

Country Analysis Bangladesh

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SWEDISH INTERNATIONAL DEVELOPMENT
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Förord

Svenska regeringen har beslutat att utarbeta en ny landstrategi för Bangladesh som skall styra inriktningen, omfattningen och innehållet i det svenska bilaterala utvecklingssamarbetet för perioden 2001-2005.

En väsentlig del i detta arbete är föreliggande landanalys där Bo Sundström presenterar de viktigaste frågorna för den kommande perioden. Författaren är ensam ansvarig för analys och slutsatser vilka inte behöver avspegla Sida's bedömning.

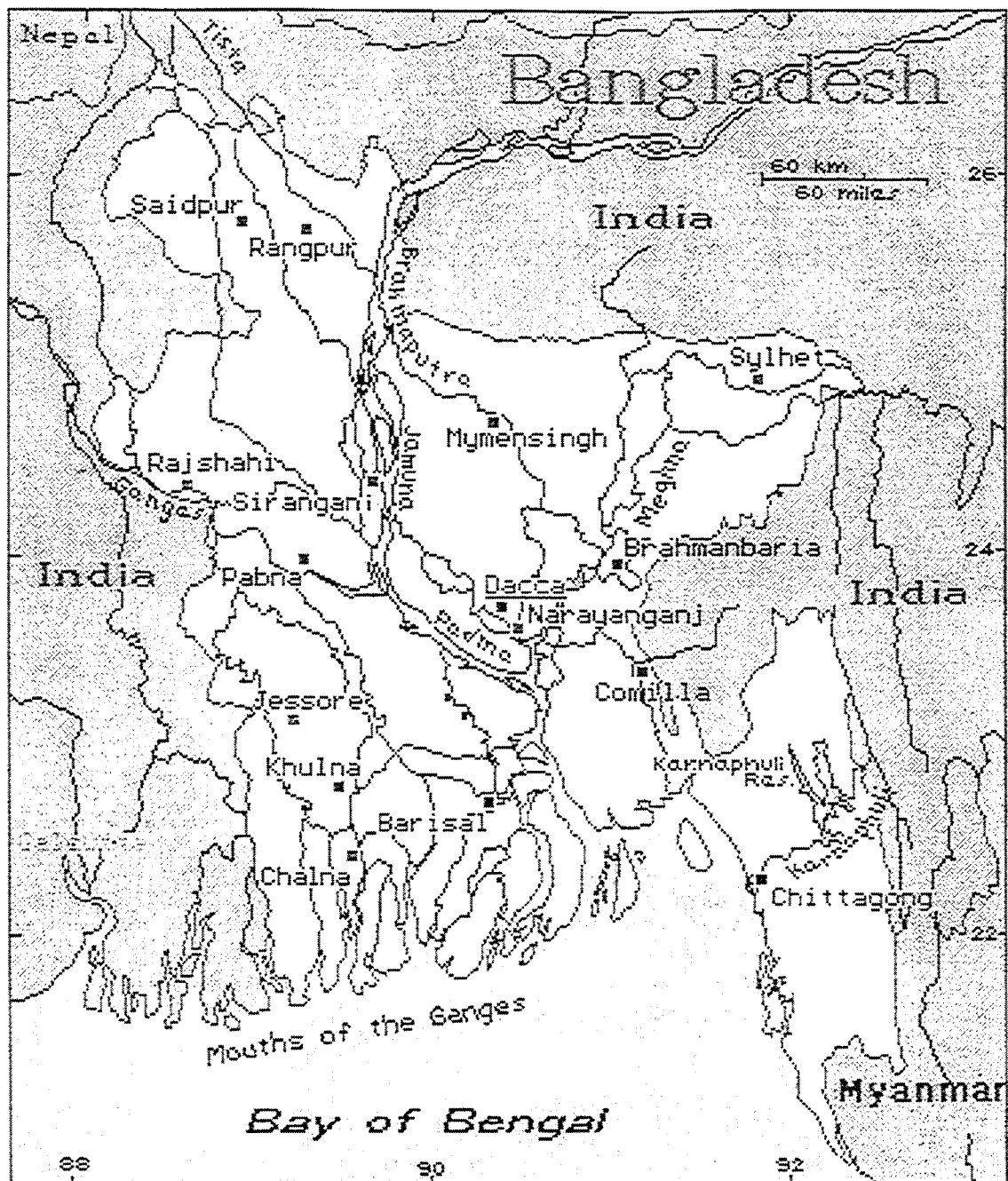
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Bangladesh Social Indicators¹	1991	1996	2000 (Est.)
Population (million)	111.5	122.0	128.0
Population Density (per Sq.Km)	755	832	850
Population Growth Rate (%)	2.0	1.8	1.6
Total Fertility Rate	4.3	3.4	3.0
Infant Mortality Rate (per 1000)	92	78	70
Life Expectancy Rate (national)	56.1	58.0	60.0
- Male	56.5	58.1	60.5
- Female	55.7	57.6	59.5
Immunisation Coverage (EPI) (% of one year old children)	69	77	90
Persons per Physician	4,500	4,900	5,000
Persons per Nurse	9,900	8,800	8,000
Adult Literacy	35.3	47.3	62
- Male	44.3	55.6	na
- Female	25.8	38.1	na
Gross Primary Enrollment Ratio (% of 6–10 years)	76	95	96
- Male	81	96	96
- Female	70	94	96
Primary School Completion Rate	41	61 (1994)	na

Bangladesh Economic Indicators²	1991	1996	2000 (Est.)
Gross Domestic Growth Rate (GDP)	3.3	5.0	5.6
GDP at current market prices (billion USD)	30	35	45
Gross National Product Per Capita (USD)	280	340	380
(including overseas workers remittances)			
Total Gov. Revenue (% of GDP)	7.3	9.1	9.6
Total Budget Deficit	-5.5	-4.5	-4.0
Gross Domestic Investments	18.7	20.0	22.0
Debt Service Ratio ³	12.6	11.2	7.0
Rate of Inflation	8.3	6.7	9.0
Exports (% of GDP)	5.6	9.6	16.0
Imports (% of GDP)	11.4	17.1	20.0
\$Gross Reserves (in months of import)	3.3	3.6	2.2

¹ 1991 and 1996 indicators from World Bank 1999 (*"Bangladesh – Key Challenges for the Next Millennium"*)

² World Bank as footnote 1, plus Bangladesh Centre for Advanced Studies and estimates of Bangladesh 2020 Study (1998)

³ Ratio of debt service to total foreign exchange earnings from exports, plus workers remittances.

1. Introduction

This country analysis¹ of Bangladesh presents the political, economic and social situation in Bangladesh, with emphasis on opportunities, challenges and constraints for broad socio-economic development. Poverty reduction through economic growth, good governance and human development, together with improved gender equality and environmental sustainability are key areas covered within the analysis. The analysis is focused on the causes of poverty, both from the national and sectoral perspective as well as from the individual's viewpoint. As the approach of the analysis is to highlight the challenges and constraints for economic growth, human development and poverty reduction, the following broad areas are covered:

- The prevailing poverty (*chapter two*)
- The political situation and its negative effects on development (*chapter three*)
- The national governance issue and its role in development (*chapter four*)
- The economic challenges for the productive sectors (*chapter five*)
- The human resource development and the social sectors' challenges (*chapter six*)
- The environmental situation and its limitations (*chapter seven*)
- The role of non-governmental organisations (*chapter eight*)
- The international donor community (*chapter nine*)
- The concluding analysis (*chapter ten*)

Major crosscutting issues, especially gender, human rights, corruption, socio-political conflicts and the effects of demographical changes are described within relevant chapters. Specific national threats such as HIV/AIDS and arsenic contamination are covered within health and human development challenges.

2. Prevailing Poverty

2.1 Demographics

With a size of around one-third of Sweden, Bangladesh is a small country with a large population, consisting of almost 130 million inhabitants², making it the most densely populated developing country in the world. The population grows by almost two million individuals each year.³ The economy is predominantly agrarian, with two-thirds of the population engaged in agriculturally based activities. Around 98% of the population classify themselves as Bengalis, the remaining 2,5 million are Biharis (Urdu-speaking, non-Bengali Muslims⁴), or tribal minority groups⁵. Over 85% of the population are Muslims, less than 13% Hindus and the remaining are Christians, Buddhists or tribal e.g. Animists.

¹ This document is written by Bo Sundström, an independent Swedish consultant.

² There are approximately almost 900 people per square kilometre of liveable land (excl rivers etc).

³ Annual population growth is around 1.6 – 1.8%.

⁴ The around 800,000 Biharis are originally Muslims from the Indian State of Bihar, but their leaders sided with West-Pakistan during the war of independence and are since then internal refugees. Discussions between Bangladesh and Pakistan have been ongoing for years to “repatriate” most of the Biharis to a country they never belonged to.

⁵ Such as the Garos, Chakmas, Marmas, Tipperas and Mros, living mainly in the Chittagong Hill Tracts

Although the growth within the agricultural sector has been more or less just above the population growth, rural poverty, especially for the extreme poor has shown signs of decreasing during the last five years⁶. This is attributed to several factors, firstly there has been a shift from rice production to commercial non-rice crops, for example vegetables, livestock and fisheries have grown faster than other agricultural activities as a response to a growing market demand. Secondly, the opportunities for economic activities outside agriculture have increased substantially during the nineties as the road network has been expanded, electricity has been provided to at least some areas and micro-credits are available to the majority of the poor. Thirdly, an accelerated rural – urban migration has shifted some of the surplus population to urban areas. This trend has been a livelihood strategy for many rural poor families.

Around 80% of the population lives in rural areas, even though urbanisation has been a strong trend during the last thirty years⁷. The urban population has increased fourfold over the last two decades and around 60% of the increase are due to migration, mostly by young adults, from the countryside⁸. The strong urbanisation has two causes, on the one hand people are pushed by rural poverty as agriculture can only provide employment to some of the increasing number of available workers, and, on the other, urban centres provide hope for easier access to education, health facilities and, not least, a chance for a paid job. Most urban newcomers work in the informal sector⁹ or within the growing textile and ready-made garment industry.

However, most of the urban poor are cut off from basic social services such as housing, safe water, sanitation, health, education and personal security. For example, while the national immunisation programme has been a relative success, coverage of children in the urban poor group is significantly lower than rural. The immunisation rate in the urban slums is only 38% of the children in the relevant age group, compared with about 80% achieved in the rural areas¹⁰. Although rapid urbanisation creates many social, infrastructural and environmental problems for the growing cities, there are also positive sides as urban centres are breeding grounds for business activities and offer alternative livelihoods and wider social and cultural choices than the countryside. Furthermore, urbanisation lessens the employment effects of the decreasing productivity growth in agriculture¹¹.

Around half of the population is under twenty years of age, which puts a large pressure on society, not least the education system. However, the age distribution of the population is changing rather quickly due to changes in fertility and mortality rates. The average fertility rate has gone down from almost seven children per woman in 1970 to around three births per woman today. At the same time, infant mortality has declined to almost 70 per 1000

⁶ “Bangladesh Poverty Analysis: Trends, Policies and Institutions”, Binayak Sen, February 2000.

⁷ It is estimated that by year 2020, almost half of the population will live an urban life, which will create huge environmental problems.

⁸ Rita Afsar: “Rural-Urban Dichotomy and Convergence: Emerging Realities in Bangladesh”, 1999.

⁹ Two-thirds of the urban workforce are in the informal sector, mainly transportation, construction and domestic service.

¹⁰ “Bangladesh Poverty Analysis: Trends, Policies and Institutions”, Binayak Sen, February 2000.

¹¹ Agriculture still grows with 2.5 to 3% each year, depending though on floods, droughts etc.

live births, which is still high compared to the rest of the world, and the maternal mortality rate continues to be very high at 4.5 deaths per 1000 births.

The effect of lower fertility and mortality will be that the number of young people in relation to working adults will decline and create a lower “dependency ratio”¹². This is usually defined as a “demographic bulge” and it could constitute an opportunity for increased economic growth¹³. As the dependency ratio most likely will continue to drop from today’s 0.8 to less than 0.6, there will be a high concentration of the population to the productive age groups who will have the lesser burden of fewer children compared to previous generations. The challenge for Bangladesh is to utilise effectively these human resources for employment creation and economic growth. For this to take place, there is a need for improved human resource development.

2.2 Characteristics of Poverty

The average per capita income is less than a dollar a day for each citizen. Consequently poverty is widespread and considered as the biggest socio-economic problem by the government, the international donor community and independent observers. Approximately 45% of the population (60 million) lives in poverty and of this around thirty million people are classified as hard core poor, living in extreme poverty¹⁴. UNDP defines the hard core, or “poorest of the poor”, as those thirty million individuals whose daily calorie intake is less than 85% of the “poverty line” intake of 2122 Kcal/day¹⁵. This figure by itself indicates near starvation for many vulnerable families¹⁶. Malnutrition is common among the poor and it is estimated that two out of three children do not receive sufficient daily nutrition¹⁷.

