CDMP 2 in 2011, which has integrated climate risk management (CRM) in the disaster risk reduction (DRR) process. The implementation of CDMP and CDMP 2 has proceeded well and significant achievements have happened (Table 8.5).

On the whole the Government's capacity to monitor and manage natural disasters has continued to make progress in the Sixth Plan. For example, in 2012 some major disasters such as flood, water logging, cold wave, tropical storm as well as various local and low intensity disasters e.g. heavy rainfall, flash flood, riverbank erosion, landslide, fire and local storm occurred in Bangladesh. Department of Disaster Management (DDM) played a significant role to address these disasters. The Disaster Management Bill 2012 was passed by the National Parliament. The

Act facilitates a more coordinated, objective driven and strong disaster management system. Through this enactment the country is making all the citizens to become self accountable to the disaster stricken people and the community for their action and inaction.

Table 8.5: Achievements of Comprehensive Disaster Management Program of Ministry of Disaster Management and Relief

<i>Achievements at the National Level (2009-13)</i>	
<ul style="list-style-type: none"> • Graduation, post graduation, diploma and training courses on disaster management introduced in 15 public and private universities and 11 training institutes. • Running earthquake drills in 70,000 primary and secondary schools in Bangladesh. • Prepared micro-zonation map in Dhaka, Chittagong and Sylhet. • Established health crisis management center to provide post-disaster emergency care. • Flood forecasting timeline has been raised from 3 days to 5 days. • Trained 20,000 volunteers in the cities. • Provided re-training to the old 38,000 CPP volunteers and train 6,540 new CPP volunteers. • Introduced interactive voice response system (IVR) to provide weather and disaster forecasting services through mobile phone (Dial 10941) to people. 	

Source: Ministry of Disaster Management and Relief

Financing Issues

The allocation of development budget for disaster management and relief is shown in Table 8.6. The budget allocation has been stable at around 0.5% of GDP. This however excludes a large chunk of funding that comes from the current budget in terms of relief spending and employment guarantee programme under social protection. On the whole, the total resources appear reasonable in terms of implementation of the disaster management programmes.

Table 8.6: Budget for the Ministry of Disaster Management and Relief

Year	GDP (TK bl)	Budget (TK bl)	Budget (% of GDP)	Disaster Mtg & Relief Budget (Tk ml)	Disaster Mtg & Relief Budget (% of Total budget)	Disaster Mtg & Relief budget (as % of GDP)
FY09	6149	893	14.52	-	-	-
FY10	6906	1015	14.70	3,823	3.77	0.55
FY11	7875	1283	16.29	3,237	2.52	0.41
FY12	9148	1524	16.66	4,283	2.81	0.47
FY13 R	1,0380	1893	18.24	5,856	3.09	0.56
FY14 P	1,1888	2225	18.72	6,522	2.93	0.55

Source: Budget Documents, Ministry of Finance

D. Conclusion and the Way Forward

Bangladesh has been one of the most pro-active least developed countries to take the issue of climate change seriously and has shown success in developing national level scientific expertise and government level actions on the environmental sustainability issues. **The knowledge capacity in the country, compared to many other LDCs is relatively high and policies and institutions are taking shape. The challenge remains to implement policies in a more effective manner and make sure that lessons are learnt and acted upon in a timely manner.**

The disaster management programmes have generally performed well and Bangladesh deserves a lot of credit for this. However, further efforts are needed to build the resilience of the people and minimize the adverse impacts of natural disasters on people's livelihood. Long-term planning and substantial public investment will be necessary. The Bangladesh Delta Plan-2100 Formulation Project will make a dent in this regard.

In the area of environmental management and climate change there is a large unfinished agenda. A much focused and results-oriented strategy combining elements of policies, regulations, incentives, investment and capacity building is needed. An integrated approach to climate proofing of Bangladesh development strategy might be the way to go. A specific results framework should be developed that defines monitorable indicators of progress with climate proofing.

CHAPTER 9

Progress with Governance and Institutions

A. Introduction

The Sixth Plan recognized that the challenge of ensuring good governance for sustaining development cannot be over-emphasized. The Plan was emphatic that without fundamental reforms of core institutions, improvement in public administration capacity and a strong anti-corruption strategy, the ability to implement Vision 2021 and the underlying 5 year development plans will be seriously compromised. It however noted that these are long-term challenges and require long-term coordinated and sustained efforts.

B. Sixth Plan Strategy for Governance Improvement and Development of Institutions

The Sixth Plan noted that good governance and institutions are interlinked. Ensuring good governance requires establishing strong institutions. For the Sixth Plan the governance improvement strategy therefore focuses on a number of key areas that require immediate attention. These include:

- continued efforts to ensuring equality of opportunity and full mobility for all with freedom and dignity, and without religious, social or political barriers;
- utmost attention will be given to the review of the national laws and their proper implementation by strengthening the law enforcement agencies and the judiciary;
- priority will be given to the implementation of E-governance through the ‘Digital Bangladesh’ initiative in all government offices and at all district levels to provide better and speedier service, and to improve the transparency and accountability of public service agencies;
- attention will be focused on developing and strengthening a number of core public institutions including the Central Bank, the Ministry of Finance, the Tax Department, the Planning Commission, Audits and Accounts, the parliamentary sub-committees, land administration, and the public utilities; emphasis will be given to improving service delivery in education, health, population, nutrition and water supply;
- emphasis will be placed on strengthening public administrative capacity;

- efforts will be made to implement the medium-term budgetary framework in all line ministries and to institute and implement an effective Monitoring and Evaluation (M&E) Framework for public programs; and
- finally all efforts will be made to reduce corruption in public services and take appropriate actions when corruption happens, ensuring a fair and transparent process as envisaged under the law.

The Sixth Plan's strategy for capacity development and institution development consists of four pillars: strengthening the civil service; promoting devolution to local governments; strengthening public-private partnerships; and reforming planning and budgetary processes.

Regarding the civil service, the strategy is to develop a long term program for re-building the civil service that is grounded in the socio-political realities in Bangladesh. The basic features of the reform strategy for civil service includes merit-based recruitment and promotion; strong training; ensuring a proper incentive and work environment; establishing and enforcing clear rules of business and codes of conduct; and seeking feedback on performance through a citizen's charter.

Regarding the local government, the strategy will be to institute strong elected local governments that are vested with adequate financial autonomy and accountability for results. The local governments will be strengthened and much of the responsibility for delivering basic services such as irrigation, district roads, education, health, population management, water and sanitation services will progressively be decentralized to local governments.

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

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

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

(i) The annual performance review will focus on implementation of strategies and policies and look at broad economy-wide and sectoral outcomes rather than simply at financial progress of publicly funded investment projects. The results of the annual reviews will be used to determine changes in plan goals, targets, strategies and policies as necessary in light of the changing global and local economy and the results of the plan implementation.

(ii) The capacities of line ministries will be substantially strengthened to do proper planning and budgeting in the context of the implementation of the MTBF. Line ministries will need to ensure that proposed projects and programs are consistent with the objectives and framework of the Sixth Plan.

(iii) The project approval process will be strengthened and streamlined to reduce delays and proliferation of tiny projects. The project approval process will be substantially strengthened. All projects that go to the Planning Commission must provide a proper appraisal report along with sound analysis that shows the consistency and relevance of the project to sectoral/economy-wide objectives, strategies and policies.

(iv) Proliferation of projects and long implementation lags are a perennial problem. The Sixth Plan will seek to break this logjam by doing a proper review of all approved and active projects in the pipeline in cooperation with the line Ministries. The review of this portfolio will seek to clean out dormant or irrelevant projects and help line ministries close the projects that are facing implementation problems through restructuring or through other relevant interventions.

(v) The technical capacities of the Ministry of Finance, the Planning Commission, IMED and BBS will be substantially strengthened through proper staffing and training to ensure the timely implementation of the Sixth Plan and the MTBF.

Implementation of Governance and Institutional Challenges

The RF for SFYP proposed the formulation of a number of indicators aimed to produce an objective assessment of the governance scenario in Bangladesh. While the initiative to objectively track governance through some specific indicators was a positive development, the first implementation review showed that the chosen indicators faced a number of problems. The key notable drawbacks included: {i} the indicators suffered from lack of availability of data; {ii} the indicators were narrow in scope; {iii} the indicators did not provide a benchmark for undertaking possible comparative analysis; {iv} the indicators did not provide any assessment of the state of economic governance. Accordingly, a piece of analytical work was done to provide a more solid basis for assessment of performance. Based on this work, a revised set of governance indicators was included in the Proposed Results Framework. These are shown in Table 9.1.

The assessment of progress with these indicators will provide a useful benchmark for judging progress in this critical area. This will be supplemented by a review of policies and progress on institutions as emphasized under the Sixth Plan (section 1 above).

Table 9.1: Governance Indicators

		Variables	Source
Democratic Governance	Good governance reforms institutionalized at all levels and institutional capacity of public institutions enhanced	Proportion of the Female Elected Representatives	Legal Office Parliament
		Numbers from Bills Passed per year	
		Average Parliamentary Attendance	Legal Office Parliament
Economic Governance		% of Gross NPL in Public Banks	Bangladesh Bank
		Income Tax as a % GDP	NBR
Justice and Human Rights		Weighted Average National Disposal Rate	Supreme Court Registry
		Case Disposal Rate {Criminal}	Supreme Court Registry
		Case Disposal Rate {Civil}	Supreme Court; MoLJPA
	Case backlogs in the formal justice system (lower and upper judiciary)	Supreme Court; MoLJPA	

Source: Proposed Results Framework

C. Progress with Democratic Governance

To objectively track the state of democratic governance in Bangladesh, the governance indicators aim to measure two critical dimensions of the parliament: {i} effectiveness in enacting laws through a participatory process, {ii} changing nature of its composition – whether female representatives have found sufficient direct representation. The revised RF includes three specific indicators:

- Numbers of Bills passed per year
- Average parliamentary attendance
- Proportion of Elected Female Representatives

Table 9.2 shows that the average number of bills passed per year in each parliament has risen significantly from 37 to 54 between 8th and 9th parliament. In terms of its historical range, average bills passed per year was lowest for the second parliament – 22 bills per year, and it was highest for the first parliament with 54 bills per year. In this regard, progress has been laudable. While Table 9.2 does not show substantial variation in average national attendance of parliamentarians between the 8th Parliament and 9th Parliament, Figures 9.1 and 9.2 and Table 9.3 show how political parties in opposition have systematically boycotted parliament - with the worst show in the 9th parliament. This has noticeably limited the parliament’s capacity to serve as a venue where consensus is formed. Political parties are more accustomed to extra-

parliamentary settlement of major political disputes, which mostly constitutes calling political strikes and using media to voice their demand.

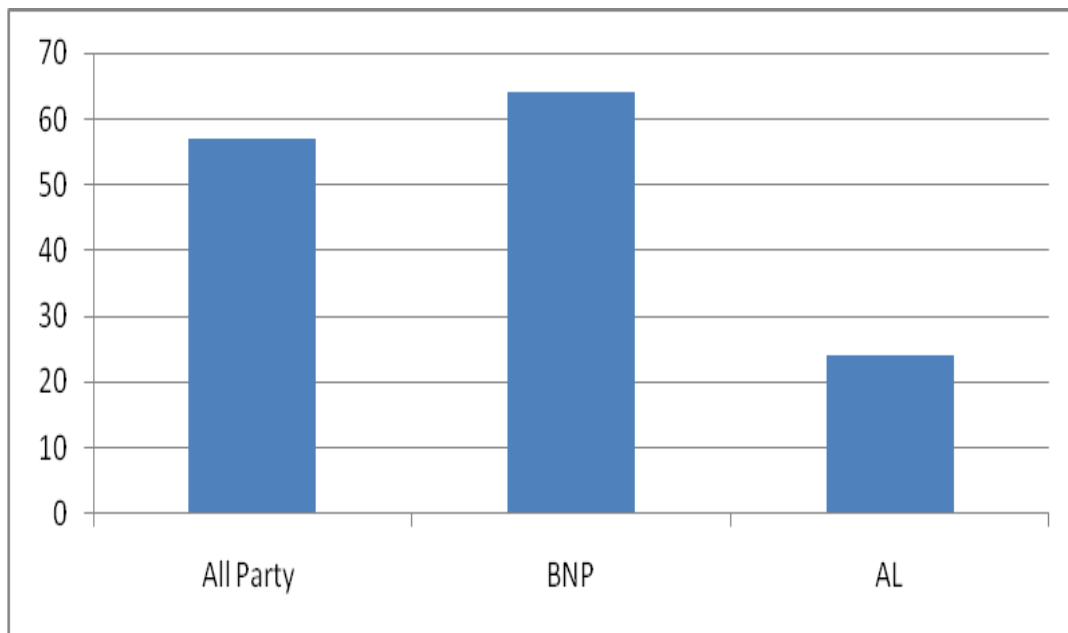
Table 9.2: State of Democratic Governance

Indicators	Base-line Year	Latest Figures
Average Number of Bills Passed per year	37 8 th National Parliament	54 9 th National Parliament
Average Parliamentary Attendance	57% 8 th National Parliament	58% 9 th National Parliament {First Fifteen Session}
Proportion of Elected Representatives Female	2% 8 th National Parliament	6% 9 th National Parliament

Source: Legal office of the Parliament

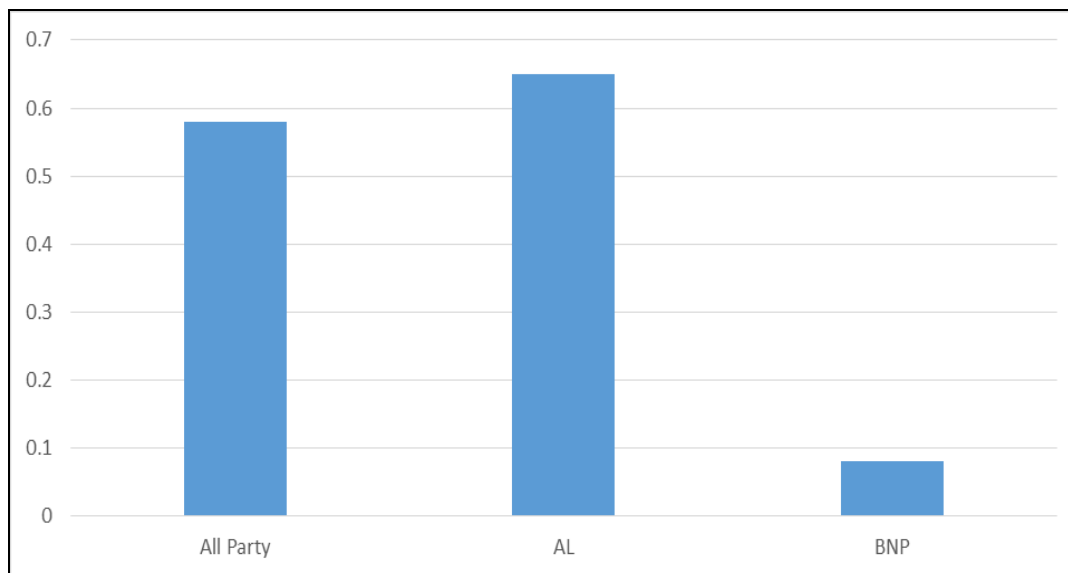
Regarding the changing composition of the parliament, **the 9th Parliament witnessed the entry of 19 female MPs through direct elections. This is a historic milestone because in all preceding parliaments, no more than 8 MPs were female.** To further elaborate this evolution, Table 9.4 shows the magnitude of women’s representation in political system since 1973. Moreover, it can be noted that the increasing trend in women finding direct representation in parliament is encouraging. The provision of quotas has also helped, since it has aided their role in the parliament. Bangladesh performance on this count compares favorably with the global experience (Figure 9.3).

Figure 9.1: Average Attendance in 8th Parliament



Source: Legal office of the Parliament

Figure 9.2: Average Attendance in the 9th Parliament {First Fifteen Sessions}



Source: Legal office of the Parliament

Table 9.3: Parliament Boycott by Opposition

Parliaments	Fifth (1991-96)	Sixth(1996-2001)	Eight(2001-2006)	Ninth (2009-)
Boycotted Ratio	43% of total working days	41% of total working days	60% of total working days	92% of total working days {First Fifteen Session}

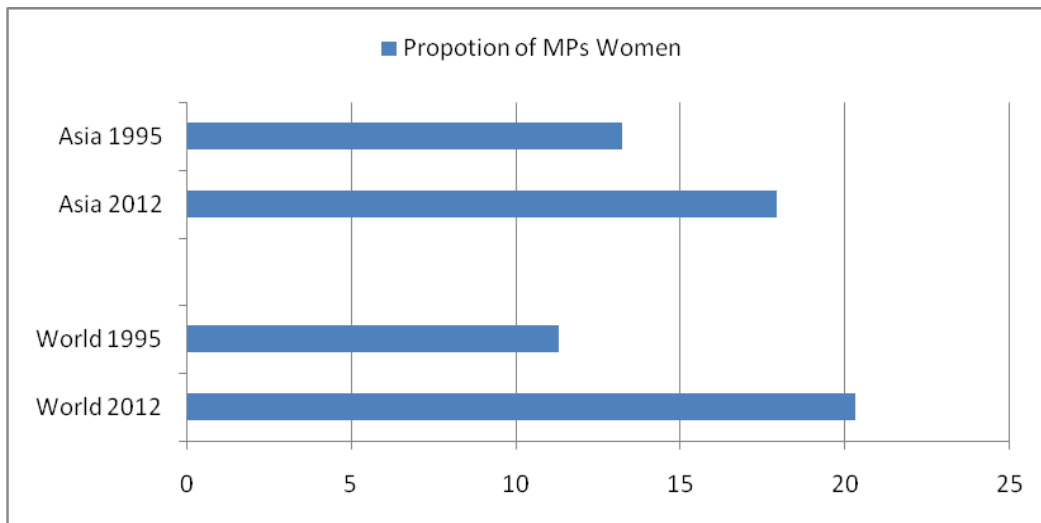
Source: IGS (2011)

Table 9.4: Women Members in Parliament

Parliament	Quota	Directly Elected	Total Women MPs	Total Representation (%)
First (1973-75)	15		15	4.8
Second (1979-82)	30	2	32	9.7
Third (1986-87)	30	5	35	10.6
Fourth (1988-90)		4	4	1.3
Fifth (1991-1995)	30	4	34	10.3
Sixth (1996-96)	30	3	33	10
Seventh {1996-2001}	30	8	38	11.5
Eight {2001-2006}	45	7	52	15.1
Ninth {2009-2013}	50	20	70	20

Source: The Parliament of Bangladesh: Representation and Accountability” CPD –CMI Working Paper

Figure 9.3: World and Asian Averages of Women in Parliament



Source: Inter Parliamentary Union 2012

Economic Governance

Under Economic governance, the revised RF includes two indicators:

- **Share of Non – Performing Loans**
- **Income Tax as a percentage of GDP**

The performance so far on these two indicators is shown in Table 9.5.