The World Bank (1998) has noted that there are two household characteristics that correlate strongly to family wealth or poverty in Bangladesh; education¹⁸ and land ownership. The poor are normally landless and illiterate. Over 60% of the rural population is practically landless and 40% of the total land is owned by merely 6% of the households. It is foreseen that the number of landless families will continue to increase at a rate of 4% per year.¹⁹ In regards to education, the government estimates that the country has achieved 62% literacy for adults (over 15 years). However, the challenges for applying the literacy skills for growth and economic development remain. Many relapse into illiteracy, as their skills are not utilised in their daily life.

The extreme poor are predominantly wage labour households, female-headed or with disabled male income earner, living in areas of high vulnerability to natural disasters and typically beyond the reach of current development

¹² “Bangladesh: Private Sector Study”, by Swedish Development Advisers for Sida, March 2000

¹³ As experienced in other parts of Asia, where emerging economies have benefited from this demographic change.

¹⁴ As statistics in Bangladesh on poverty are varied and sometimes contradictory, even and rounded-off percentages are used.

¹⁵ “Options for Reaching the Poorest of the Poor”, Khan and Hamid, UNDP, Dhaka, March 1998.

¹⁶ Bangladesh is listed as low as 150 out of 175 countries on the UN-index (HDI) on poverty.

¹⁷ Malnutrition is not only caused by poverty but also due to lack of awareness of the importance of balanced food intake for nutritional reasons.

¹⁸ Please refer to “Socio-Economic Indicators”.

¹⁹ Proshika: “Towards a Poverty-Free Society”, 1999.

assistance in terms of location and social discrimination. There are pockets of extreme poverty in the low-lying areas along the major rivers and along the coastal line, where people reside on newly formed islands, some of them no more than mud-banks. Naturally, floods and cyclones regularly affect the poor. The portion of households that are dependent on female earners constitutes 20% of all rural households and they have a higher incidence of poverty. On average, females have a significantly lower nutritional intake than males, their literacy rate is lower and the average wage rate is almost half to that of men²⁰. Poor women are also vulnerable to crime and violence. Rape, murder, acid throwing, trafficking in women and children and violent repression at home are common for poor women both in rural and urban areas.

Rural village life, especially for the poor, is still based on close family ties as the social unit and built around the homestead as the economic base. Traditionally, landholding and patronage, distinguished family lineage, and religious piety have been sources of social prestige and standing. However, life in Bangladesh is gradually changing with improved education, increased employment opportunities, not least for women, and a general opening up of society to the outside world as transportation and communications improve. But close ties, dependency and perceived obligations to family and relatives are still major factors for all Bangladeshis to take into account in all aspects of life. Family and kinship are at the core of social life and are among some of the factors explaining people's survival skills and resilience in times of natural disasters or life-cycle crisis.

The poor are regularly exposed to external shocks and crisis due to natural disasters, illness, insecurity, dowry and other life-cycle events. These events cause lower incomes, destruction of assets and consequently an increase in vulnerability. Research indicates that losses of income per rural household due to external shocks are equivalent to almost two months income ²¹. This vulnerability is probably one of the main factors hindering the poor, often landless, to increase their income, invest in productive activities and eventually graduate from poverty.

As indicated above, poverty still is widespread in Bangladesh, even though economic growth has been a few percentages above the average population growth. The rate of poverty has declined slightly during the nineties, but in actual numbers it is increasing²². There are a number of structural factors behind the prevailing poverty. The major reasons are the unequal distribution of productive assets, inequitable distribution of income, massive under-employment, low levels of human resource development and imperfect local markets. These economic factors, together with the unjust social system, a low level of law and order and lack of good governance, reinforce each other and create a critical obstacle for human development.

Furthermore, the livelihood for the poor is negatively affected by the regular natural disasters as they to a high degree depend on natural resources such as land and water for their survival. In addition to income levels, poverty include social inferiority, isolation, physical weakness, vulnerability, seasonal deprivation and structural factors at all levels of society. The root causes of

²⁰ Please refer to Appendix "Socio-Economic Statistics".

²¹ Bangladesh Institute of Development Studies: 62-village Analysis of Poverty Trends Project (ATP)

²² In the late nineties, there were as many poor people (60 million) as the whole population at the time of independence almost thirty years ago.

poverty are found in social, economic, cultural, traditional and other barriers that hinder broad participation of the poor in society and reduce their access to public services and potential for utilisation of their own productive capacities.

The following chapters outline the current situation within major areas and sectors of society and describe how they affect the overall development of the country. The next two chapters contain an overview of a political and bureaucratic environment which presently limits, rather than fosters, the capacities of the population, not least the poor, in their search for a livelihood and economic progress.

3.1 Parliamentary Democracy

Democracy in Bangladesh is young and fragile. During the first twenty years after independence (1971–1990), Bangladesh was most of the time ruled by non-elected and military-backed governments. After a popular movement managed to topple President Ershad, with the passive assistance by the military, a democratic parliamentary form of government was installed in 1991. Awami League (AL) took over power from the Bangladesh National Party (BNP) in 1996, through a relatively fair election under a caretaker government. The elections were preceded by months of demonstrations, strikes and political unrest.

The two major political parties have dominated the political scene during the nineties. Both parties draw their support from the same political class and they have close historical links. There is a great tension, both on the party and individual level, between the leaders of the two parties, Ms. Sheikh Hasina (Awami League) and Ms. Khaleda Zia (BNP). The polarisation and hostility between AL and BNP continue and the opposition frequently uses traditional “Hartals” (civil disobedience and general strikes) as political weapons. Political demonstrations often end in violent clashes between different groups and politically induced murders occur frequently. Presently, the opposition is boycotting the parliamentary proceedings, which has created a political standstill and procrastination in planned economic and administrative reforms.

The political, administrative and economic power is concentrated within a small elite with inherited vested interests. The elite, with its family and kinship ties, is well connected within all spheres of society and patronage is used to retain benefits. Hence, the political process at the national level is driven more by personal and power rivalry than ideology or social and economic concerns. Society therefore is highly politicised and the main parties make frequent use of their close connections with student unions, trade unions and local “Mastaans” (petty criminals)²³.

3.2 Local Politics and Governance

The locally elected politicians and the local administration are weak both in terms of human and financial resources and still heavily supervised and controlled by the central government and the system of patronage. The democratic process is fragile and to a large extent dependent on the local power structure, where patron-client structures, kinship and quasi-feudal systems prevail in some areas. The rural elite in control of the political power has access to administrative institutions, including the police and judicial system. This is a

²³ “Corruption in Bangladesh: Costs and Cures, the World Bank, 2000.

major obstacle for the human and legal rights of the population, not least the poor who lack connections, resources or full knowledge and information of the political system.

However, there has been some positive democratic progress at the local government level, mainly with relatively free and fair elections to Union and Pourashava Councils (local government) in the late nineties. In the local elections for Union Parishad in 1997, there was an 84% turnout and approximately 5000 poor and landless were elected out of around 45,000 positions²⁴. More than 30,000 members of various NGOs ran as candidates. The revised law for local government also provided for direct election of women, which meant that 13,500 women are now participating at the local councils as first-time members. There are plans to have elections for the second tier of local government, Upazila Council, but delays have occurred as the Election Commission is waiting for the appropriate moment.

3.3 The Role of Media and Civil Society

Bangladesh has a rather broad and pluralistic press and media, which contribute to the political dialogue as a counterbalance to vested interests. The constitution guarantees fundamental human rights to all and the freedom of the press is also a fundamental right. Media has a political role by focusing on issues such as corruption, mismanagement and law and order and to make it known to the public. The print media is fairly open, although many daily newspapers are controlled by political groups. Certain restrictions on the freedom of the press exist, e.g. “Article 33”, which empowers the government to detain anybody, including journalists, in prison without a trial for six months²⁵. Furthermore, there is no law that ensures that the government will respond to public requests for information.

Civil society is flourishing in Bangladesh at all levels, not only within non-governmental organisations, but linked to community groups, religious congregations and cultural interest groups. Bangladesh is proud of its traditional and cultural heritage, especially the language and the music. As the struggle for independence was closely related to the status of the language, Bangla (or Bengali), the country takes special pride in its literature. There is a long unbroken tradition at the village level to form various kinds of groups or participate in large meetings. There is also a common form of village court, “Shalish”, where minor cases between villagers is solved by a group of individuals with social standing in the community. Although Bangladesh has a rather secular society for a predominately Muslim country, there are tendencies for increased influence of religion in various social and political areas. Fundamentalist groups, albeit small and fairly marginalised from the mainstream of politics, are frequently drawing the attention to a perceived tension between religious and traditional values vis-à-vis modern society.

²⁴ These individuals were encouraged by various NGOs to personally contest for a position. The NGO-community played a strong role in awareness building before the elections.

²⁵ Several governments have used this power many times under the provisions of the “Special Powers Act” of 1974. In the last 24 years, a total of 69,010 persons were detained under SPA, of which 68,195 were later released by the High Court because of vague, indefinite and weak grounds for detention. (Parliament document from three-member sub-committee, September 2000)

3.4 The Regional Context

Bangladesh has close historical, religious and cultural links with the other countries on the Indian sub-continent – India, Pakistan, Sri Lanka, Bhutan and Nepal. All of these countries are also members of the South Asian Association for Regional Co-operation (SAARC). The SAARC discussions on a future trade arrangement as a step to bring the regional markets together have been put on hold as the contacts between India and Pakistan deteriorated in 1999. However, in the long-term, there are huge potential benefits if the countries could agree on gradually increased opened borders for trade, services, finance and even migration.

As Bangladesh is almost totally surrounded by its main neighbour, India, this naturally puts special emphasis on the relations between the two countries. There have, for example, been extensive discussions, and some controversy, on the issues of water sharing (mainly Ganges), the substantial smuggling of goods and the potential of export of natural gas from Bangladesh to India²⁶. India on the other hand has raised concerns on the issue of continuous illegal migration from Bangladesh to the Indian state of West Bengal. Another issue of concern has been the trafficking of young women and children from Bangladesh to India, where they are kept by force as prostitutes. Although India is the dominant neighbour, very little formal export-import takes place between the two countries. In the long run, Bangladesh would benefit from increased regional trade and co-operation. However, due to the political situation in the region, for example the tensions between Pakistan and India, there is little hope of quick improvements in relations between the countries in the region.

3.5 The Political and Human Rights Challenge

Although the national political situation contains many negative sides, most observers believe Bangladesh will continue to improve its democratic process, albeit slowly and with possible drawbacks. Presently, there is an increase in political clashes, as the country is getting closer to the next general elections, planned for the second half of 2001. Apart from the two national elections in 1991 and 1996, and the local elections held in 1997, which were positive signs for democracy, Bangladesh finally put an end to twenty years of conflict in the tribal area of Chittagong Hill Tracts in 1997. However, the increase in political violence and breakdown of law and order reduce the citizens' trust in the political system as well as the judicial system. There are also a number of political prisoners according to Amnesty International. Frequent incidents of police brutality and corruption within the judiciary system violate the citizens' legal rights.

For the majority of the population the main human rights concern is the absence of basic human rights due to mass-poverty. The present political instability and the mistrust between the political parties are obstacles for economic growth as the government fails to play a decisive role in policy formulation and implementation. Furthermore, the domestic private sector and the economy as a whole suffer from the constant political "Hartals" due to road blockages, strikes and demonstrations. Potential foreign investors are also

²⁶ Economist Professor Rehman Sobhan estimates that smuggling from India accounts for more than double the official import of 1 billion USD from India. Bangladesh's exports to India are a mere 68 million dollars (R Sobhan 2000). As indicated, Bangladesh has a huge trade deficit with India.

negatively affected by the political bickering, which dampens the will for needed investments in the country.

One of the main challenges for the political parties is how to become more responsive to the need of the people, especially the poor, whose voice generally goes unheard at the national level. Real decentralisation, including the devolution of political and financial power, is needed. The lack of a broad participatory democracy at the local and national level and of accountability is an issue of basic human rights. As a result, most people lack access to public services and the quality is usually low whenever provided. This lack of accountability from the political level and the bureaucracy is a sign of bad governance. The following chapter will therefore outline the situation within the public administration with its weak governance and widespread corruption.

4. Governance

4.1 Public Administration

In Bangladesh, the President is the Head of State, with limited power, and the Prime Minister is the Head of Government. The Prime Minister is assisted by a council of Ministers and there are currently 35 ministries. For administrative purposes, the country is divided into six divisions, each headed by a Divisional Commissioner. There are 64 districts under the six divisions, each headed by a Deputy Commissioner. The number of public servants has doubled since independence and constitutes today of more than one million state employed, including all staff within ministries, directorates secretariats and autonomous bodies for all the public sectors, including teachers, doctors and civil servants²⁷. Government employment accounts for 20% of all formal sector employment²⁸.

Central Government: The state structure is highly centralised, inefficient and oversized in relation to the economic status of the country and the current low level of state revenue. Most state institutions perform poorly and they are even considered in some instances to be liabilities instead of assets in terms of their contribution to socio-economic development²⁹. There is limited accountability and transparency for those in authority on the use of public funds. As a consequence, institutional corruption is widespread, which makes bribes necessary for a citizen to obtain basic public services or means to do business³⁰.

The key players in the political system of Bangladesh for safeguarding accountability and transparency are the Parliament, the government and the legislative auditor (Comptroller and Auditor General – CAG). The government is accountable to the Parliament and must certify that funds have been properly spent within the legal limits. CAG audits the accounts on behalf of the Parliament. However, there are currently two serious problems that weaken the parliamentary control. Firstly, the CAG lacks sufficient independence from the

²⁷ As an example, there are around 300,000 teachers at primary school level, 150,000 teachers at secondary level and 4,000 teachers at university level. There are only around 27,00 doctors and 17,000 nurses in public hospitals and clinics.

²⁸ With 1.2 million public servants, Bangladesh's public administration is not large in relation to a population of 130 million. Only as a simple comparison, Sweden, with 9 million inhabitants, has around 300,000 employed by the government.

²⁹ "Crisis in Governance", a Review of Bangladesh's Development by the Centre for Policy Dialogue, 1997

³⁰ "Corruption in Bangladesh: Costs and Cures", the World Bank, 2000.

government³¹. Secondly, the public accounts are inadequate, unreliable and always presented late to the Parliament.

Although the government and independent observers agree on the need for actual implementation of a public administration reform programme, very little has actually happened. A Public Administration Reform Commission was established in 1996, but so far only a few of their recommendations have been accepted by the government and less been implemented. The government has not been strong enough to try seriously to reform the state structure.

Most of the public administration is centralised to the capital Dhaka, where medium and high-level bureaucrats are an active part of the political power base. One reason for this has been the continuous recruitment based on political connections and nepotism instead of professional merits. This is further cemented by the existence of strong and highly politicised labour unions. The unions always protest against changes within the workforce and the outcome is often violent with people being killed in clashes on the streets. As a result, government is reluctant to change and the public administration remains over-staffed and underpaid as well as unmotivated to perform the services it was hired to provide.

On the positive side, the government is working on establishing an “Office of the Ombudsman”, based on the experience from other countries, and a National Human Rights Commission. Currently, the Permanent Law Commission at the Parliament is working on identification of reforms needed for modernisation of the overall laws for public administration. Other initiatives concern reform of the judicial system to enhance efficiency, strengthen the Law Commission, improve capacity of the Supreme Court and District Courts and streamline court procedures. Five of the 28 recommendations from the Public Administration Reforms Commission have been approved by the government and is pending implementation.

Local Government: Administratively, local government in Bangladesh contains three main structures. First, there are the regional arms of the central government, containing six administrative divisions, which are subdivided into 64 Districts. These districts are then subdivided into 460 Upazilas, formerly known as Thanas. The structure of decentralised rural government is further subdivided into approximately 85,500 villages, which are organised into the rural local government entity Union Parishads. There are around 45,000 Union Parishads in Bangladesh. A Union’s main functions are to maintain security, implement development activities, promote family planning and to protect and maintain public property, such as roads, bridges, embankments, markets and electricity lines. For the urban areas, the structure is different. The four major cities, Dhaka, Chittagong, Khulna and Rajshahi are organised as City Corporations. Smaller townships and municipalities are called Pourashavas, rural townships. Presently, there are around 180 Pourashavas. Pourashava Councils usually establish committees to assist in the administration. Regular areas for the committees are tender issues, public works, local taxes, water supply, health and sanitation, education and local finance.

³¹ CAG operates as a department of the Ministry of Finance and depends both financially and operationally, e.g. in terms of staffing, on other ministries.

The government has a programme to create directly elected local governments, including measures to transfer increased power and some taxation authority to Union, Upazila and Pourashavas. The idea is that well-functioning local governments can increase responsiveness to the needs of the community. However, there are also risks of capture and misuse of resources at the local level as the accountability and transparency are weak. The local authorities lack human and financial resources to perform their tasks. The local revenue base is limited and there are difficulties in collecting local taxes. As a consequence, local authorities rely on government grants. Many authorities are understaffed, as they cannot pay adequate salaries. The situation is worsened by the low level of technical and administrative skills at the local level. Existing training institutions, e.g. NILG (National Institute for Local Government) lack sufficient funding to satisfy the local needs. Furthermore, the local level of government is still lacking administrative and legal freedom of action and many rules and regulations limit their possibility to act. All in all, Bangladesh lacks local level public institutions receptive to the needs of the citizens and with reasonable mandate and resources to meet the demand for public services and security. There is therefore a need for the government to reinforce its commitment to local government reform.

Poorly performing public institutions, both local and national, remains a major obstacle for economic growth. As an example, the inefficiency within the public sector causes huge direct economic losses for the country. The World Bank estimates that only the revenue loss to government due to corruption and mismanagement in the customs and income tax departments exceeds 5% of GDP. Even though auditors have identified many cases of irregularities, mismanagement and corruption, limited actions have been taken for correction, compliance to rules and not least legal proceedings. As the legal system is in a shambles, very few corrupt individuals have been prosecuted and justice is seldom served.

4.2 The Judiciary and Law Enforcement Systems – A Human Rights Issue

The law and order situation has deteriorated over the last twenty years, as indicated in official statistics, with the highest increase in murder, rape and other acts of violence against women³². Other crimes include highway robbery and physical assaults. In many cases, there are allegations of police involvement in the crimes themselves. There is a general consensus in Bangladesh that the state does not live up to one of its primary obligations; the protection of its citizens. The police force is seen by Bangladeshis themselves as the most corrupt institution in Bangladesh. In the 1996 study by Transparency International, 96% of the respondents claimed that it was impossible to get police assistance without paying bribes. Furthermore, police brutality is common and there are frequent reports of people tortured to death and women raped while in police custody. Another example of misconduct is the common illegal demand from traffic policemen to pay toll in order to pass on highways in Bangladesh. Some of the causes for this behaviour are found in the poor career prospects and low salary levels, which are incentives for corruption within the police force.

As mismanagement and corruption are prevalent in the judicial system and the police force, it has weakened their role as upholders of the law and order in the country. The capacity of the courts is notoriously weak and, according to the

³² One revolting example is the existence of acid throwing, which has increased by more than 50% during the last few years (Odhikar, 1999).

World Bank³³, there is a backlog of half a million cases. On average, a civil matter takes about five years in a District Court and in some cases more than ten years are needed for the Appellate Court to come to a decision. Most citizens feel that it is impossible to get a fair judgment from the courts without paying bribes or being well connected. More than 71% of households involved in court cases reported that they had to pay cash bribes to court officials³⁴. However, the Supreme Court of Bangladesh is generally considered to be functioning well. During the last few years, the Supreme Court has issued orders requiring the government to justify some of its actions, for example with regards to detention of individuals under the special security laws of the country.

As the judicial system and the police are responsible for upholding the rule of law in the country by protecting its citizens and their property, the present situation in the legal and law enforcement systems in Bangladesh is an obstacle for overall human rights and an equitable development. Apart from the individual's human and property rights, there are negative implications for the country's trade and commerce, as the state cannot protect business. This causes serious harm to the potential growth of the economy.

4.3 Corruption – An Obstacle for Development

One of the structural factors hindering socio-economic development in Bangladesh is poor management of available resources³⁵. At the core of mismanagement is the prevalence of corruption. The key to any society in the fight against corruption is to create checks and balances between various officials through a democratic process and institutionalise clear roles and responsibilities, together with increased accountability and transparency within the state structure. Bearing this in mind, Bangladesh has a long way to go as the democratisation process is young, central institutions weak and only the first shaky steps on implementing good governance within both parliament and the bureaucracy been taken.

In 1996, Transparency International, a watchdog organisation against corruption around the world, assessed Bangladesh as the fifth most corrupt county in the world. Furthermore, the “International Country Risk Guide” has also observed this previously in the early nineties, when Bangladesh was judged to be the sixth most corrupt nation³⁶ in the world, in companionship with e.g. Pakistan, Nigeria and Indonesia. The most common form of corruption is within the bureaucracy, when individuals take bribes, tips and gifts in the discharge of their public duties or favour friends and family through their position. On the political level, corruption includes buying political influence and votes, providing patronage through non-merited recruitment into public jobs, illegal campaign financing and other forms of using state funds for private or party benefits.

According to Transparency International, almost all households reported having to pay bribes to obtain services in the health, education and municipal

³³ “Key Challenges for the Next Millennium”, the World Bank, 1999,

³⁴ Refer to Transparency International's Corruption Study of Bangladesh in 1996.

³⁵ As documented extensively by the World Bank, UNDP, Asian Development Bank as well as by Bangladeshi institutions, e.g. BIDS and the Centre for Policy Dialogue (Dr. Sobhan et al).

³⁶ As presented in the World Bank document “Corruption in Bangladesh - Costs and Cures”, draft March 20, 2000.

sectors, for transportation, land title records and not least to get a loan from the financial system. Free and fair competition within the business community is hampered due to corruption. Bribery, kickbacks, speed-money and other criminal activities have a harmful impact on the allocation of resources and the level of investments in the country. Corruption increases the transaction costs of making business and creates inefficient distortions within the market.

The loss to the nation due to corruption is high, and falls disproportionate on the poor as they typically have a low educational level, lack financial resources and have few personal contacts to counterbalance the distortions of corruption. Corruption therefore contributes to increased inequality in society between the well situated and the destitute poor. The World Bank estimates that a gradual decrease in corruption could add an extra 2–3% increase to the annual economic growth of the economy.

5. The Economy

5.1 Economic Overview

The total economic activities of the country are estimated to an annual value of about 42 – 45 billion USD for 1999, which comes to an annual GDP per capita of 320 to 340 USD. Agriculture is still the largest sector of the economy with around 25% of GDP and employing two-thirds of the labour force. The industrial sector has grown steadily during the last ten years with an annual rate of over 7%, mainly due to the textile and ready-made garment industry. However, industry contributes with only around 12% of GDP. Construction stands for 6–8%, transportation and communications for 12–15%, various services for more than 30% and public administration and defence for 6–8% of GDP.

During the nineties, Bangladesh had a relatively stable macroeconomic situation, based on gradual structural reforms in trade and commerce as well as promotion of exports. Balance of payment pressures were reasonably managed, the current account deficit as a percentage of GDP decreased and inflation was kept under 10% per year. Furthermore, national savings have increased during the last ten years. Debt servicing has not been a major problem, compared to other Least Developed Countries (LDC), as the national debt is modest relative to the economy and mostly based on concessionary loans with soft conditions. Significant foreign investments have taken place in the energy, gas and telecommunications sectors, reaching an annual level of 700 million USD³⁷. Bangladesh also has a substantial inflow of remittances from nationals working mainly in the Middle East and South-East Asia, which is of national importance to the economy. During recent years, annual remittances have been larger than the total donor assistance as it comprises of more than two billion USD per year.

To a large extent, Bangladesh has achieved its steady growth rates during the nineties due to an exploitation of its relatively cheap workforce, both within the garment industry and through migrant labour contributing to the economy with large remittances from abroad. Only in the recent couple of years have there been significant foreign financial investments in the country. Continued economic growth through exports is hampered by severe infrastructural bottlenecks (ports, transportation, communications, energy etc) and governance

³⁷ Still considered extremely low compared to most other countries in Asia.

problems. In addition to domestic obstacles, Bangladesh faces intensified regional competition, which has resulted in decreasing profit margins for exporters.

5.2 Macroeconomic Stability

Macroeconomic stability is necessary, but not sufficient, for increased economic growth. Bangladesh has managed to have a stable macroeconomic situation during the last few years despite the crisis in the Asian region during 1997 and the devastating floods in 1998. The rates of savings and investments have increased and the investment-GDP ratio is around 20%. Inflation has been kept at an annual rate of around 8–10% as a result of a relative control of the fiscal deficit. The country's fiscal deficit during the last five years has averaged about 3.6% of GDP, which has been within sustainable limits as the economy grows with around 5% per year. However, recent figures show an increase in the fiscal deficit and the domestic debt. Furthermore, the balance of payments has been under strain, especially after the higher food imports after the flood of 1998. The exchange rate is still controlled, but the government has a policy of flexible exchange rate management, which involves frequent smaller adjustments of the exchange rate. The foreign exchange reserves fluctuate between 1.3 to 1.8 billion USD, which is equivalent to around two months imports. Furthermore, exports grew by almost 15% in 1999, which is impressive, considering the foreseen negative post-effects of the flood of 1998.