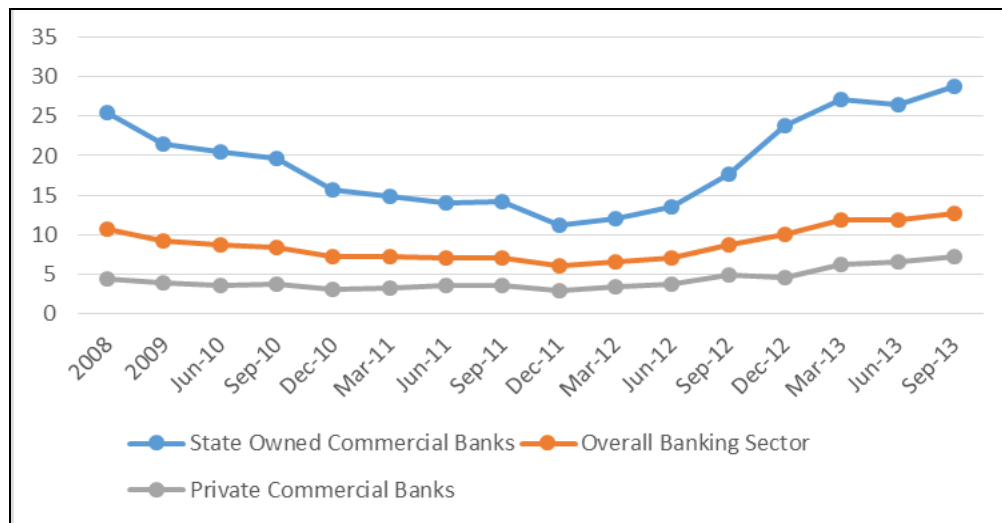
Table 9.5: State of Economic Governance

Indicators	Base-line Year (FY10)	Latest Figures (FY13)
Percent of Gross NPL in Public Banks	14.08	28.8 (Sept 2013)
Income Tax as a % GDP	2.9	3.4 (2013)

Source: Bangladesh Bank and Ministry of Finance

The sharp deterioration of percent of Gross NPLs in public banks is a very worrisome development. As shown in Figure 9.4, this is a more recent development. During the first year of the Plan implementation, there was an impressive improvement in the NPL ratio of the entire banking sector including public banks. The performance of public banks has taken a nose dive since December 2011. It is a culmination of well-known forgery, such as the Hallmark scam involving the Sonali Bank, as well as other corrupt and inappropriate lending practices in public

Figure 9.4: Non-Performing Loan Ratio



Source: Bangladesh Bank

banks. This is a serious weakness in the management of public banks and needs urgent policy attention. A number of steps have been taken to improve banking supervision but further steps are needed including assigning the full supervision responsibility of public banks to the Bangladesh Bank, corporatizing the public banks and instituting a system of performance based management including the board of directors.

Regarding income tax as a percent of GDP, some progress has been made but there is still a long way to go. According the HIES 2010, some 35% of the national income is in the hands of 10% of the population. Full application of the tax laws should result in tax yields from income tax in the range of 6-7% of GDP. **The adoption of the Tax Modernization Plan by the Government of Bangladesh is an encouraging development.** Implementation however has been slow. Areas of progress would include proper incorporation of capital gains in the tax net, introducing a broad-based and effective property tax, and carefully assessing and limiting tax exemptions to ensure a fair and equitable tax system.

Justice and Human Rights

The revised RF Proposed the following four indicators:

- **Case Disposal Rate Civil**
- **Case Disposal Rate Criminal**
- **Weighted Average Disposal Rate**
- **Total Backlog of Cases**

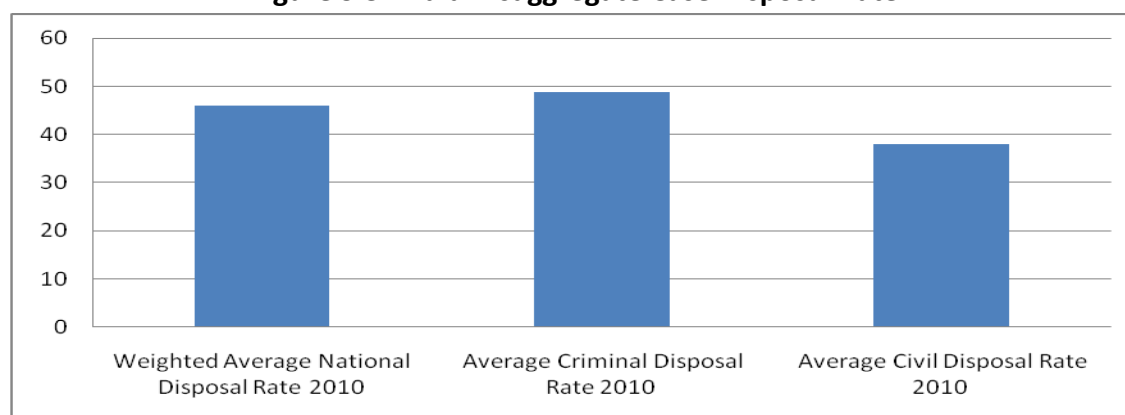
The progress against these indicators is shown in Table 9.6.

Indicators	Base-line Year	Latest Figures
Case Disposal Rate {Civil} (%)	7.91 {2011}	8.23 {2012}
Case Disposal Rate {Criminal} (%)	42.98 {2011}	42.33 {2012}
Weighted Average National Disposal Rate (%)	33.34 {2011}	32.24 {2012}
Case backlogs in the formal justice system (lower and upper judiciary)	1.8 million (2010)	2.7 million (May 2013)

Source: Supreme Court, MoLJPA

The numbers suggest sluggish performance of the justice system in Bangladesh. The case disposal rate for civil litigation is under 9% for both 2011 and 2012. In some instances, there are civil cases that have been pending for more than four decades. In effect, it means that a civil litigation takes on average twelve years to get resolved, which can act as a significant limiting factor to the operation of the private sector. The performance under criminal cases is considerably better; they have a much faster turn-around rate. On the whole, the case disposal rate in Bangladesh is weaker than in neighboring India in both civil and criminal cases (Figure 9.5). Low disposal rates in turn are also contributing to the increasing cumulative backlog of cases, which as recent reports note stands at approximately 2.7 million in May 2013, which reflects an increment of 0.9 million in last three years.

Figure 9.5: India Disaggregate Case Disposal Rate



Source: Compiled from various sources

D. Progress with Policies

The government's commitment to good governance is also reflected in its policy efforts to reduce corruption, improve accountability, reduce rent-seeking opportunities, and create the basis for equitable distribution of resources and opportunities. The track record on policy reforms

is quite impressive (Box 9.1). The main challenge has been in terms of implementation. A part of the implementation challenge is weak administrative capacities. As noted in Section A of this chapter, the Sixth Plan noted this challenge and identified a solid strategy for progress in this critical area.

Box 9.1: Governance Achievements to Date

A number of important steps have taken place in recent years to improve governance. Notable among these are:

- Implementing Digital Bangladesh, a wide-ranging set of initiatives to greatly expand the Government's use of ICT to improve efficiency and effectiveness.
- Safeguarding electoral democracy through ensuring a strong, independent Election Commission which has overseen free, fair, competitive elections at national and multiple local levels.
- Developing a national identification system and cards which eases transactions for citizens.
- Streamlining and simplifying institutions (establishments, conventions and rules and regulations), eliminating administrative barriers, deregulating bureaucratic procedures.
- Developing one-stop services, modernizing administration through regulatory reforms.
- Increasing transparency and accountability in the budget and procurement processes, government auditing, and customs and tax administration.
- Improving the ability of elected local government to contribute to local development and to be responsive to citizens' needs and priorities, including through an enhanced transfer system and reinstating elected government at the upazila level.
- Working with the business community to implement codes of conduct and undertake deregulation and legal/procedural reform.
- Building a coalition with the media, and civil society and the private sector to strengthen their role as watchdog and also undertake public awareness campaigns and advocacy programs.
- Establishing a framework to counter prevention of money laundering and financing of terrorism.
- Establishing and operating a legal framework to counter corruption through national and international channels, including joining and regularly reporting on the UN Convention Against Corruption (UNCAC).
- Introducing the 'Citizen Charter' by the ministries and agencies to enhance accountability.
- Passage of a strong Right to Information Act in 2009
- Implementing the Community Radio Installation Broadcast and Operation Policy. The establishment of Community Radio aims at to ensure empowerment and Right to Information for the rural people/community.
- The declaration of News paper as Service Industry. Recently the government has declared the News Paper as Service Industry. This will help the news paper to flourish with all facilities of an industry.
- The government of Bangladesh has taken initiative to formulate the 'Bangladesh Journalists welfare Trust Act 2013' to ensure the overall welfare of the journalists in the country.
- Mass Media sector under the supervision, guidance and directives of the Ministry of Information is playing a significant role in disseminating information related to public welfare and development of the people.
- Mass Media under the Ministry of Information has been immensely contributing in development and nurturing our national history, heritage and culture.
- Massive awareness was launched for the development of women and children issue under the project "Advocacy and Communication for Children, by the Ministry of Information which helped to change the age old superstition and negative attitude.

There are some positive developments especially under the umbrella of the ‘Digital Bangladesh’ initiative that works through expanding e-services and opportunities. Some of these specific interventions are taking place under the access to information initiative (summarized in Table 9.7). Other challenges that also require critical attention are low public administration capacity, sporadic weaknesses in economic management and persistent allegation of corruption.