Although the increasing foreign direct investments into Bangladesh provide for opportunities for the country, it also represents risks if the increasing foreign exchange liabilities of profit repatriation, interest and principal repayments are not matched by even stronger export growth than is presently the case. This is a major concern for macroeconomic stability due to balance of payments implications, especially as it is estimated that investments will continue to range between 700–800 million USD per year for the coming years, out of which the majority goes to the power and natural gas sectors. Apart from the need for governmental monitoring of the balance of payment, the long term solution is to ensure that these huge investments are efficient and assist to further increase exports and overall economic growth in industry and commerce as well as in the still most important sector for the survival of the population, agriculture.

5.3 Budgetary Constraints

Even though the macroeconomic situation has been fairly positive, it leaves little room for manoeuvre as state revenue is among the lowest in the world in comparison to GDP and further fiscal deficits would lead to higher inflation if domestic borrowing continues at its current level. The fiscal situation must therefore be seen as worrisome, especially if losses from state-owned enterprises and the effects of non-performing loans at the nationalised banks are taken into account.

The government is taking measures to strengthen revenues, for example through improved customs and tax collections, but the system still is open for tax evasion and corruption. On the expenditure side, a substantial part goes to unproductive activities, such as military purchases and transfers to finance wage increases for workers within the loss-making state-owned enterprises. The total annual government expenditure has during recent years averaged around 14% of GDP and tax revenues have constituted only 7.5%, which is very low compared to most other countries. As other revenue sources amount to 2% of

GDP, there is an annual central government budget deficit of around 5%. The weak revenue base limits the government's ability to invest in health, education and physical infrastructure through its development budget.

Annual Development Budget (ADB): The expenditure pattern within the annual development budget has been rather static during the last ten years, with one significant exception as the allocation for health and family planning has increased from 8% of ADB in 1994 to around 14% in 1999. Agriculture, water and rural development receives around 20% of ADB, transportation and communications is also allocated around 20%, education 13%, power and energy 15% and physical planning and housing receives around 5%. Direct development assistance to the local level (Upazila) is only around 1.5 to 2% of ADB³⁸. Industrial development receives a mere 1% of the development budget. During recent years, around half of the development budget has been funded by international donors. The challenge for the government is, as stated in its document "Bangladesh: Recent Economic Performance" (2000), "to keep inflation low, increase quality of public spending, tighten budget constraints due to state-owned enterprise losses and speed up the pace of structural reforms in key sectors such as the ports, power and banking".

5.4 Export-Oriented Growth

Since the late eighties, various governments of Bangladesh have promoted an export-oriented growth through economic reforms in trade and commerce. Bangladesh's currency (Taka) has been made convertible, import tariff rates are gradually lowered and rationalised, quantitative import restrictions have been reduced and export incentives have been introduced by the government. As a result, exports doubled during the past decade following a slow but gradual liberalisation of the economy. Today exports represents 16% of GDP. The most successful export area has been ready-made garment. In the early eighties, garment exports were as little as 7 million USD/year, but today the annual exports represent around 4 billion USD. Other export items are frozen seafood (shrimp), leather goods and tea. Although total exports have grown impressively, there are problems as the industry needs to diversify to reduce its dependence on ready-made garments, which makes up more than 75% of all export.

The stable macroeconomic environment and continuous trade liberalisation have enabled private companies within the textile and garment industry to take advantage of the global Multi-Fibre Arrangement and the Generalised System of Preferences used in Europe. As these special access and quota systems will disappear in 2005, the export industry needs to increase efficiency, improve product quality and ensure that their products are competitively priced on the world market, as Bangladesh will compete head on with other developing countries for a share of the international market. This will prove to be a real challenge as the real cost of doing business in Bangladesh is high, infrastructural bottlenecks remain a constraint, the financial system is inefficient and the state structure remains bureaucratic and many times corrupt. On the other hand, if the private export sector, with the assistance of the government, is able to address effectively these constraints, there are huge potentials for economic growth through diversity into higher value added products and other products

³⁸ Bearing in mind that almost all public servants at Union, Upazila and higher levels receive their salaries from the central government in Dhaka (ministries, directorates, secretariats and autonomous bodies).

outside the ready-made garment industry. This is therefore a challenge of national importance for development.

5.5 State-Owned Enterprises

Since the nationalisation of large economic assets after the bloody independence war in 1971, Bangladesh has had a legacy of state domination in industry and banking. Apart from national ownership of the power system and railways, the government also acquired sections of manufacturing such as textile, jute and sugar mills³⁹. The trade unions within the companies are very strong and oppose most changes. Attempts to restructure the industry have been made, but privatisation of state-owned enterprises is still lagging behind and only a few enterprises have been privatised and none of the large companies⁴⁰. The Privatisation Board is responsible for the privatisation of fifty enterprises and the government is working on improving the implementation as well as re-training retrenched workers, improving severance benefits and creating a public opinion for privatisation.

State owned enterprises are still dominant in several sectors, for example in sugar and jute. The companies are inefficient and represent a huge drain on national resources. In 1999, the losses of the state owned enterprises were over 300 million USD. The losses in the mid-nineties were equivalent to more than half of the spending of the social sector in the annual development budget⁴¹. Even though the relative importance of the state as producer of goods has declined in Bangladesh, state ownership still accounts for 20% of the total manufacturing output, 80% of commercial bank assets and most public utilities services⁴². Hence, the state continues to have an ownership role in industry and commerce, which drains the national budget, creates inefficiencies and distortions within the productive sectors and discourages private initiatives. The lack of action within the privatisation process is therefore a major hindrance for economic development and a heavy financial burden⁴³.

5.6 Industries and Commerce

Manufacturing: Industry contributes to approximately 12% of GDP, with large-scale enterprises accounting for around two-thirds of the total. However, the sector employs only a couple of million people, with the majority in garment industries. The main industries are located in Dhaka and Chittagong, where Export Processing Zones (EPZ) have also been set up to attract foreign investors.

Main exports are ready-made garments, raw jute, tea, fish, hides and skins and newsprint. Important industries that attract both domestic and foreign investments are agro-based industry (dairy and poultry, processing of fruits and vegetables, fish and shrimp), leather products, labour intensive industries (electronics, computer data processing, toys, light engineering etc) and heavy industry (steel mills, metal extraction, pharmaceuticals and basic chemicals). One of the major success stories has been the fast growth in the ready-made

³⁹ Many companies were previously owned by Pakistani individuals or companies.

⁴⁰ Only 1% of all total assets in state-owned enterprises have been privatised.

⁴¹ "The Dancing Horizon", UNDP, 1997.

⁴² "Better Governance for a Better Future – Reforming Public Institutions in Bangladesh", the World Bank, March 2000.

⁴³ Total losses for state-owned enterprises in year 2000 is estimated to be 600 million USD.

garment industry. Today, almost 1.5 million people work in the sector. As the business will be covered under the WTO, the global apparels market will be in the order of 175 billion USD. This represents both a threat and an opportunity for Bangladesh. The decisive factor will be if Bangladesh can compete on equal terms with other South East Asian countries and China.

Industry and commerce are also affected from the cumbersome and corrupt customs administration. According to some studies exporters need on the average twelve days to release imports from customs, seven days for clearance of export documents and nine days to obtain clearance for exporting a shipment⁴⁴. Another problem for entrepreneurs, small businesses and exporters is to get access to short and long-term credits through the formal financial sector. The industry suffers from the unstable political situation. Politically induced “Hartals”, strikes and road blockages have led to the loss of over 200 workdays in the past five years. Only in 1999, a total of thirty workdays was lost as general strikes closed down almost all economic activities. Although most businesses have managed to handle the disturbances, the economic losses for society must be considered substantial⁴⁵. There are also environmental concerns due to the activities of the industry. There are more than 30,000 industrial units in Bangladesh and they constitute a huge environmental problem. Mismanagement, inferior technologies and lack of facilities for treating industrial waste have aggravated the situation. Apart from pollution, there is also a need to improve the work environment within many of the factories around Bangladesh.

Swedish Trade: The trade between Bangladesh and Sweden has increased substantially during the last few years. In 1999, imports from Sweden grew by 64% and reached 195 million SEK. Exports to Sweden, mainly within ready-made garments, increased by 23% and reached 540 million SEK in 1999. In total, there are around 45 Swedish companies represented in Bangladesh, most often through a national agent.

Prominent Swedish companies with long presence in Bangladesh are Elof Hansson (trade in paper, chemical products, etc) and ABB (energy sector). Hennes & Mauritz (H&M) has increased its business in Bangladesh during recent years, and today as much as 10% of its imports are from Bangladesh, representing around 30 million pieces of garment. Ericsson has expanded rapidly within telecommunications and the company has close collaboration with all the main operators, both private and state-owned, in the country. Over 60% of all mobile telephone connections in the country are utilising Ericsson’s system in one way or the other.

The increase in trade between Sweden and Bangladesh has taken place even though there are institutional obstacles and other difficulties in doing business in the country. The business co-operation takes advantage of both the growing domestic market, with almost 130 million consumers with a huge aggregated purchasing power, and the comparative advantage of the semi-skilled workforce and pro-export promotion from the government’s side⁴⁶.

⁴⁴ E.g M. Rahman, 1999.

⁴⁵ A World Bank report estimates a cost over the last five years of as much as 10 billion USD in lost

production due to “Hartals” and other political disturbances (The World Bank, 2000).

⁴⁶ Tariffs and duties are pro-export oriented, giving preference to import of inputs and export of domestically value-added goods.

5.7 The Formal and Informal Labour Market

Bangladesh has a labour force of around 56 million of which 45 million are rural and 11 million are urban⁴⁷. The total labour force is comprised of approximately 35 million men and 21 million women. Incidence of child labour has declined from 20% of total work force in 1988 to around 11% in 1995. Less than 2% of girl children are in the labour force, although many girls are unregistered working with domestic chores. Women in Bangladesh work longer hours than their male counterparts (25% on an average). The division of labour largely confines women to domestic work, although the garment industry employs almost 1.5 million women. The percentage of women workers has increased from 24% in 1984 to 38% in 1996. However, the female share of total earned income is less than one quarter.

The *formal labour* market is rather small, estimated to include around 6 to 8 million employees⁴⁸. Out of this, more than one million work within the public administration. The industry sector is, as previously mentioned, dominated by the ready-made garment industry with almost 3,000 factories, where 90% of the labour force is female. Other important industries like jute, cotton, paper, steel, cement, fertilizer etc, employ significantly lower number of workers. The second largest employer after ready-made garments is the jute industry, where around 127,000 production workers and other staff are employed. The third largest is the cotton industry, which employs less than 50,000 people. None of the other industries have more than 10,000 workers employed.

The *informal sector*, including services, transportation, handicraft, and domestic work for women etc, is by far the most important source for employment after agriculture. Around 30 to 40 million people are engaged in agricultural activities, depending on the season. Official statistics are lacking, but millions of people get their livelihood from self-employment, small trading, rickshaw pulling etc. The workforce within the informal sector flows regularly between various activities within agriculture, services and transportation.

Although remittances earned and transferred from Bangladeshi citizens *working abroad* is one of the main sources for hard currency and of importance to the macroeconomic stability, there are officially only between 250,000 to 300,000 workers abroad. However, it is presumed that thousands of Bangladeshis have left the country illegally during the last twenty years.

5.8 The Financial System

The poor performance of the financial sector is a hindrance for higher economic growth and increased employment. Non-performing loans in the nationalised commercial banks exceed 40%, a large part of which will never be recovered and has to be covered by the state. With around half of the loan portfolio in arrears, and fewer than 500 borrowers accounting for 70% of the bad loans, it appears as if borrowers believe that the loans need not be repaid⁴⁹. Special courts have been established to deal with the problem, but so far no real action has taken place.

⁴⁷ "Bangladesh in the Twenty-First Century – Towards an Industrial Society", A M A Muhith, 1999

⁴⁸ The following figures are taken from the official Statistical Pocketbook for Bangladesh, 1998, produced by the Bangladesh Bureau of Statistics.

⁴⁹ "Corruption in Bangladesh: Costs and Cures", the World Bank, draft March 20, 2000.

There is a need to make the sector more efficient by reforming the financial legal framework and strengthening the central bank (Bangladesh Bank) by increasing its independence and supervisory capacity. Recently, the Bangladesh Bank law (Order of 1972) was amended to give more authority to the central bank for monetary policies and regulation. More needs to be done, as deficient legislation, a weak central bank, poor management, loose auditing and accounting standards and politicised bank unions have combined to produce a financial system that is virtually bankrupt. Corruption in the financial sector is commonplace and, according to the Transparency International study, about 54% of those who borrowed money reported that they had to make payoffs or use influence to obtain a loan.

5.9 Transportation and Communications

In Bangladesh, waterways dominate the *transportation* system and there are around 3,800 kilometres of used waterways. Approximately 60% of all national freight and 40% of the passengers use the inland waterways. A large part of the rural water traffic is carried out by traditional small, privately owned, country boats, following the many large and small rivers and channels that criss-cross the country. The water transportation system lacks investments and good management of river ports and jetties. Furthermore, improved integration of the water transport system with the road transport would increase the efficiency of both systems for the benefit of all users. The railway network, which is state-owned, is 2,800 kilometres but carries less than 3% of the total transport volume⁵⁰.

Considerable progress has been made in road transportation through construction of several major bridges, regional and national highways and other road networks. This trend has been positive for a large portion of the population as they get closer access to important commercial and social services. Today, the road network covers around 15,000 kilometres of roads, although only 12% are paved. Overall, rural isolation has declined and the mobility of the population increased. As an example, 70% of the population has access to a local market, veterinary doctor, bank facilities, post office and fertiliser sales within a radius of five miles⁵¹.

There are major physical bottlenecks at the port facilities in Chittagong and Mongla, the major seaports of Bangladesh, which cause serious delays and traffic congestion. Although the government has a plan for infrastructural improvements, it is likely that the port facilities will continue to be an obstacle for efficient imports and exports for years to come. The problems are also aggravated due to frequent politically induced strikes and Hartals. For air transport, governmental plans are to upgrade Chittagong and Sylhet airports for international flights, expand facilities for domestic flights and encourage operation of private airlines. Discussions on the privatisation of the national airline Biman are ongoing within the government. Currently, Biman is showing substantial losses due to its inefficient domestic flights.

There has also been a growth in quick and affordable transportation vehicles and today there are three vehicles per 1,000 persons, which is a near three-fold

⁵⁰ "Bangladesh – Private Sector Study", Swedish Development Advisers for Sida, March 2000.

⁵¹ The Bangladesh Bureau of Statistics Report from 1996.

increase since 1974⁵². These improvements in transportation and mobility reduce the gap between rural and urban areas. Furthermore, access to radio and television has increased which also assists in a real opening up of society for the individual. However, there are only three televisions per 1,000 persons still in Bangladesh, which is one of the lowest rates in the world.

Good *telecommunications* are essential for economic growth as it increases the efficiency of the market. Bangladesh has one of the lowest telephone penetration rates in the world.⁵³ Existing telephone services are inefficient, many calls are not successfully connected, the rates are high, the waiting list for a fixed line is more than ten years and the overall coverage is very limited. Over 90% of the installed fixed lines are in urban areas, which leaves a major portion of the rural population without fixed telephone services. Telephone density in the rural areas is at the very low rate of only one fixed line per 3000 persons. This is among the lowest rates of rural telephone density in the world.

However, due to partial deregulation and private operators, there is a quick increase of mobile phone systems around the country. Private companies are allowed to provide mobile and rural telecommunications services. International telecommunications companies are currently investing heavily in the country and establishing partnerships with local phone companies. This brings in technical know-how, equipment and management skills to Bangladesh. National initiatives as Grameen Phone's "Village Phone" play an important role in the development of rural communications through mobile telephone services. The potential for both economic and social improvements for the rural population is huge, as even poor people with access to mobile services through e.g. Village Phone use the services for economic, health and other personal reasons. As these services are provided by organised groups of poor village women, they not only assist in the improvement of life quality for the village but also increase their personal incomes and status within the community. Basic telephone services, together with transportation and energy, are conducive to economic development.

5.10 Commercial Energy and Natural Gas

Bangladesh has a per capita consumption of energy, which is the third lowest in Asia, and most of it is biomass for household consumption⁵⁴. Commercial energy is available to only 18% of the population as electricity and to about 8% as natural gas and petroleum gas. Inadequate supply of electricity to industry and commerce is a major constraint to economic growth. However, Bangladesh has a vast deposit of natural gas and some limited hydroelectricity and coal. The potential is therefore great for substantial development of the power sector. This has attracted large foreign investments into the country.

Consumption of *electricity* has increased at an average annual rate of 8.5% during the last six years. The growth is impressive, especially in the area of rural electrification. A rural electrification programme, launched in 1977, today covers more than 12,000 villages in half of the country where 57 rural electric cooperatives are responsible for the local distribution. Even though Bangladesh has an installed generation capacity of 3,700 MW to a current peak demand of 2,800 MW, there are problems in transmission and distribution. Only about 65% of the public sector's generation capacity is in service and only 60% of the

⁵² "Rural-Urban Dichotomy and Convergence – Emerging Realities in Bangladesh", Dr. Rita Afsar, BIDS, 1999.

⁵³ There is less than one fixed telephone line per 200 persons in Bangladesh.

⁵⁴ After Cambodia and Nepal (Asian Development Bank, 1999).

electricity generated is actually paid for⁵⁵. There is substantial load shedding taking place, which creates huge problems for industry and the general public. Erratic power supply furthermore affects consumers' willingness to pay their bills, which leads to financial problems for the companies. For example, in Dhaka there are regular close downs of electricity in almost all parts of town as existing demand exceeds capacity.

The government is, with assistance from international donors, implementing a reform programme to gradually remove structural constraints within the sector, introduce competition and thereby attract private investments. The government opened the sector to private investments in 1996 and so far, three contracts have been signed with independent power producers. The trend is in line with most other countries, where unbundling of generation, transmission and distribution is taking place, together with a separation of sector regulation and operation. According to the World Bank, the power sector needs to grow at double the speed compared with the growth of the economy as a whole in order to keep up with demand. This implies that the power sector needs to grow approximately 14 – 15% per year as the government's aim is an economic growth of 7% per year. This kind of growth must be seen as difficult for the power sector due to its structural weaknesses.

The existence of *natural gas* has helped to boost the economy as the gas sector has attracted huge investments since the mid-nineties. In 1998, more than half of the foreign direct investments were directed to the gas sector alone. The issue of the day is if Bangladesh should export its gas or use it domestically for energy, fertilisers or other uses. This is a heated debate as nationalistic feelings are expressed, especially against the neighbour, India. The supply of gas has increased by 30% since 1996, which has removed severe constraints faced earlier, which led to decreasing fertiliser and power production. Concerns have been raised in the press about the lack of accountability and transparency with regard to the tendering for contracts, which contributes to rumours of corruption. As a result, gas and oil exploration has become a part of the political bickering due to the huge investments involved. However, as the economic potentials within the gas sector are huge, it could be transformed into a driving force for economic growth in the coming ten years.

5.11 Agriculture and Non-Farm Rural Work

Although the share of agriculture in the country's economy (GDP) has fallen from over 55% in 1970 to around 25% in 2000, farming still is the backbone of Bangladesh. The population of Bangladesh is dependent on agriculture and fisheries as they provide employment to around 60% of the population. Two-thirds of all cultivated land is used for rice production. Irrigation has made a major impact and over 65% of all cultivated land now consists of double or triple cropped areas⁵⁶.

Due to increased irrigation and use of high yield crops, Bangladesh has almost managed to keep up food production in line with the population growth. In 1970, food production, mainly rice and wheat, was 11 million tons and in 1997 it had increased to almost 21 million. However, as the population also almost doubled during that period, there have been annual shortfalls of around 1.5 to 2.5 million tons, depending on the effects of floods or bumper crops. The

⁵⁵ The World Bank (1999)

⁵⁶ BRDB, Report No. 20, 1997.

shortfall is covered by either food assistance or commercial purchases. In 1999, Bangladesh managed to produce sufficient rice for its population and consequently there was a reduced need for import.

During the last decade, the sector has grown with an average of around 3%, which has been sufficient to match the population growth, but not enough to have an impact on poverty reduction. The government's major strategy has been agricultural intensification and diversification with the aim of making the country self-sufficient in food. The private sector, local government bodies and non-governmental organisations have been encouraged to develop mini-dairy and poultry farms, including feed production, vaccination and other inputs. Fishing rights in selected water bodies are handed over to local communities. Furthermore, opportunities for private entrepreneurship in livestock have been enhanced through liberalisation of input imports.

Traditionally, most of the farmers who actually work on the land are either sharecroppers or part of a tenure system. As a majority of the farmers do not own the land they cultivate, they are reluctant to have long-term investments. There is also a lack of credit institutions for farmers, especially to farmers with smaller plots of land. Other difficulties are due to weak marketing and distribution systems in the rural areas. The agriculture sector therefore suffers from low productivity and continuous land fragmentation. Ownership of land determines more or less the degree of wealth and, consequently, poverty for a family in the rural areas. Today 60% of the rural population is practically landless. The number of landless families is continuously growing at a rate of around 4% per year⁵⁷. A few rich families and landlords control the major portion of cultivable land and the majority of farmers work either as labourers or sharecroppers. Although several governments have attempted to implement land reforms, hardly any land has been redistributed. Furthermore, land holdings remain highly fragmented, which is one reason for inefficient use of land and low productivity. Presently, land redistribution is not high on the government's agenda.

As Bangladesh is a delta land, the country is criss-crossed by rivers and water bodies with fish and shrimp. Fish constitutes the major source of protein for the population⁵⁸. Traditionally, fishing has been an important part of the rural landscape and especially during the monsoon period, when other activities are difficult, it saves thousands of lives from starvation. Fish and shrimp cultivation in ponds, plays an important role in creating employment and export earnings. However, the environmental effects have been highlighted during the last few years as shrimp farms reduce the vital mangrove belts along the coast and create water pollution locally.

Even though agriculture's share, including fisheries, of GDP most likely will go down in the coming years, agriculture will remain the main source of employment, full for some or partial for the majority in the rural areas. However, rice production has limited capacity to absorb more than a small portion of the growing labour force. Instead people turn to rural non-agriculture or agro-based small-scale activities. In the rural areas, non-farm workers constitute 40% of the labour force, with the greatest increase in transport, mainly as local rickshaw pullers.⁵⁹

⁵⁷ At the same time, 6% of the households own 40% of the land (Proshika, 1999)

⁵⁸ Fish makes up 80% of the protein intake for the average person in Bangladesh.

⁵⁹ Between 1991 and 1996, the number of agricultural workers increased by 5%, while the number of non-farm workers increased by 14% (UNDP, 1999).

6. Human Development

6.1 Health

Several indicators demonstrate the serious health situation for the population in Bangladesh. Life expectancy is only around 60 years (1999), infant mortality rate is 77 per 1000 live births, maternal mortality rate is 450 per 100,000 live births and two-thirds of all children are malnourished. The government has concluded that only around half of the population have access to basic health care. The major causes of illness are poor sanitation and nutrition. The largest single disease is diarrhoea, followed by tetanus and pneumonia⁶⁰. For children under five, there is a high risk for acute respiratory infections, which accounts for one death in four. Malaria seems to be increasing during the last few years. Other recent health threats to the population are arsenic poisoning due to widespread water contamination and increasing cases of HIV/AIDS.

However, there are also positive signs. Infant mortality has almost halved since the seventies and diseases like cholera and polio are declining. Today, child immunisation programmes reach over 70% of all children. Some of the improvements are due to massive health and family planning programmes and campaigns, and others are due to improved availability of relatively safe drinking water for over 90% of the population as deep tube wells have been constructed all over the country (not considering the arsenic problem).

The country's hospitals and health centres lack almost all necessary resources, both human and material. There is a shortage of doctors (one for every 4,500 patients) and nurses (only one for every 8,000 patients). Furthermore, equipment is lacking or outdated and wards are dirty and usually understaffed. Patients using health clinics will often find them empty, as both doctors and medicine are absent. Therefore, Thana Health Complexes and Union Health and Family Welfare Centres are under-utilised. According to the World Bank, only 12% of serious illness is referred to the public facilities. This must be seen as an indication of both the lack of trust and reliance that the majority of the population has to the governmental health system and its incapability to efficiently perform basic health duties.

The government is implementing a large Health and Population Sector Programme that covers all public spending on health, including international donor funds. The emphasis in the programme is on improved child survival, enhanced reproductive health, and control of communicable diseases and provision of limited curative care. The share of health and family planning in the national development budget has increased from 7% in 1993 to around 10% in 1999. However, when compared to GDP, it has remained at a low 1%. This constitutes a dismal 150 Taka (25 SEK) per capita for the total annual government expenditure on health and family planning in Bangladesh.

6.2 Education

The government aims at eradication of illiteracy by 2006. Various programmes are ongoing to increase enrolment and reduce drop-out rates, improve the quality of education and increase the rate of literacy. The gross enrolment rate at the *primary school* level has improved and is today an impressive 96%⁶¹, with

⁶⁰ These three diseases are the major causes for death for children under one year of age.

⁶¹ According to the Government of Bangladesh, April 2000, at the Paris Meeting.

achieved gender parity between boys and girls. However, other aspects of gender issues still need to improve. There are approximately 38,000 government primary schools and 24,000 non-government schools with a total of around 17–18 million pupils⁶². Although the state has increased the budget share to education (approx. 14%), today the public spending on education is only around 2.1% of GDP, which is the lowest in South Asia⁶³. If calculated per capita, the total annual public expenditure on education is as low as just above 300 Taka (50 SEK). Of the public spending on primary education, as much as 90% goes to meet teachers salaries, leaving very little for other items such as supervision, training etc. The education system needs to be decentralised with adequate support services and financial and human resources at the local level.