Table 9.7: A Snapshot of Access to Information (A2I) Programme

A2I’s Interventions	Description
Policy Intervention	<ul style="list-style-type: none"> ✓ ICT Policy Act 2009; ICT Act 2010; Sixth Five Year Plan (SFYP); Cyber Security Policy 2010; Public Private Partnership Policy and Guidelines 2010; Broadband Policy; National Strategy Paper on m-Governance; Guidelines for Utility Bill Payment; e-Krishi Policy; Health Policy; Education Policy; National Telecom Policy 2010; Right to Information Act 2009; Mobile Banking Policy Guidance.
National Portal Framework (NPF)	<ul style="list-style-type: none"> ✓ The two, interrelated objectives, are to (i) impart ICT skills to the government officials, in order to (ii) bring all public websites and their information under a single architecture, adhering to a common design in terms of content and structure. ✓ The NPF offers public information in the vernacular language Bangla, which can be easily understood and used for collecting information relating to citizens livelihood – agriculture, health, education, law and human rights, tourism and history, human resources, development & engineering, environment & disaster management. ✓ At the dawn of 2013, all Deputy Commissioners and Upazila Nirbahi Officers (UNO) have acquired the technical skills required in keeping the web contents of the portals updated, thus, eliminating the dependence on external vendors. ✓ The NPF has become the trendsetter in terms of demonstrating how government contents are to be published, maintained and updated online by the government officers themselves.
District e-Service Centres (DeSCs)	<ul style="list-style-type: none"> ✓ DeSCs, located at the Deputy Commissioner’s (DC) office, were inaugurated across 64 districts on 14 November 2011. ✓ As of May 2012, DC officers disposed 809,219 applications. ✓ 389,423 land records delivered against 758,153 received applications. ✓ Average time to take decision reduced from 7 days to 1-2 days.
ICT in Education	<ul style="list-style-type: none"> ✓ Multimedia classrooms have been established in 500 schools with an aim to engage 15,200 secondary schools and 5,300 Madrasas within 2013. ✓ 4500 teachers and more than 400 teacher trainers have already been provided with coaching, with more 20,500 to be trained by 2013. ✓ More than 300 books of primary and secondary schools are available in electronic format including technical, vocational and Madrassah schooling. ✓ Additionally, 33 videos of model classrooms have been developed and disseminated together with the development of thousands of blogs and other digital contents.

Union Information and Service Centre (UISC)	<ul style="list-style-type: none"> ✓ Top services of the UISC include government forms, examination results, livelihood information, birth and death registration, mobile banking, provision of internet, computer training, etc. ✓ 1 per cent of Annual Development Programme (ADP) is invested by the government together with funding from the DC offices for entrepreneur training, workshop and mobilization. ✓ 4,501 UISCs are already in operation with 9,002 entrepreneurs, 50 per cent women, being self-employed.
Jatiyo e-Tathyakosh	<ul style="list-style-type: none"> ✓ Jatiyo e-tathyakosh, meaning national information, represents the largest collection of Bangla language content. ✓ It is a national information portal involving 320 organizations from the government, local and international NGOs and private organizations, which can be accessed through UISCs in both online and offline versions. ✓ By facilitating spread of development knowledge to millions, the e-Tathyakosh has significantly enhanced the impact of valuable information and materials collected and developed by public and private sector actors. ✓ The e-Tathyakosh is expected to contribute toward improving the standard and quality of life for all citizens, empowering the society with the force of knowledge, which is an essential aspect of ‘Digital Bangladesh’ Vision.
e-Purjee	<ul style="list-style-type: none"> ✓ E-Purjee can be collected from any UISCs located at the vicinity of the sugarcane producers. ✓ An approximate 200,000 sugarcane producers are benefitting from the e-Purjee service. ✓ 18,000 e-Purjees are sent on average through SMS and published at the websites from 15 state-owned sugar mills to the cane farmers. ✓ With an online portal showing the update on the issuance of the digital Purjee, real time statistics on cane producing and crushing and also SMSs carrying the feedback of the farmers, none of the state-owned sugar mills experienced ‘no cane hour’ (meaning that there is idle capacity with insufficient supply of sugarcane) since 2010.

Planning and Budgeting: Another area where progress is good concerns improvements in Planning and Budgeting. The MTBF implementation is well underway and steady progress is being made. Progress has been made in strengthening the link between planning and budgeting through the Sixth Plan as well as through the Annual Development Programmes that are now much better linked to both the Sixth Plan strategies and targets as well as to the MTBF of line Ministries.

Results-based Monitoring and Evaluation: Progress here is mixed. Commendable progress has been made in the area of introducing results-based M&E at the macroeconomic level as advocated by the Sixth Plan. The First Implementation Review of the Sixth Plan was done in July 2012 using a quantitative results framework. The mid-term review has now also been done. Efforts are also underway to institutionalize arrangements at GED to undertake periodic results based M&E exercise at the macroeconomic and sectoral levels. The area where progress has been lagging concerns results-based monitoring at the project-specific level. IMED continues to

focus on physical and financial aspects of project implementation. A results-based approach to project level M&E remains to be adopted.

E. Progress with Institutions

As noted in Section 1 of this Chapter, the Sixth Plan assigned priorities to the promotion of a number of key institutions with a view to enhancing the public sector's implementation capacities and improve the efficiency of service delivery. These were: civil service reforms; strengthening of local government institutions; and strengthening of partnerships with NGOs.

Civil service reforms: Progress is ongoing in reforming civil service in a number of areas. To bring dynamism civil service act has been drafted and is waiting Cabinet approval. Besides to motivate civil servants a draft civil service award policy has been formulated. Competitive recruitment process is helping attract better quality talents in the civil service. On-the-job and specialized training is helping improve performance. Special focus is now on developing capacities of the civil officers through strengthening of the public administration training centers. To improve service delivery E-filing has been introduced. It has already been piloted in the career wing of the Ministry of Public Administration. Incentives have also been improved by raising the retirement age of civil servants by two years, from 57 to 59 and also by creating an additional position of senior secretary. A Pay Commission has been constituted to improve the pay scales of civil servants. These are all steps in the right direction but further steps are needed to institute performance-based promotion and to provide to upgrade skills through more systematic and periodic training. Special efforts are needed to attract and retain civil servants in a number of specialized areas such as economic management, tax planning, financial management, project management and results-based monitoring and evaluation.

Local government institutions (LGIs): Good progress has been made in instituting elected local governments. Efforts are also underway to institute district level budgets and to assign greater responsibility to LGIs for delivery of basic services such as health and education. Training manuals for LGI staff have been developed and some training is underway. Nevertheless, there is a long way to go. The biggest gap is in the area of financial accountability. Capacity of local governments to raise resources is severely handicapped by the absence of sound fiscal decentralization. Local governments are heavily dependent upon transfers from the Government for even financing its staff and performing routine functions. All development projects depend upon Government transfers. Overall, local governments face a severe budget constraint. Additionally, capacity of LGIs is heavily constrained by lack of quality staff. This high-priority institutional agenda requires substantial attention from the highest levels of government.

Partnership with NGOs: Bangladesh is justly proud of its long tradition of partnership with NGOs and takes pride in nurturing world-class NGOs. The outreach of NGOs in the delivery of large range of services including education, health, training, women's empowerment, micro-

credits, climate change and social protection has continued to blossom under the Sixth Plan. The government has also established good partnership with a number of private research institutions to strengthen macroeconomic management and policy making. This has provided a stronger basis for strategy and policy formulation in a number of areas including banking, tax policy, planning, trade policy, poverty analysis, social protection and regional cooperation.

F. Concluding Observations

The Sixth Plan's culture of introducing results-based monitoring and evaluation is itself a major step forward in instituting better governance. Progress in areas relating to e-governance, the RTI, elected local governments, and the MTBF are all indicators of the Government's commitment to improve governance over the longer term. Yet, there is a long way to go. Progress in terms of the governance indicator of the revised RF shows mixed results. The strengthening of the judicial process to achieve a much faster disposal of civil and criminal cases requires particular attention. The priorities for the future include:

- Further strengthening of the democratic governance process to ensure full participation of all citizens and the sound functioning of all democratic institutions.
- Strengthening of the LGIs based on a well defined legal framework that assigns responsibilities along with commensurate financial autonomy.
- Strengthening of civil services with the institution of merit based promotion and improved incentives in terms of remuneration and training facilities with a view to attracting skills in a number of areas that are deficient.
- Financial and legal support to the judiciary to strengthen its capacity to ensure faster disposal of civil and criminal cases.
- Urgent reform of public banks to stop the mal practices in terms of bad lending decisions.
- Stronger implementation of the Tax Modernization Project with a special focus on strengthening income tax collections.
- Strengthening the Anti-Corruption Commission.

ANNEX 1

Revised Macroeconomic Framework for Sixth Five Year Plan

Annex Table 1.1: Bangladesh: Real Sector Performance, FY10 -18

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
	Actual			Projection					
	(In % of GDP)								
Gross national savings	30.0	28.7	29.1	29.5	28.6	28.8	29.0	29.4	29.8
Gross investment	24.4	25.15	26.54	26.84	26.2	27.5	28.1	29.0	29.5
Public investment	5.0	5.64	6.5	7.85	7.2	7.5	7.6	7.7	7.8
Private investment	19.4	19.51	20.04	19.0	19.0	20.0	20.5	21.3	21.7
Net exports of goods and services	-6.4	-8.7	-11.0	-7.6	-6.1	-6.9	-7.4	-8.1	-8.2
Exports of goods and services	18.6	22.9	23.8	22.0	23.1	24.1	25.1	25.8	26.9
Of which: Exports of goods	16.2	20.6	21.4	19.9	20.8	21.8	22.8	23.6	24.7
Imports of goods and services	25.0	31.6	34.8	29.6	29.2	31.0	32.5	33.9	35.1
Of which: Imports of goods	21.3	27.1	29.7	25.2	24.4	26.1	27.5	28.8	30.0
Current account balance	3.7	0.9	-0.4	1.9	2.4	1.3	0.9	0.4	0.3
Consumption	79.9	80.71	80.74	80.75	81.7	80.9	81.0	80.9	80.6
Gross national income	109.3	109.1	109.7	110.1	110.2	109.7	110.0	110.3	110.4
Memorandum Items:	(Year-on-Year Percent Changes, or In billions of Taka)								
Real GDP growth	6.1	6.7	6.3	6.0	5.5	6.5	6.8	7.2	7.5
CPI Inflation	7.3	8.8	10.6	7.7	7.4	7.0	6.5	6.2	6.0
GDP Deflator	6.5	7.5	8.5	6.6	7.2	7.0	6.5	6.2	6.0
Nominal GDP growth	12.9	14.7	15.3	13.0	13.1	14.0	13.7	13.8	14.0
ICOR	4.0	3.8	4.2	4.5	4.8	4.2	4.1	4.0	3.9
Net Factor Income (In billion taka)	646	725	893	1045	1200	1298	1521	1784	2053
Gross National Income(In billion taka)	7589	8692	10080	11424	12938	14674	16736	19105	21790
Consumption (In billion taka)	5506	6400	7412	8361	9587	10821	12324	14013	15908
Investment(In billion Taka)	1695	2004	2438	2786	3075	3678	4273	5026	5818
Current Account Balance(In billion Taka)	258	71	-37	196	276	168	137	64	65
Gross National Savings(In billion taka)	2083	2292	2679	3063	3351	3852	4412	5092	5882
Nominal GDP (In billion taka)	6943	7967	9187	10379	11738	13376	15214	17321	19737

Source: BBS, Bangladesh Bank and Revised Five Year Plan Projections

Annex Table 1.2: Bangladesh: Central Government Operations, FY10-18

(In billions of Taka)

Fiscal Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
Variables / Items	Actual					Projected				
Total Revenue	757	932	1148	1287	1467	1766	2084	2477	2941	
Tax Revenue	625	795	952	1074	1251	1471.4	1734.5	2078.5	2565.9	
NBR Tax Revenue	597	762	916	1033	1200.9	1417.9	1673.6	1991.9	2467.2	
Non-NBR Tax Revenue	28	33	36	41	51	53.5	60.9	86.6	98.7	
Non-Tax Revenue	132	134	186	214	262	294.3	349.9	398.4	473.7	
Total Expenditure	1014	1291	1507	1744	2066	2434	2845	3343	3928	
Revenue Expenditure	667	775	953	1054	1135	1538	1826	2165	2566	
Development Expenditure	347	516	554	689	931	896	1019	1178	1362	
Overall Balance (excl. grants)	-257	-359	-358	-457	-599	-669	-761	-866	-987	
Overall Balance (Incl. grants)	-215	-335	-286	-391	-540	-602	-685	-779	-888	
Financing	257	359	358	457	599	669	761	866	987	
External	104	48	54	137	141	161	183	208	237	
Loans	114	80	41	120	133	201	228	260	296	
Grants	42	24	72	64	59	67	76	87	99	
Amortization	49	56	59	80	94	107	122	139	158	
Domestic	153	311	308	320	458	508	578	658	750	
Bank (CrPbs:Money))	-21	256	272	269	329	375	426	485	553	
Non Bank	174	54	34	51	129	134	152	173	197	
	(In Percent of GDP)									
Total Revenue	10.9	11.7	12.5	12.4	12.5	13.2	13.7	14.3	14.9	
Tax Revenue	9.0	10.0	10.4	10.4	10.7	11.0	11.4	12.0	13.0	
NBR Tax Revenue	8.6	9.6	10.0	10.0	10.2	10.6	11.0	11.5	12.5	
Non-NBR Tax Revenue	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	
Non-Tax Revenue	1.9	1.7	2.0	2.1	2.2	2.2	2.3	2.3	2.4	
Total Expenditure	14.6	16.2	16.4	16.8	17.6	18.2	18.7	19.3	19.9	
Of which:										
Revenue Expenditure	9.6	10.5	10.5	10.7	11.4	11.5	12.0	12.5	13.0	
Development Expenditure	5.0	5.7	5.9	6.1	6.2	6.7	6.7	6.8	6.9	
Overall Balance (excl. grants)	-3.7	-4.5	-3.9	-4.4	-5.1	-5.0	-5.0	-5.0	-5.0	
Overall Balance (Incl. grants)	-3.1	-4.2	-3.5	-3.9	-4.6	-4.5	-4.5	-4.5	-4.5	
Financing	3.7	4.5	3.9	4.4	5.1	5.0	5.0	5.0	5.0	
Net External Financing	1.5	0.6	0.6	1.2	1.2	1.2	1.2	1.2	1.2	
Gross borrowing	1.6	1.0	0.9	1.5	1.5	1.5	1.5	1.5	1.5	
Grants	0.6	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	
Amortization	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	
Domestic financing	2.2	3.9	3.4	3.1	3.9	3.8	3.8	3.8	3.8	
Bank	-0.3	3.2	2.9	2.2	2.8	2.8	2.8	2.8	2.8	
Non bank	2.5	0.7	0.5	0.9	1.1	1.0	1.0	1.0	1.0	
Memorandum items:										
Nominal GDP (In billion Taka)	6943	7967	9187	10379	11738	13376	15214	17321	19737	

Source: Ministry of Finance, Bangladesh and Revised Five Year Plan Projections

Annex Table 1.3: Bangladesh: Revenue Performances, FY10-18

Fiscal Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual					Projection			
Variables / Items	(In billions of taka)								
NBR Tax Revenue	597	762	916	1033	1201	1418	1674	1992	2467
Taxes on Income and Profit	162	227	282	344	392	468	563	676	809
Taxes on Personal Income	60	89	117	150	176	214	259	312	375
Taxes on Corporate Profit	102	138	165	194	216	254	304	364	434
Taxes on Domestic Production	204	284	351	394	427	508	609	745	878
Domestic VAT	126	178	220	264	291	348	411	494	582
Supplementary Duty	68	97	120	120	123	147	183	234	276
Excise Tax	8	5	7	5	5	0	0	0	0
Other Tax	2	4	5	5	8	13	15	17	20
Taxes on International Trade	234	276	308	316	364	428	487	554	651
Custom Duty	102	112	133	126	154	174	183	199	237
Import VAT	98	124	134	148	152	181	213	242	276
Supplementary Duty (Import)	34	40	41	42	58	74	91	113	138
	(In Percent of GDP)								
NBR Tax Revenue	8.6	9.6	10.0	10.0	10.2	10.6	11.0	11.5	12.5
Taxes on Income and Profit	2.3	2.8	3.1	3.3	3.3	3.5	3.7	3.9	4.1
Taxes on Personal Income	0.9	1.1	1.3	1.4	1.5	1.6	1.7	1.8	1.9
Taxes on Corporate Profit	1.5	1.7	1.8	1.9	1.8	1.9	2.0	2.1	2.2
Taxes on Domestic Production	2.9	3.6	3.8	3.8	3.6	3.8	4.0	4.3	4.5
Domestic VAT	1.8	2.2	2.4	2.5	2.5	2.6	2.7	2.9	3.0
Supplementary Duty	1.0	1.2	1.3	1.2	1.0	1.1	1.2	1.4	1.4
Excise Tax	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other Tax	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Taxes on International Trade	3.4	3.5	3.4	3.0	3.1	3.2	3.2	3.2	3.3
Custom Duty	1.5	1.4	1.4	1.2	1.3	1.3	1.2	1.2	1.2
Import VAT	1.4	1.6	1.5	1.4	1.3	1.4	1.4	1.4	1.4
Supplementary Duty (Import)	0.5	0.5	0.4	0.4	0.5	0.6	0.6	0.7	0.7
Nominal GDP(In Billion Taka)	6943	7967	9187	10379	11738	13376	15214	17321	19737

Source: Ministry of Finance, Bangladesh and Revised Five Year Plan Projections

Annex Table 1.4: Bangladesh: Bangladesh Government Expenditures, FY10-18

Fiscal Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual				Projected				
Variables / Items	(In billions of taka)								
Total Expenditure	1014	1291	1507	1744	2066	2434	2845	3343	3928
Non-development expenditure	667	775	953	1054	1135	1538	1826	2165	2566
Wages and allowances	161	199	211	230	322	323	329	335	364
Goods and services	88	102	115	144	193	194	200	211	239
Interest payments	149	156	213	233	275	284	291	298	319
Subsidy and net transfers	270	315	369	433	493	516	528	552	580
Block allocations	3	3	2	4	12	12	12	12	23
Annual development program	256	333	410	524	575	709	837	970	1145
Other Expenditures	90	118	129	112	153	187	198	225	257
	(In Percent of GDP)								
Total Expenditure	14.6	16.2	16.4	16.8	17.6	18.2	18.7	19.3	19.9
Non-development expenditure	9.6	10.5	10.5	10.7	11.4	11.5	12.0	12.5	13.0
Wages and allowances	2.3	2.5	2.3	2.2	2.7	2.8	2.8	2.9	3.1
Goods and services	1.3	1.3	1.3	1.4	1.6	1.7	1.7	1.8	2.0
Interest payments	2.1	2.0	2.3	2.2	2.3	2.4	2.5	2.5	2.7
Subsidy and net transfers	3.9	4.0	4.0	4.2	4.2	4.4	4.5	4.7	4.9
Block allocations	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2
Annual development program	3.7	4.2	4.5	5.0	4.9	5.3	5.5	5.6	5.8
Other Expenditures	1.3	1.5	1.4	1.1	1.3	1.4	1.3	1.3	1.3
Memorandum Item:									
Nominal GDP	6943	7967	9187	10379	11738	13376	15214	17321	19737