Apart from the formal education system, there has been an astonishing growth within *non-formal* education through non-governmental organisations and government programmes. Today, there are over 50,000 non-formal schools run by non-governmental organisations (NGOs) like BRAC, Proshika and other development NGOs. They have proven effective in attracting children who have missed out formal primary education. Usually, a non-formal school is set in a simple bamboo hut in the village with a local teacher and the age of students range from 8 to 45 years.

Due to the reduced fertility rate, the number of new school children each year will stabilise around three million within a decade, which will provide an opportunity for quality improvements as the economy is foreseen to grow and, consequently, increase state revenues. Improvements are needed within the education system as school buildings are in bad condition, classrooms are overcrowded, books and equipment are lacking and, not least, teachers are poorly motivated and sometimes absent. However, the main problem is the lack of adequate management of the education system, which includes poorly trained teachers. As a result, dropout rates are high, attendance is low and around half of the children do not finish primary school.

At the higher level, there are around 13,000 *secondary schools* and 3,000 colleges. The government finances 11 *universities* and there are 13 private universities in the country. In total, there are only around 100,000 to 120,000 full-time students at the university level. The low number of students with higher education, in a country of almost 130 million people, is an obstacle for human and economic development, especially if Bangladesh wants to gain some of the advantages of globalisation, new technologies, e.g. IT and Infocom, and increased international trade. Increased education at all levels is a prerequisite for the broad development of the country.

6.3 Continued Gender Inequality

It is essential for Bangladesh to achieve better equality between men and women and close the gender gap as the country cannot afford to keep half of its human resources outside the struggle for economic growth, poverty reduction, social and economic empowerment and employment creation. However, social and economic indicators, such as health, education, income etc, indicate a continued gender gap in Bangladesh. In spite of the gradual improvements for women, violence against women appear to be increasing as e.g. sexual

⁶² UNDP 1999.

⁶³ According to the World Bank, Bangladesh needs to allocate around 4% of GDP to education to achieve universal eight years of basic education.

exploitation, torture in police custody and family violence are common. Family conflicts often degenerate into violent acts in times of acute underemployment and economic distress.

Men have traditionally been the heads of the family and women have had a lesser role outside the family life. The gender bias starts early, as most families give preferential food allocations to their male members, which is indicated in the higher degree of child malnutrition among girls. Even during their reproductive years, women appear to receive less food than men, especially among the poorest families. Bangladesh has a high maternal mortality rate of around 450 deaths per 100,000 live births. According to the World Bank, the main reasons for the high maternal mortality rate are young age, frequent pregnancies as well as the women's low nutrition status due to a lifetime of inadequate food intake.

Both men and women participate in agricultural activities, albeit with different tasks. Women are engaged in post-harvest activities like thrashing, cleaning, husking, drying, boiling, processing and preservation. Women also dominate in cattle and poultry farming. Men are generally seen in fieldwork like ploughing, irrigation, sowing, planting, weeding, hoeing and harvesting. Outside agricultural activities, women have been increasingly involved in industry, e.g. within the garment sector. Women are underrepresented within the public administration and as few as 5% of all civil servants are women.

Seen over a longer period, Bangladeshi society at large seems to become more open to the empowerment of women in terms of education, work opportunities and through increased participation in the democratic process. The participation of thousands of women during the local elections a few years ago is one good example of this trend. One major reason was the active promotion of women by NGOs as they conducted many awareness activities, which encouraged women to participate. NGOs work mainly with issues such as violence against women, women's legal rights, trafficking of women and children, female health, education and other areas.

Higher literacy rates, stronger property rights, higher work force participation, access to credit and greater scope of political participation at both local and national levels are important measures of raising the level of women's socio-economic empowerment. Improvements in these areas will not only increase the well being of the individual women, but also strengthen their capacity to take part actively in the social and economic transformation of Bangladesh.

6.4 Specific Human Development Challenges – Arsenic Contamination and HIV/AIDS

Arsenic Poisoning: One very negative effect of the widespread use of tube-well water has been the arsenic contamination in the ground water. According to UNDP, contamination could occur in as much as 80% of the country. This is a major human development challenge as at least 50 million people could be in the risk zone. Arsenic occurs naturally in the soil, but researchers are divided about the causes of arsenic in the groundwater. The symptoms of arsenic poisoning begin with discoloration of the skin and rashes. This is followed by small growths on parts of the body, malfunctioning of internal organs and sores all over the body. In the final stage, the patient develops cancer and dies⁶⁴. The

⁶⁴ "Disasters: Issues and Responses", Afsan Chowdhury, 1998.

risk of arsenic poisoning appears to be aggravated by malnutrition, poor socio-economic conditions and general food habits, which once again demonstrates that the poorest of the poor are vulnerable to attracting illness. In the earlier stages of arsenic poisoning, stopping the consumption of contaminated water is the obvious treatment. However, as the arsenic poisoning increases, there is no treatment available as of yet.

As most drinking water is tapped from groundwater with deep and shallow tube-wells, the challenge is enormous as there are more than 2.5 million tube-wells in the rural areas of Bangladesh. The government has launched a huge arsenic programme with the assistance of NGOs and the international donor community. However, for years to come, the risk for arsenic poisoning will rank among the main concerns for the population, especially in the rural areas. There are solutions to the problem of arsenic in the groundwater, either by different treatments of the tube-wells or by collecting water from other sources, such as surface water or rainwater. Suggestions to use even deeper aquifers by deep tube-wells have also been made. The problem is however enormous as the overwhelming landmass of Bangladesh has arsenic contaminated soil.

HIV/AIDS: As in many other developing countries, the risk of AIDS is a major challenge for the development of the country. So far, little is known about the extent of HIV and AIDS in Bangladesh. The World Health Organisation estimates that as many as 100,000 people could be infected by the virus. The government agreed on a AIDS policy in 1997 and different awareness and research programmes are ongoing, with the assistance of non-governmental organisations and international donors. Data is limited, but many social and behavioural factors in Bangladesh are present that could trigger an epidemic⁶⁵. There is a high prevalence of sexually transmitted diseases in parts of the country, widespread poverty, extensive discrimination against women, little condom use, a likely increase in drug abuse and easy access to unexamined commercially obtained blood in the health system. These factors, together with the geographical closeness to countries like India and Thailand, where HIV is common, makes a dangerous environment for a likely HIV/AIDS epidemic.

Although Bangladesh has increased its international contacts, few foreigners visit Bangladesh and a small fraction of the population goes abroad. As an example, Bangladesh has only around 250,000 visitors annually and out of these, 60,000 come from India, mainly Calcutta in the neighbouring West-Bengal⁶⁶. Only 50,000 Bangladeshis apply for a new passport every year, out of a population of almost 130 million people. Most of the Bangladeshis going abroad are working in the Middle East and other countries in Asia and there are on the average around 300,000 abroad every year. Mobility is increasing within the country as transportation and communications becomes easier and the socio-economic environment is gradually changing from a traditionally agro-based culture to a modern economy. Hence, as globalisation and international trade and commerce continue to increase, there will be an increasing risk for HIV/AIDS. Further national and regional attention is needed to this problem in order to prevent an escalation of HIV/AIDS. There is a need for increased awareness programmes, regional co-operation, research and providing alternative prevention options for the citizens.

⁶⁵ This paragraph is taken from “Problem, Threat, Disaster – The different HIV/AIDS epidemics in Asia”, Robert Carlsson, Sida, 2000.

⁶⁶ 30,000 come from the U.K. (many Bangladeshis with U.K. passports) and 12,000 from the U.S.A. Very few come from neighbouring Asian countries, with only around 1,600 from Thailand.

7. Environment

7.1 Severe Pressures on Environment

Bangladesh consists of 75% arable land, out of which a major share is regularly cultivated. Forest areas cover a mere 5%, out of which less than a third are densely covered by forest, and, 20% consists of rivers, creeks and canals. This is naturally a result of extensive and growing agricultural activities for many years, which has allowed the natural resource base of the country to support an agricultural production that meets the basic needs of the growing population. As the density of the population grows, the mutual dependency between people, animals and plants will be further tested⁶⁷ as the survival of each: people, animals, land, trees, rivers etc, are dependent on the survival of all.

As an illustration of the environmental tension caused by the population and economic growth, Bangladesh has the highest GDP per square kilometre of land area of all the least developing countries (LDCs)⁶⁸. This high density of economic activities takes place in spite of a low level of technological development and is mainly based on agricultural activities. As a result, there are high demands on the country's physical and environmental resources. Consequently, tensions between economic growth and needed environmental protection will continue for some time until Bangladesh will be able to utilise environmentally sustainable technologies in agriculture, industry and commerce.

Bangladesh is a delta land and it is criss-crossed by rivers and waterways, which provide for transportation, irrigation and food, as well as basic needs of drinking and washing. The country is totally shaped by and dependent on its water resources. Furthermore, Bangladesh's society and culture is closely linked with its rivers, rains and monsoons which is both a blessing and a cause for regular disasters. Bangladesh has a broad experience of major water *irrigation schemes*, *flood proofing* measures, *coastal* programmes (embankments), *fisheries* projects and various *water supply* schemes. The national water policy from 1999 highlights the importance of conjunctive use of ground and surface water. The policy includes guidelines for basin-wide planning, water rights and allocations, public and private involvement, public investment, water supply and sanitation, fisheries, navigation, agriculture, industry and not least the effects on environment. As water is needed for all areas of society, there is a need for effective institutions and a legal framework. However, this is not the case today as both central and local authorities lack human and financial resources to adequately manage the water resources.

The country has many environmental problems such as frequent natural disasters, industrial pollution, poor health and sanitation, deforestation, desertification, changes in climatic conditions, salinity and the overall deteriorating habitat of flora and fauna. Intensive cultivation threatens soil fertility and agrochemicals endanger the soil. Excessive water extraction for irrigation depresses the water table and flood control measures block fish

⁶⁷ It is estimated that today's population of almost 130 million might reach 240 million in less than thirty years.

⁶⁸ "Bangladesh Economy into the 21st Century", Wahiduddin Mahmud, President of Bangladesh Economic Association, August 2000.

migration paths. Deforestation, the highest in Asia, and the shrinking biological diversity are additional environmental problems⁶⁹. Even though the whole population suffers due to environmental degradation, the poor are hit the hardest as they make their living from land and water utilisation. For example, they are directly affected by a collapse of a local ecosystem. Often they are the ones occupying the most marginal and dangerous low lying areas along the rivers and the coast and are therefore regularly hit by floods and cyclones.

7.2 Flooding – Disaster Management

Bangladesh has experienced several major floods and other *natural disasters* during the last twenty years. Although the human suffering and the physical destruction have been huge, there is a general consensus that Bangladesh has improved its resilience to natural disasters through disaster management. The government, non-governmental organisations and local communities have responded in close collaboration during floods and cyclones and gradually learned from previous mistakes. As a result, improvements in disaster management have taken place relating to disaster prevention, during the natural calamities as relief operations, and afterwards as rehabilitation. Almost 65% of all land was under water during almost three months during the large flood of 1998. Although the flood, which was one of the largest during the century, was handled rather well, there are lessons learned. There is a need to improve the regional network for early warning, improve co-ordination between meteorological experts and the authorities and ensure a good maintenance of existing embankments, roads and other infrastructure. There were also some criticisms after the flood as there were groups of vulnerable poor people who did not receive any assistance at all during the disaster. On a positive note, post-flood agricultural activities, e.g. rice production, seem to benefit as fertile sediments are spread over large farmlands. The result is a substantial increase in harvests after flood periods.

As the population continues to grow, there is a continuous pressure for land for housing and farming. As a result, people live in areas known to be highly vulnerable to floods and cyclones and the extensive farming reduces natural protection areas such as mangrove forests in the coastal areas. The most common *flood proofing* activity at the local level is to raise the ground of at least some of the houses or public buildings by a couple of meters in the vicinity of the village. As an example, most cyclone shelters are built on raised grounds. Physical flood proofing measures in rural areas are costly, though effective in saving lives. This was shown during the flood of 1998. Other attempts to build large flood control systems have had adverse impacts, due to its effects on capture fisheries and not least fishermen, navigation and water-related ecosystems such as wetlands. Flood proofing measures, similar to those for cyclones, are generally needed for large populations in the coastal areas. An issue however is how to provide flood proofing cost-effectively and how to forecast floods in good time. Improved regional co-operation and water management with mainly India and Nepal and technological advances are also important according to various stakeholders in the water sector.

⁶⁹ As an example, the Sundarban Reserve Forest, where the Royal Bengal Tiger live, has declined by over one-third between 1960 and 1985 (The World Bank, 1998)

7.3 The Need for Clean Water and Sanitation

Water pollution is common and causes four of five illnesses and around 230,000 deaths annually, according to the World Bank⁷⁰. As the population increases it is getting more and more difficult to provide clean water and sanitation, especially in the growing townships and cities. With an average of almost 900 persons per liveable square kilometres, the natural environment has little chance to absorb and disperse human waste by traditional means. Since the economic situation, both for the country as a whole and for the average family, cannot allow for expensive networks of piped water and sewerage, other simple, cheap and yet effective solutions for water and sanitation need to be found both in rural and urban areas. Today, the most common form of relatively safe latrines is the bamboo-lined pit, covered with a concrete slab. Due to various governmental and NGO programmes, almost half of the population use a sanitary latrine of some kind⁷¹. However, there are many areas, e.g. urban slum areas, where sanitation is still a serious problem causing sickness and discomfort. In Dhaka, only one-third of all households have access to sewerage pipes.