Source: Ministry of Finance, Bangladesh and Revised Five Year Plan Projections

Annex Table 1.5: Bangladesh: Balance of Payments, FY10-18

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
	Actual			Projection					
Components:	(In millions of US dollars)								
Trade balance	-5152.0	-7328.0	-9320.0	-7010.0	-5236.0	-6726.5	-8087.1	-9933.9	-11033.4
Export f.o.b.(including EPZ)	16236.0	23008.0	23989.0	26566.0	30019.0	34521.9	39554.8	45092.5	52081.8
Import f.o.b (including EPZ)	-21388.0	-30336.0	-33309.0	-33576.0	-35255.0	-41248.4	-47641.8	-55026.3	-63115.2
Services	-1237.0	-2398.0	-3001.0	-3159.0	-3600.0	-4140.0	-4781.7	-5499.0	-6323.8
Receipts	2471.0	2570.0	2694.0	2830.0	3323.0	3588.8	3875.9	4186.0	4520.9
Payments	-3708.0	-4968.0	-5695.0	-5989.0	-6923.0	-7728.8	-8657.6	-9685.0	-10844.7
Income	-1487.0	-1354.0	-1549.0	-2315.0	-2100.0	-2310.0	-2541.0	-2795.1	-3074.6
Receipts	52.0	119.0	193.0	121.0	107.0	119.8	134.2	150.3	168.4
Payments	-1539.0	-1473.0	-1742.0	-2436.0	-2207.0	-2429.8	-2675.2	-2945.4	-3243.0
Current transfers	11610.0	12075.0	13423.0	15009.0	14332.0	15166.4	16971.9	18932.0	21126.6
Official transfers	122.0	127.0	106.0	64.0	120.0	120.0	130.0	135.0	140.0
Private transfers	11488.0	11948.0	13317.0	14945.0	14212.0	15046.4	16841.9	18797.0	20986.6
Of which : Workers' remittances	10987.0	11650.0	12734.0	14338.0	13723.0	14546.4	16291.9	18247.0	20436.6
Current Account Balance	3734.0	995.0	-447.0	2525.0	3396.0	1989.9	1562.2	704.1	694.8
Financial and Capital Account	-869.0	-984.0	1918.0	3331.0	1700.0	2200.0	2550.0	2750.0	3000.0
Capital account	442.0	600.0	482.0	588.0	602.0	700.0	750.0	750.0	800.0
Capital transfers	442.0	600.0	482.0	588.0	602.0	700.0	750.0	750.0	800.0
Financial Account	-1311.0	-1584.0	1436.0	2743.0	1098.0	1500.0	1800.0	2000.0	2200.0
Foreign Direct Investment	636.0	768.0	1191.0	1300.0	1350.0	1501.4	1906.8	2290.1	2739.1
Foreign Portfolio Investment	-117.0	-28.0	240.0	287.0	-50.0	30.0	50.0	70.0	90.0
Net Aid Loans	914.0	312.0	750.0	1192.0	1478.3	1896.5	2080.2	2290.1	2528.4
Loan Disbursements	1601.0	1051.0	1539.0	2134.0	2534.3	3160.9	3466.9	3816.9	4214.0
Debt Amortisation	-687.0	-739.0	-789.0	-906.0	-1056.0	-1264.3	-1386.8	-1526.8	-1685.6
Other Long term Loans (net)	-156.0	-101.0	79.0	-145.0	-190.0	-220.0	-240.0	-260.0	-280.0
Other Short term Loans (net)	231.0	531.0	242.0	-244.0	-313.3	-320.0	-330.0	-340.0	-350.0
Trade Credits (net)	-1045.0	-1895.0	-1118.0	263.0	-1217.0	-1447.9	-1747.0	-2140.3	-2622.5
Commercial Banks (net)	-315.0	-160.0	52.0	90.0	40.0	60.0	80.0	90.0	95.0
Errors and Omissions	-556	-936.0	-977.0	-764.0	-500.0	0.0	0.0	0.0	0.0
Overall Balance	2865.0	-925.0	494.0	5092.0	4596.0	4189.9	4112.2	3454.1	3694.8
				(Growth rate or Otherwise Indicated)					
Export growth	4.1	41.7	4.3	10.7	13.0	15.0	14.6	14.0	15.5
Import growth	5.5	41.8	9.8	0.8	5.0	17.0	15.5	15.5	14.7
Service growth		94	25	5	14	15.0	15.5	15.0	15.0
Income receipt growth		-9	14	49	-9	10.0	10.0	10.0	10.0
Remittance growth		6	9	13	-4	6.0	12.0	12.0	12.0
Memorandum Items:									

Real GDP growth	6.1	6.7	6.3	6.0	5.5	6.5	6.8	7.2	7.5
GDP Deflator	6.5	7.5	8.48	6.6	7.2	7	6.5	6.2	6
Inflation rate	7.3	8.8	10.62	7.66	7.4	7	6.5	6.2	6
Nominal GDP growth	12.9	14.7	15.3	13.0	13.1	14.0	13.7	13.8	14.0
Gross Reserves	10750	10912	10364	14829	19425	23615	27727	31181	34876
Reserves in months of imports	6.0	4.3	3.7	5.3	6.6	6.9	7.0	6.8	6.6
Nominal GDP(In million US\$)	100361	111865	112202	133492	144496	158043	173347	190845	210698
Exchange rate(%)	69.18	71.22	81.88	77.75	81.24	84.64	87.77	90.76	93.68
Inflation(Trading Partners) %	3.3	3.0	2.8	2.6	2.6	2.7	2.7	2.7	2.7
Export as (%) of GDP	16.2	20.6	21.4	19.9	20.8	21.8	22.8	23.6	24.7
Import as (%) of GDP	21.3	27.1	29.7	25.2	24.4	26.1	27.5	28.8	30.0
Remittance as (%) of GDP	10.9	10.4	11.3	10.7	9.5	9.2	9.4	9.6	9.7
Current Account Balance as (%) of GDP	3.7	0.9	-0.4	1.9	2.4	1.3	0.90	0.4	0.3
FDI as (%) of GDP	0.6	0.7	1.1	1.0	0.9	1.0	1.1	1.2	1.3
MLT as (%) of GDP	1.6	0.9	1.4	1.6	1.8	2.0	2.0	2.0	2.0

Source: Bangladesh Bank, and Revised Five Year Plan Projections

Annex Table 1.6: Bangladesh: Monetary Survey, FY09-18

	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16	FY'17	FY'18
	Actual					Projection				
Components:	(End of Period of June: In billions of taka)									
Broad Money	2965	3630	4405	5171	6035	7061	8367	9706	11259	13060
Net Foreign Assets	479	671	705	787	1134	1507	1862	2223	2536	2882
Net Domestic Assets	2486	2960	3700	4384	4901	5813	6506	7483	8723	10178
Domestic Credit (a+b+c)	2885	3402	4334	5179	5883	6930	8164	9570	11347	13441
Claims on Public Sector (a+b)	706	694	927	1102	1354	1664	2175	2503	3008	3600
a. Claims on Govt. (net)	582	544	734	919	1103	1432	1807	2233	2718	3270
b. Claims on Other Public	124	150	193	182	250	335	368	270	290	330
c. Claims on Private Sector	2179	2708	3407	4078	4529	5163	5989	7068	8340	9841
Net Other Assets	-399	-442	-634	-795	-981	-1117	-1658	-2087	-2624	-3263
	(Flows of Monetary Survey, end of June: In billions of taka)									
Broad Money	472	665	775	766	864	1026	1306	1339	1553	1801
Net Foreign Assets	103	191	35	82	347	373	355	361	313	346
Net Domestic Assets	370	474	740	684	517	912	693	978	1239	1455
Domestic Credit (a+b+c)	410	517	932	845	704	1047	1234	1406	1777	2094
Claims on Public Sector (a+b)	117	-12	233	174	252	310	511	328	505	593
a. Claims on Govt. (net)	112	-38	190	186	184	329	375	426	485	553
b. Claims on Other Public	6	26	43	-11	68	84	33	-98	20	40
c. Claims on Private Sector	292	528	700	671	452	634	826	1078	1272	1501
Net Other Assets	-40	-43	-192	-161	-186	-135	-542	-428	-538	-638
	(Year- on- Year Percent Change)									
Broad Money	18.9	22.4	21.3	17.4	16.7	17.0	18.5	16.0	16.0	16.0
Net Foreign Assets	27.2	39.9	5.2	11.6	44.0	32.9	23.5	19.4	14.1	13.6
Net Domestic Assets	17.5	19.1	25.0	18.5	11.8	18.6	11.9	15.0	16.6	16.7
Domestic Credit (a+b+c)	16.6	17.9	27.4	19.5	13.6	17.8	17.8	17.2	18.6	18.5
Claims on Public Sector (a+b)	20.0	-1.7	33.6	18.8	22.9	22.9	30.7	15.1	20.2	19.7
a. Claims on Govt. (net)	23.8	-6.5	34.9	25.3	20.0	78.7	26.2	23.6	21.7	20.3
b. Claims on Other Public	4.7	21.2	28.8	-5.8	37.4	33.7	10.0	-26.6	12.5	12.5
c. Claims on Private Sector	16.5	24.2	25.8	19.7	11.1	14.0	16.0	18.0	18.0	18.0
Net Other Assets	11.2	10.7	43.5	25.3	23.4	13.8	48.5	25.8	25.8	24.3
Memorandum Items:										
Real GDP growth	5.9	6.1	6.7	6.3	6.0	5.5	6.5	6.8	7.2	7.5
Inflation	6.6	7.3	8.8	10.6	7.7	7.4	7.0	6.5	6.2	6.0
Nominal GDP Growth	12.5	12.9	14.7	15.3	13.0	13.1	14.0	13.7	13.8	14.0

Overall Balance(Million USD)	2162	2865	-925	494	5092	4596	4190	4112	3454	3695
Overall Balance(billion \$)	2.2	2.9	-0.9	0.5	5.1	4.6	4.2	4.1	3.5	3.7
Exchange rate (TK/us\$)	69.1	69.2	71.2	81.9	77.8	81.2	84.6	87.8	90.8	93.7
Overall Balance(Taka in Billion)	149.3	198.2	-65.9	40.4	395.9	373.4	354.6	360.9	313.5	346.1

Source: Bangladesh Bank and Revised Five Year Plan Projections

Annex Table 1.7: Bangladesh: Debt Sustainability Indicators, FY10-18

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Debt Indicators:	Actual				Projection				
GDP Growth (real)	6.1	6.7	6.3	6.0	5.5	6.5	6.8	7.2	7.5
GDP Growth (nominal)	12.9	14.7	15.3	13.0	13.1	14.0	13.7	13.8	14.0
CPI Inflation(Average)	7.3	8.8	10.6	7.7	7.4	7.0	6.5	6.2	6.0
Fiscal accounts									
Govt Budget Deficit, in billion taka	256.9	358.5	358.3	456.7	598.6	668.8	760.7	866.1	986.9
Govt Budget Deficit, as % of GDP (including grant)	3.1	4.2	3.5	3.9	4.6	4.5	4.5	4.5	4.5
	(In billions of US dollars)								
Foreign Debt	23.8	23.4	20.2	21.8	21.3	21.5	22.0	22.6	23.4
Gross borrowing	1.6	1.1	0.5	1.5	1.6	2.4	2.6	2.9	3.2
Amortization/Repayment	0.7	0.8	0.7	1.0	1.2	1.3	1.4	1.5	1.7
Net borrowing	0.9	0.3	-0.2	0.5	0.5	1.1	1.2	1.3	1.5
Interest payment on foreign debt	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.5
	(In billions of taka)								
Foreign Debt	1645	1670	1652	1691	1730	1824	1930	2052	2190
Gross borrowing	114.0	80.0	41.0	120.0	132.9	200.6	228.2	259.8	296.1
Amortization/Repayment	48.6	55.8	58.9	80.5	93.9	107.0	121.7	138.6	157.9
Net borrowing	65.4	24.2	-17.9	39.5	39.0	93.6	106.5	121.2	138.2
Interest payment on foreign debt	13.7	14.2	15.5	17.4	20.8	23.7	29.0	36.9	43.8
interest rate on foreign debt	0.8	0.9	1.2	1.2	1.2	1.3	1.5	1.8	2.0
Domestic Debt	1363.9	1674.6	1982.6	2302.6	2760.4	3268.7	3846.9	4505.1	5255.1
Gross financing	152.7	310.7	308.0	320.0	457.8	508.3	578.2	658.2	750.0
Interest Payment on domestic debt	134.8	142.0	188.0	216.0	262.2	310.5	384.7	450.5	525.5
Average interest rate on domestic debt	9.9	8.5	9.5	9.4	9.5	9.5	10	10.0	10.0
Total Govt Debt Outstanding	3009.3	3344.3	3634.4	3993.9	4490.7	5092.6	5777.3	6556.7	7444.9
Total Debt Services (in billion taka)	197.1	212.0	262.4	313.9	376.9	441.2	535.4	626.0	727.2
External	62.3	70.0	74.4	97.9	114.7	130.7	150.7	175.5	201.7
Domestic	134.8	142.0	188.0	216.0	262.2	310.5	384.7	450.5	525.5
	(In Percent of GDP, or Otherwise Indicated)								
Total Debt outstanding	40.0	42.0	39.6	38.5	38.3	38.1	38.0	37.9	37.7
External Debt	20.3	21.0	18.0	16.3	14.7	13.6	12.7	11.8	11.1
Domestic Debt	19.7	21.0	21.6	22.2	23.5	24.4	25.3	26.0	26.6
Total Debt Services	2.8	2.7	2.9	3.0	3.2	3.3	3.5	3.6	3.7
External	0.9	0.9	0.8	0.9	0.8	0.8	0.8	0.8	0.8
Domestic	1.9	1.8	2.0	2.1	2.4	2.5	2.7	2.8	2.9

External debt as% export& remittance	87.4	67.6	54.9	53.2	48.7	43.9	39.4	35.7	32.2
Debt service, in percent of export &remittance	3.3	2.8	2.5	3.1	3.2	3.1	3.1	3.1	3.0
Memorandum Items:									
Nomial GDP (In billion Tk)	6943	7967	9187	10379	11738	13376	15214	17321	19737
Exports & Remittances(in billion taka)	1883	2468	3007	3180	3553	4153	4902	5749	6793
Inflation Rate (Trading Partners), %	3.3	3.0	2.8	2.6	2.6	2.7	2.7	2.7	2.7
Exchange rate (Taka per us\$)	69.2	71.2	81.9	77.8	81.2	84.6	87.8	90.8	93.7

Annex Table 1.8: External Debt Dynamics for SFYP

	1990's	2000's	2010's	FY11	FY12	FY13	FY15
External Debt TO GDP	36.5	34.4	30.4	20.3	21.0	18.0	14.7
External Debt Services as % Exports& Remittance	7.2	6.2	5.2	3.3	2.8	2.5	3.2

ANNEX 2

Proposed Development Results Framework for monitoring the Five Year Plan

Table A1.1: Indicators of the Proposed Development Results Framework

Outcomes		Performance Indicators	Baseline 2010 unless otherwise noted	Target 2015	Data Source	Actual 2013 unless otherwise noted	Comments
Macroeconomic Framework and Private Sector	Prudent macroeconomic environment conducive to growth and poverty reduction, supported by trade and private sector development	Real GDP growth (%)	6.2	8.0 Average 7.3 for the plan period	Bangladesh Bureau of Statistics (BBS)	6.0 Average 6.4% for FY11-FY13	Average GDP performance in the first three strong but still lower than the Sixth Plan target
		Exports (% of GDP)	16.2	23.9	Export Promotion Bureau (EPB)	20.4	Done well on average for the first three years. If present trend continues the SFYP target for exports will be achieved
		Private Investment (% of GDP)	19.4	25	BBS, and Ministry of Finance (MoF)	21.4	Needs attention. Performance below Plan target.
		Public Investment (% of GDP)	4.6	7.5	BBS and MoF	5.4	Needs attention. Performance below Plan target
		Remittances (USD billion)	10.9	17.8	Bangladesh Bank	14.3	On track.
Macroeconomic Stability		Tax Revenue as % of GDP	9.0	12.4	National Board of Revenue (NBR)	10.4	Needs attention; performance below Plan target
		Average Annual CPI Inflation Rate	7.3	6	BBS	7.7	Needs careful watch since inflation rate still higher than Plan target.
		Fiscal Balance (as % of GDP)	-3.7	-5	MOF	-4.4	On track

Outcomes		Performance Indicators	Baseline 2010 unless otherwise noted	Target 2015	Data Source	Actual 2013 unless otherwise noted	Comments
		Broad Money Growth (%)	22.4	15-16	Bangladesh Bank	16.7	On track; needs careful watch
		Current Account Balance (as % of GDP)	3.7	-0.3	Bangladesh Bank	1.9	On track
Poverty	Reduction in poverty, across all groups and regions, while offering effective social protection to marginalized groups, including access to food	Poverty headcount rate with CBN method (%)	31.5	22.5	BBS HIES	26.7 (mid-term review projections)	Needs attention.
		Faster employment growth in manufacturing and organized services	Employment (millions) Agriculture (24.7); manufacturing (6.4); Services and others (20.8)	Agriculture (23.5 ml); manufacturing (10 ml); Services and others (27.4ml) .	BBS Labor Force Surveys	Agriculture (24.2 ml); Manufacturing (8.1 ml); Services and others (24.1ml)	Needs attention. Labor exports facing challenges. Need greater focus on domestic employment
		Government spending on social protection (% of GDP)	1.7	3.0	Ministry of Finance	2.2	Needs attention
Agriculture, Food Security and Rural Development		Agricultural GDP growth rate (%)	5.2	4.3; Average 4.4 for the Plan period	Ministry of Agriculture and BBS	2.1; Average 3.5 for FY11-FY13	Needs attention. Average growth lower than SFYP target
		Growth of real wages in Agriculture	5.71%	Positive growth in real wages	BBS	5.84%	On track
Education		Quality education for all to reduce poverty and increase economic growth	Grade V completion rate by gender (%)	Total: 60.2 (Girls: 57 Boys:53)	75 (with gender parity)	Department of Primary education (DoPE)	70.3 (2012) Girls 67
		Net enrolment rate in secondary education by gender (%)	Total: 44.8 (2009) (Girls: 50.8 Boys: 39.5)	75 (with gender parity)	Ministry of Education	75; (Girls 78; boys 61)	On track
		Net enrolment rate (NER) in primary education (%)	93.5 (2009)	100	DoPE	98.7 (2012)	On track
		Adult literacy rate (%)	58	80	BBS	56.8	Needs attention.

Outcomes		Performance Indicators	Baseline 2010 unless otherwise noted	Target 2015	Data Source	Actual 2013 unless otherwise noted	Comments
		Student-Teacher Ratio in primary education	1:50 (2008)	1:30	DoPE	1:40	On track
		Classroom size in primary education	40 (2009)	25	DoPE	NA	Needs Attention
Health	Sustainable improvements in health, including family planning, particularly of vulnerable groups	Births attended by skilled health staff (percent of total)	26	50	Bangladesh Health Survey (BDHS)	34.4	Needs attention
		Prevalence of child malnutrition (percent of children under 5)	41	33	Ministry of Health and Family Welfare (MoHFW)	35.1	On track but needs monitoring.
		Population below minimum level of dietary energy consumption (percent)	20 (2005-10)	20 (2005-10)	BBS HIES	Not available	On track based on 2005-2010 progress.
		Under 5 Mortality Rate (per 1000)	65 (2007)	50	NIPORT	53	On track.
		Infant Mortality Rate (per 1000 live births)	52 (2007)	31	NIPORT	43	Needs attention.
		Maternal Mortality Ratio (per 100,000 live births)	194	143	NIPORT	Not available	On track based on past progress
		Contraceptive Prevalence Rate (percent of women ages 15-49)	38 (2007)	50	MoHFW	42.4	On track.
		Incidence of tuberculosis (100,000 people)	225 (2005-10)	132	MoHFW	Not available	Needs attention.
		Total Fertility Rate	2.7 (2007)	2.2		2.3	On track
		Valid coverage of full immunized children (%)	75.2 (2008)	90		92.2	On track.
		Underweight of under-5 children. (%)	41 (2007)	33		35.1	On track.