During the nineties, thousands of tube-wells were dug in order to find clean water in the vast aquifer underneath the country. Bangladesh now has over 2.5 million hand pumped tube-wells and 97% of the population has access to tube-well water⁷². However, during recent years a major crisis has occurred as the tube-well water was found to be arsenic contaminated in many areas of Bangladesh⁷³. The problem is enormous. It is estimated that 50 million are in the risk zone, 20 million people are likely to be affected and 20,000 could die each year due to arsenicosis, a form of cancer. There are solutions to the problem of arsenic in the groundwater; either by treatments of the tube-wells or by collecting water from other sources, such as surface water or rainwater. The government and NGOs are, with the assistance of donors, seriously attacking the problem both through research and practical solutions in the affected areas.

7.4 The Effects of Urbanisation

In the urban areas, the density of the population creates pollution, e.g. human excreta, and industrial pollution as well as traffic fumes add to the environmental crisis. Air pollution levels in Dhaka and other cities exceed the standards set by WHO (The World Health Organisation) and Dhaka is considered to be one of the most polluted cities in the world. The number of vehicles, industries and factories are multiplying as urbanisation continues. This has added to the respiratory problems of for example children. It is a major challenge for the authorities as there are growing difficulties with water supply, solid waste management and traffic control. Due to the rapid urbanisation, brickfields are present around all towns and cities. Although the law prohibits the use of wood logs in the brickfields, wood is frequently used. As a result, toxic gases emitted from the fields threaten the environment and the use of wood contributes to deforestation. Wastes from industries are generally biodegradable, especially from agro-based industry. However, in recent times, problems of dangerous toxic wastes from some industries have become a serious

⁷⁰ "Country Assistance Strategy - 1998" (The World Bank).

⁷¹ As a comparison, in the seventies, only 1% of the population used a sanitary latrine (World Bank, CAS 1998).

⁷² UNDP in Bangladesh, 1998.

⁷³ Please refer to special paragraph above on arsenic contamination and its effects.

concern. These industries are located mainly in Dhaka, Chittagong and Khulna.

8. Non-Governmental Organisations

8.1 The Origin of NGOs in Bangladesh

Bangladesh has experienced a massive growth of national non-governmental organisations (NGOs) during the last twenty years. A few of them started with social work mainly within the area of relief assistance after the famines during the early seventies⁷⁴. These NGOs filled a gap in a society that was almost totally devastated due to the violent war of independence and the following famine a couple of years later. The government had very little capacity to assist the large population and most of the economic and physical infrastructure were destroyed or never in place as Bangladesh had been treated as a colony by the main rulers in West Pakistan since 1948. NGOs gradually became involved with development issues, e.g. community mobilisation, empowerment of the poor, social service delivery and, not least income generating activities. NGO activities have increased substantially since the mid-eighties, due partly to the limited success of the government to respond to poverty reduction and the provision of social services. International donors have also seen NGOs as a fairly efficient channel for development activities compared to the state structure. As the NGO-community is growing in size and strength, issues relating to the transparency and accountability of the NGOs themselves have emerged. Cases of corruption within NGOs have been reported in the local newspapers rather frequently⁷⁵. The legal and perceived ownership of large NGOs with substantial economic assets is unclear today.

Today, NGOs are recognised by the government as legitimate partners in development⁷⁶. More than 1,200 NGOs are registered with the NGO Affairs Bureau, which was created in the early nineties under pressure from international donors. The purpose of the Bureau is to make the bureaucratic handling of NGOs more efficient and facilitate good development. NGOs employ more than 150,000 people and around nine million families benefit from their services in one way or the other. Together with Grameen Bank's over two million members, at least 45 million people are in contact with one form of social service or micro-credit provided by an NGO⁷⁷. There are thousands of NGOs in Bangladesh, but only a handful of the larger organisations cover the whole country. A few large organisations dominate the area of rural development and attract the main share of international donor assistance to NGOs⁷⁸. BRAC now accounts for over 45% of all NGO

⁷⁴ For example BRAC and Proshika, with a large number of smaller NGOs

⁷⁵ The most well known during the last year has been the accusations against the management of GSS for mismanagement, corruption and mistreatment of staff. GSS is renowned for its innovative non-formal education programme.

⁷⁶ Main parts of these paragraphs are taken from the document "Support to Poverty Reduction through Local Governance and Production in Bangladesh from Year 2000 Onwards", Swedish Embassy in Dhaka, 1999.

⁷⁷ Grameen Bank is considered to be a quasi-NGO, as it is working under its own Ordinance (law) and therefore seen as a bank, but a bank for the poor. In many respects, however, Grameen Bank has the vision and models common to the NGO-community.

⁷⁸ Around 80% of all NGO-members belong to the seven largest organisations. They are BRAC (2.2 million members, 90% women), PROSHIKA (1.1 million, 90% women), ASA (870,000 members, 98% women), Swanirvar Bangladesh (670,000 members, 75% women), Thengamara Mohila Sabuj Sangha (280,000 members, 99% women), RDRS (220,000 members, 60% women) and CARITAS (182,000 members). Apart from these,

expenditure, with ASA and Proshika together accounting for a further 25%. NGOs have managed, in general, to implement large projects and at the same time define and test new and innovative ideas for reaching the poor majority of the population. More multilateral donors, e.g. the World Bank and ADB channel funds to NGOs for micro-credits and education in partnership with the government. More is expected to flow through the proposed new independent quasi-governmental organisations, e.g. The Social Development Foundation, The Krishi (Farming) Foundation and The Housing Foundation. So far, the most internationally well-known success of NGOs has been the impressive growth of micro-credits to the poor of Bangladesh.

8.2 Micro-Credits

Micro-credit to the landless and poor started in the seventies in Bangladesh, as the banking system was unable to meet the credit requirements of the poorer segments of society. Grameen Bank, which is one of the most well known micro-finance institutions in the world, started as a small pilot project by Professor Yunus to see if the poor villagers could handle a small credit. Within a few years, its model of collateral free credit disbursements amongst targeted groups of poor with weekly repayments and deposits became the norm for other micro-credit organisations. Over ten million borrowers are today reached by some form of micro-credit as over 1,000 NGOs, Grameen Bank itself, PKSF (a quasi-government lending institution) and several commercial banks are involved. Various studies demonstrate that micro-credits have been able to improve the economic and social situation for the poor. In a survey from 1998, it was indicated that as much as 45% of eligible poor households in Bangladesh participate in micro-credit programmes⁷⁹. More than two-thirds are women. The survey found that credit programmes had a positive effect on several socio-economic variables, including children's schooling, the nutritional level, lower fertility and increased use of contraception. Consumption increased for 5% of the participants, which enabled them to rise above the poverty line.

Most researchers are in agreement that micro-credits contribute, together with the safety nets (such as food-for-work) to what is called the “economics of resilience”⁸⁰. However, there is an ongoing debate with regard to possible negative effects of micro-credits as mainly poor women become overly dependent on the organisation and easily fall into a trap of re-borrowing to pay off old loans⁸¹. Furthermore, criticism has been raised against NGOs as the devotion to micro-credit projects has crowded out the original social mobilisation and awareness activities. The growth of micro-finance is also creating institutional dependence and is influencing the organisational form and operational practices of the big NGOs. The management of credits undermine the relationships and the capacity to engage in social mobilisation as, e.g. the social mobilisation facilitator turns into a debt collector⁸². Donors are partially

a few NGOs have more than 100,000 members. Therefore, there is a large difference between the big NGOs, e.g. BRAC with an annual budget of around 100 million USD and smaller NGOs operating in remote parts of the country with a “shoe-string” budget.
⁷⁹ “Fighting Poverty with Micro-credit: Experience in Bangladesh”, the World Bank, 1998.

⁸⁰ As defined by Dr. Hossain Zillur Rahman, BIDS, 1999.

⁸¹ The previous patronage-client relation between the poor and money-lenders/landlords has been changed to a dependency relation between the landless poor and an NGO.

⁸² “Partners in Development – A Review of Big NGOs in Bangladesh”, commissioned by DFID in April 2000.

responsible, as they have promoted micro-credits as the panacea for poverty reduction. Another issue of the day is the fact that NGO do not reach the poorest of the poor. The increased concentration on micro-credits and lack of diversity and low emphasis on social mobilisation have in fact excluded marginalised families in the villages and created a larger gap between the organised poor and the extreme poor. The challenges for the future are to enable the majority of the poor to reach “the economics of graduation” and to include the poorest of the poor. In order for the poor to graduate from poverty, there is a need for a second window of opportunity for those who have become too successful for the existing programmes, but are still too small for the formal banking sector. This group includes individual entrepreneurs, small business and small land-owning farmers.

8.3 NGOs as Lobbyists and Watchdogs

For smaller development NGOs, ADAB (Association of Development Agencies in Bangladesh) is an important organisation. ADAB is an apex organisation and it provides co-ordination and strategic support to local NGOs around the country. During recent years, ADAB has been active in social advocacy and lobbying for the landless poor. ADAB has participated in the creation of sectoral co-ordination bodies for the NGO-community⁸³. During recent years, NGOs have started focusing on public interest issues and, along with other representatives from civil society, are increasingly putting pressure on the government to improve its administration in order to meet the growing social needs. Many NGOs are involved in legal and human rights, anti-corruption campaigns and other issues closely related to politics. As the role of some NGOs have changed to include lobbying, it appears difficult for individual NGOs to both participate in larger state controlled development programmes and at the same time have a specific role as watch-dogs against e.g. corruption and human rights.

8.4 NGO Diversification – Pro and Cons

Due to the dynamic development of NGOs in Bangladesh it becomes more and more inappropriate to analyse and treat the group as one. BRAC is immensely different from, for example, a smaller local people’s organisation in a rural village. Today, NGOs could be divided into i) Alternative Financial Institutions, ii) Service Provision Organisations, iii) Social Development Organisations, and, iv) Social Mobilisation Organisations. It is also important to have in mind that NGOs are not the only agents for creating and strengthening the voice of the poor. There is therefore a need to identify and support the role of existing social mobilisation organisations and other potential actors.

The big NGOs continue their expansion into areas other than direct poverty alleviation targeted for the poor. As mentioned above, some NGOs are active in lobbying and advocacy for specific issues. Other activities include, for example, establishing a private university (BRAC) and venturing into almost purely commercial activities. BRAC has, through Arong Milk, been very successful in selling dairy products to the growing population in Dhaka. BRAC also part-owns a housing corporation called Delta BRAC Housing Corporation that cater for the urban population. Apart from these examples, many smaller

⁸³ The most well known, are CAMPE (Campaign for Popular Education), DWSS (NGO Forum for Drinking Water Supply and Sanitation), ALRD (Association for Land Reform and Development), CEN (Coalition of Environmental NGOs) and CUP (Coalition for the Urban Poor).

NGOs are also increasing their commercial activities in order to reach financial sustainability. This commercial trend has of course positive sides as it also creates employment. However, it could create distortions in competition if the organisations mix their “social work” with business interests and there is a risk for cross-subsidisation. An issue for the future is how NGOs could separate between their business interests and their social activities.

Another area of potential tension is the NGO – State relation. Although contacts between the government and the NGO-community have improved during the last ten years, there is still the underlying question of the role of the state vis-à-vis the role of NGOs, especially with regard to basic social services delivery. There is also a built-in tension of competition for available funds between the state and NGOs as donor contributions is decreasing. So far, as the state structure has been unable to efficiently implement development activities, donors have in some cases preferred to finance NGOs or demand that they are included in larger government social programmes. The government has the ultimate responsibility for the health and education of its citizens. As the democratisation of Bangladesh most likely continues, albeit shaky, and the state gains some legitimacy, there might be a need to redefine the role of the state in relation to NGOs. An ongoing debate in Bangladesh is if NGOs should be seen only as an efficient vehicle for social services or instruments for social change. This issue is closely linked with their role in setting national development policies, regulation, planning and not least during implementation of programmes.

Bangladesh needs a pluralistic and diverse civil society, with many non-governmental organisations, village groups, networks, community groups and religious congregations in order to fully utilise the potential for development. However, with its weak political structure, both nationally and locally, together with the continuous growth of NGOs, there are obvious risks for power conflicts over resources in the future. The question is how far NGOs can go without challenging the political and economic power base. If NGOs would really become successful in their endeavour for social mobilisation and empowerment of the poor, it will lead to tension and conflict with both the political and religious elite as development goes hand in hand with politics.