Outcomes		Performance Indicators	Baseline 2010 unless otherwise noted	Target 2015	Data Source	Actual 2013 unless otherwise noted	Comments
		Stunting of under-5 children 16 -59 months. (%)	43(2007)	25		38.7	Needs attention
Water and Sanitation	Increased availability of safe water and good sanitation facilities, particularly of the poor	Proportion of urban population with access to safe drinking water	Urban 93.3%/(2009)	Urban 100%	Infrastructure Division, Planning Commission	Need updated data	On track. Water quality and reliability of supply needs attention
		Proportion of rural population with access to safe drinking water	Rural 83.8% (2009)	Rural 96.5%	Infrastructure Division, Planning Commission	Need updated data	On track. Water quality and reliability of supply needs attention
		Proportion of urban population with access to sanitary latrines	Urban 53.5%/(2009)	Urban 100%	Infrastructure Division, Planning Commission	Need updated data	Needs attention
		Proportion of rural population with access to sanitary latrines	Rural 54.3% (2009)	Rural 90%	Infrastructure Division, Planning Commission	Need updated data	Needs attention
Transport	Improved infrastructure for higher economic growth	% of road network in "Good to Fair" condition	66% (2010)	95%	Roads & Highways Department	62.04% (FY13)	Needs attention
		Kms of railway in usable condition	2835.04 km (2010)	4237.04 km	BR	Need updated data	Needs attention
		Construction of new roads		4,672 km		406.5 km	Needs attention
		Improvement/ Rehabilitation of roads		8,433 km		1993 km	Needs attention
		Construction of new bridges/culverts /overpass		23,777 meter		17,239 meter	Needs attention
		Reconstruction of bridges/culvert		10,362 meter		16,876 meter	Needs attention
		Construction of Tunnel		3,600 meter		Nil	Needs attention

Outcomes		Performance Indicators	Baseline 2010 unless otherwise noted	Target 2015	Data Source	Actual 2013 unless otherwise noted	Comments
		Contribution of road sector to national income	6.6% growth rate	7.5% growth rate (average)		6.7% growth(average)	Needs attention
Energy		Per capita consumption of electricity	170 KWh	390 KWh	Power Cell	285 kwh	On track.
		Access to electricity (% of households)	47	65	Power Cell	62	On track.
		Electricity Generation (MW)	5803 (2009)	15457 MW	Power Cell	9598	On track
		Women and men enjoy equal opportunities	Ratio of Girls to boys in tertiary education	0.37	1.00	Ministry of Women and Children's Affairs (MoWCA)	0.73
Gender and Inequality		Percent of Seats held by women in national parliament	12.7	33	MoWCA	25	On track.
		Ratio of literate females to males (percent of ages 20-24)	85	100	MoWCA	86 (2012)	Needs attention
		Share of women employed in the non-agricultural sector (percent)	19.87	50	LFS 2010	Not available	Needs attention
Environmental Sustainability	The environment is preserved and prevented from degradation, and a disaster management strategy exists	Hectare of forest coverage (%)	13.14	15	Ministry of Environmet and Forestry (MoEF)	Need updated data	Needs attention
		Km of waterways navigable year round	3800 km	3910 km	Bangladesh Inland Water Transport (BIWT)	Need updated data	Needs attention
		Productive forest area (%) (70 % tree density)	13	15	MoEF	Updated data not available	Needs attention
		Consumption of ozone depleting CFCs (per capita tonnes)	72.6	65	MoEF	Updated data not available	Needs attention.

Outcomes		Performance Indicators	Baseline 2010 unless otherwise noted	Target 2015	Data Source	Actual 2013 unless otherwise noted	Comments
		Proportion of terrestrial and marine areas protected	1.7/0.5 (2005-2010)	5	MoEF	Updated data not available	Needs attention.
		CO2 emissions (tonnes per capita)	0.25	0.38	MoEF	0.34	On track
		No. of usable cyclone shelters	2,852 shelters (2010)	5,352 shelters	Relief & Disaster Management Department	3770	Needs attention
		No. of rural communities with disaster resilient habitats and communities assets	2000 (2010)	20000	Relief & Disaster Management Department	18100	Needs attention
ICT	Increased access to telephone and broadband services	Internet users (per 100 people)	0.2 (2005-2010)		BTRC	20.52 (2012)	
		Research and Development Spending/GDP (%)	0.6 (2005-2010)	1.0	Ministry of Finance	Updated data not available	.
		Compulsory ICT Education (education level-class)		12		Updated data not available	
		Telecaster/Community e-centre with Internet facilities at unions (%)		100		Updated data not available	
		Computer laboratory at the primary government school		5		Updated data not available	
		Increase teledensity (%)		70		Updated data not available	
		Expansion of Broad Band Coverage (%)		30		Updated data not available	
		Urban	Reduced urban poverty and improved living conditions through better city governance and service improvements	Percent of City Corporation expenditure raised autonomously	38.5	51	Ministry of Local Government & Rural Devt (MoLGRD)

Outcomes		Performance Indicators	Baseline 2010 unless otherwise noted	Target 2015	Data Source	Actual 2013 unless otherwise noted	Comments	
		Proportion of urban population living in slums			MoLGRD	Updated data not available		
Governance	Democratic Governance	Good governance reforms institutionalized at all levels and institutional capacity of public institutions enhanced	Proportion of the Elected Representatives Female (Directly elected)	2% 8 th National Parliament	6% 10 th National Parliament	Legal Office Parliament	7% 9 th National Parliament	Female participation in politics witnessed considerable improvement.
			Numbers of Bills Passed per year	37 8 th National Parliament	45	Legal Office Parliament	54 9 th National Parliament	Significant Improvement
			Average Parliamentary Attendance	57% 8 th National Parliament	70% 10 th National Parliament	Legal Office Parliament	63% 9 th National Parliament {First Fifteen Session}	Participation in Parliament is poor. Needs attention.
Economic Governance	Justice and Human Rights	Good governance reforms institutionalized at all levels and institutional capacity of public institutions enhanced	% of Gross NPL in Public Banks	14.1	12.0	Bangladesh Bank	28.76% (Sept 2013)	Needs urgent attention.
			Income Tax as a % GDP	2.9 (2011)	5.0	NBR	3.4 (2013)	Small improvement. Needs progress
			Weighted Average National Disposal Rate	33.34 (2011)		Supreme Court Registry	32.24 {2012}	Judicial bottle necks observed.
			Case Disposal Rate {Criminal}	42.98 (2011)		Supreme Court Registry	42.33 {2012}	Needs attention.
			Case Disposal Rate {Civil}	7.91 (2011)		Supreme Court; MoLJPA	8.23 {2012}	Poor performance. Needs attention.
			Case backlogs in the formal justice system (lower and upper judiciary)	1.8 million		Supreme Court; MoLJPA	2.7 million (May 2013)	Needs attention.

Source: Sixth Plan and Proposed Development Results Framework, GED 2013

ANNEX 3

Outline for Line Ministry Inputs

A. Progress with Implementation of the Sixth Plan Targets

Table 1 below provides the key objectives and targets for your Ministry/sector.

1. Please provide the latest available data on progress with these targets.
2. Please provide your assessment of how realistic these objectives and targets are and how much progress you have made. Indicate the factors that have helped to achieve these targets.
3. Please provide your frank assessment of the extent these objectives and targets will be achieved by end June 2015.

B. Major Policies and Institutional Reforms between FY10-FY13

4. Please indicate any ongoing policy and institutional reform that affects your ministry/sector. Please note that these could concern pricing policy, staff recruitment policy, public-private-partnership policy, reorganization of the ministry/sector, implementation of laws, devolvement of responsibilities to local governments etc.
5. Have any new policy, law or institutional reform/change been introduced that affects your line Ministry/sector since July 2010? If so, please provide the details and the status of implementation. As in question 4, these could concern pricing policy, staff recruitment policy, public-private-partnership policy, reorganization of the ministry/sector, implementation of laws, devolvement of responsibilities to local governments etc.

C. Important Constraints that Affect the Ministry/Sector Performance

6. To the extent that Ministry/Sector performance falls short of the Sixth Plan targets, please identify the major reasons for this shortfall. These could include shortage of financing; lack of staff; problems of procurement; delayed release of funds, long approval process, information problems, etc. Please be as specific and concrete as possible.

D Improvement for the Future

7. Please provide your views on what are the critical reforms that will be needed to help the line Ministry/Sector achieve the targets set for the future. Please be as specific and concrete as possible. For example if financing is a problem, please provide an indication of how much funding is provided through the national budget for current spending and through the ADP on an

annual basis (e.g. between FY10 and FY13) and how does this compare with your assessment of what is needed on an annual basis.

Table A3.1: Ministry/Sector Objectives, Performance Indicators and Targets for the SFYP

Objectives/Performance indicators	FY10 (baseline)	FY13 (estimate)	FY15 (target)	Comments
Description of major objectives				Please comment on the progress made in achieving these objectives
Specific sectoral performance indicators	Baseline data	Performance so far	Sixth Plan end-year target	Comments on likelihood on achieving the SFYP target
Target 1				
Target 2				
Target 3				
Target 4				
Target 5				