9. International Donors

9.1 Decreasing Financial Aid Dependency

Bangladesh, as one of the least developed countries in the world, receives around 1.6 to 1.8 billion USD dollars per year in international assistance, including humanitarian aid. Although this is a significant part of the total international aid in the world, it represents only around 12 to 15 USD/year and citizen. This is a relatively small amount, especially compared to least developed countries in Africa⁸⁴. In Asia, countries like Cambodia, Laos, Sri Lanka, Vietnam and Cambodia all received more per capita compared to Bangladesh in, for example, 1997. Today, aid stands for only around 4% of GNP, compared to almost 10% in the late eighties. This is naturally a result of the relatively high economic growth rates of around 5% in the nineties. One important aspect is that the financial aid dependency has fallen dramatically

⁸⁴As an example, Mozambique received twelve times more per capita (around 100 USD) than Bangladesh (8 USD) in 1997. For Bangladesh however, the amount is changing yearly due to the large content of humanitarian assistance.

during recent years as total aid finances about half of the ADB for Bangladesh. In the early nineties, there was a total dependency of aid in the government's development budget.

9.2 Major Donors

The major donors are the World Bank (IDA), Asian Development Bank (ADB), the European Commission, Japan and U.S.A (USAID). Together they account for two-thirds of the total aid. All of the major donors have poverty reduction or alleviation as the main objective, which is also in line with the government of Bangladesh's own long-term vision. Most donors include a mix of support to economic growth (pro-poor growth), infrastructure development and social sector development, with emphasis on health and education. Naturally, there is a mix of grants and credits, where the multilateral provide mainly credits and bilateral donors predominantly grants with some soft loans. One could find one donor funded activity or the other in all sectors of Bangladesh⁸⁵.

However, this does not mean that donor funded projects are making a substantial impact in the respective areas as each project usually is rather small and limited both in terms of geographic scope and beneficiaries. As the total development support includes all kinds of assistance and is spread to almost all areas of society, it makes it difficult to measure the impact of the total aid. While many projects report of successful implementation in accordance with their objectives and planned activities, it becomes more problematic to find significant long-term impacts or whether they are sustainable.

Bearing this in mind, one could not exclude that the estimated 35 to 40 billion USD in aid that Bangladesh has received since independence has had positive impact on the socio-economic development of the country. International aid has e.g. contributed to a large share of the development budget of the government and thereby assisted in allowing for millions of children and poor families to have access to schooling, health care and other social services. The rapid growth and success of micro-credits base on the Grameen Bank model, would never have managed to increase as fast as it did without substantial donor contributions during almost twenty years. Aid has also funded large infrastructure programmes in communications, energy and transportation, which have positive effects for economic growth.

9.3 Development Programme Planning and Co-ordination

The Planning Commission and the National Economic Committee (NEC) are responsible for the national planning and funding of development programmes in Bangladesh. Line ministries provide their input into the budget process and all project proposals are screened and thereafter included into the Annual Development Programme. During recent years, discussions have been held between the government and donors on the issue of priority of projects and streamlining of the huge number of current projects on the approval list. As the government increasingly manages to fund a larger share of its development budget, there is scope for increased ownership and sustainability of development programmes. This trend has also been emphasised by a higher

⁸⁵ Support is therefore given to energy, telecommunications, transportation, public administration, local government, health, education, food for work, rural development, social mobilisation and grass-root development, democracy and human rights, business development, environment, water and sanitation, flood protection, police and military, forestry, fisheries, micro-credits, banking, privatisation, commercialisation etc .

emphasis on sector wide or programme support instead of individual projects. One example is the health sector, where the government is co-operating with the donor community, led by the World Bank, in a comprehensive health programme. The same trend is seen within the education sector, however, due to strategic and administrative difficulties, it is not seen as a sector support yet. As a consequence of larger sector/programme support and decreasing use of long-term technical consultants within programmes, a more balanced relationship between donor and recipient has been achieved during the last ten years.

Two reasons for a continued dependence on aid are that administrative and mental dependency persists within the public administration and NGOs. Many projects are still more “donor driven” than demand driven and owned by the Bangladeshi participants. Furthermore, most projects are not yet integrated into the government structure, but live a life of their own. This works against the, frequently expressed, need for institutional support. Projects instead deplete the existing public administration as it competes in attracting staff through reasonable salaries and financial as well as technical resources. In general these projects are also planned and implemented in isolation from the rest of the slow and inefficient bureaucracy. Even though most of the specific objectives of the projects are in line with the development approach of the country, one could argue that there are many negative side-effects due to the set-up of project that actually work against the overall development. Apart from the slow planning process, there are problems in project implementation, which has been slow for many years. This is caused by considerable delays in procurement processing and decision-making due to weak project management and lack of accountability for performance shortfalls. The positive experience from a sector wide approach as in the health sector demonstrates that it is possible to improve Bangladeshi ownership and increase co-ordination efficiency.

With a large group of donors, co-ordination becomes cumbersome and a source of administrative headache, not only for the government, but also for the donors themselves⁸⁶. Annual donor meetings, called the Bangladesh Development Forum, are held in Paris and sometimes in Dhaka, organised and co-ordinated by the World Bank. During the last few years, these meetings have emphasised discussions on major development issues and reduced the importance of donor pledging for funds. However, based on the presentations, the government of Bangladesh estimates the total projection of aid for the coming year. Furthermore, there are sixteen sub-groups to the Local Consultative Group (LCG) in Dhaka, each focusing on a specific sector or issue. The government of Bangladesh meets with the overall Local Consultative Group regularly to co-ordinate planning and implementation. Apart from the large LCG, Sweden has since the late eighties participated in a donor group called “The Like-Minded Group”, representing Sweden, Norway, Denmark, the Netherlands and Canada. The group is co-financing various initiatives and, e.g. provides funds for the think-tank “Centre for Policy Dialogue”.

Since Sweden became a member of the European Union in the mid-nineties, it also participates in the EU-member group meetings held regularly in Dhaka. The primary topics are political, including the process of democratisation and the observance of human rights. As the EU is one of the largest donors in the country, it becomes more and more important with good co-ordination at all levels between the involved countries. Sweden is actively involved in discussions

⁸⁶ There are nearly 40 bilateral and multilateral donors active in Bangladesh.

and brings up issues of poverty alleviation, economic development and good governance. As Sweden is also, apart from the support through the European Commission, providing substantial assistance through the UN-organisations, e.g. UNICEF, and the Bretton Woods institutions (World Bank group, IMF), it might important to discuss the total volume, content and directions of the overall Swedish contribution to development in Bangladesh.

9.4 Swedish Funded Development Programmes

Swedish development support to Bangladesh is small compared to the overall aid and it represents only around 1% of the total annual assistance⁸⁷. Sweden has provided development and humanitarian assistance to Bangladesh since its independence in 1971⁸⁸. The aim of the co-operation is poverty alleviation and the main areas are health, education and support to rural development, with special emphasis on poor women and children. Furthermore, support is also provided to human rights and specific gender projects. Most of the funding is channelled through the bilateral development co-operation via a country frame of 140 million SEK for year 2000. Apart from the annual country frame, a substantial assistance is provided as humanitarian aid after natural disasters, e.g. the flood of 1998. The assistance is channelled both to the government and NGOs. Concessionary credits are also a means of supporting the development of Bangladesh⁸⁹.

Swedish bilateral assistance has been questioned several times during the last twenty years. In the mid-eighties, there was serious criticism against the Swedish support (mainly against RESP's predecessor IRWP) and it was almost terminated. The Swedish government decided, however, to continue the co-operation with Bangladesh, albeit with some changes in its rural development programme. Sweden took another look at the development co-operation in 1993 and came to the conclusion that poverty elimination must continue to be the overriding objective⁹⁰. The review in 1993 recommended that Sweden should continue with assistance to Bangladesh, provided that the programme could maintain a high quality, be innovative in its approach and find some multiplier effects from its limited aid to the country. Furthermore, similar discussions and analysis took place around 1995 and 1996 when the present country strategy with Bangladesh was elaborated.

10. Concluding Analysis

10.1 Major Achievements

As demonstrated earlier in this document, there are several areas of development in Bangladesh where improvements have been made during the last ten years, which directly affect the life quality of the population. The following examples have direct impact on the future development of the country.

- *Demographical changes*: The population pressure in Bangladesh is one of the critical factors for the future. It is therefore promising that the population

⁸⁷ Around 20 million USD per year compared to a total aid of almost 2 billion dollars/year.

⁸⁸ Sweden financed projects also during the Pakistan period, starting in 1961.

⁸⁹ Please refer to the Result Analysis of the Swedish support to Bangladesh for further information.

⁹⁰ "Fresh Look on Bangladesh – 1993", Sida 1993.

growth rate fell from an annual 2.8% in the sixties to around 1.6% in the late nineties. The fertility rate has fallen from almost seven children per fertile women in the early seventies to around three children per women today. These changes, together with an increase in average life expectancy⁹¹, have implications for all sections of society as a larger share of the population will be in the productive ages with less dependents for the coming twenty years.

- *Retained food sufficiency:* Although the population has doubled from around 60 million at the time of independence to almost 130 million year 2000, Bangladesh has managed to keep up food production (mainly rice) in relation to the rapid population growth. This has been achieved through increased irrigation, new high yielding crops, somewhat increased mechanization, and improved distribution and market facilities and not least the manual energy from the hard working rural population.
- *Improved health and education indicators:* Although the health situation in Bangladesh needs substantial improvements, there has been a reduction in infant mortality from 151 per 1000 children in 1960 to 83 in 1996, a fall in child mortality (under five years of age) from 247 per 1000 live births in 1960 to 112 in 1996. Furthermore, Bangladesh has been successful in child vaccination with an increase from 30% in 1990 to 77% in 1996. The gross primary school enrolment rate has increased from around 50% in 1989 to 96% in 1998 but the overall gender bias against girls is still in place on many levels. Furthermore, there are still high drop out rates. Adult literacy rates have increased from a low 24% in the beginning of the seventies to around 50% in the 1997.
- *Improved disaster management:* The population has demonstrated strong resilience and survival skills in dealing with natural disasters, e.g. during the flood of 1998 and the disastrous cyclone in 1991⁹². The combined efforts of the government and NGOs, together with donor assistance, have succeeded in dealing with severe human hardships and physical destruction. However, the main reasons for the resilience are found within the individuals, the families and the village communities themselves. It is often pointed out that Bangladesh contains 120 million strong survivors, not mere victims.
- *Expanded micro-credits:* One factor that has contributed to the increased resilience of the rural population is increased availability of micro-credits. More than 9 million poor households have access to micro-credits⁹³. Apart from Grameen Bank, which has received world acclaim for its success, PKSF has been able to extend the outreach by lending to partner organisations, often small and local NGOs. However, micro-credits have not yet been an efficient instrument for graduating the majority of the population from poverty. Furthermore, as more and more NGOs focus on micro-credits for the sake of their financial sustainability, there has been a decrease in social mobilisation and other community activities.

⁹¹ The average life expectancy has risen from 44 years in 1970 to around 60 years in 1999. However, the figure is still low and there is a discrepancy between men and women and rural and urban populations.

⁹² Over 140,000 people died in 1991 as the cyclone swept over large coastal areas and millions became homeless.

⁹³ Microfinance Newsletter, Issue 4, 1998.

- *Increased exports, mainly due to ready-made garment industry:* Export growths during the last five years have been between 10 to 16% per year. This growth has been a driving force for the economy, together with increased foreign direct investments, and it has created employment for around 1.5 million people, mainly women employed as factory workers. The growth of the garment industry, which stands for 70% of exports, is exceptional and an example of the potential entrepreneurial spirit in Bangladesh, if opportunity arises. However, the export industry need to diversify, improve productivity and increase the local value addition in the exported commodities in order to continue its success. Recent figures indicate a negative trend in productivity and reduced value added, which is worrisome if these trends continue⁹⁴.
- *Partially improved democracy and human rights situation:* The democratic process is slow but generally positive in the country, although politically induced violence has increased during the last few years. However, the political situation at the parliamentary level shows no sign of improvements. The human rights situation in Bangladesh has gradually improved during the nineties, although there are many cases of harassment and imprisonment. Media and the press are fairly open and civil society is active in various kinds of areas.

The examples of achievements above are impressive, bearing in mind the existing limitations and obstacle for development in Bangladesh. However, there are a number of challenges for the country that need to be tackled, before Bangladesh can reach strong economic growth and poverty alleviation for its population.

10.2 Challenges Ahead

As described earlier in this document, there are several structural hindrances for development in Bangladesh. The following could be considered the main challenges for socio-economic growth:

- *Democracy and Human Rights:* The parliamentary process and the political dialogue at the national level are presently not conducive to broad socio-economic development. The democracy is young and fragile and state institutions are weak. At the national level political bickering is driven by personal and power rivalry between the government and the opposition. The incidence of violence, even murdering of political figures and journalists, seems to have increased during recent years. The law and order situation is not upheld in society and the risk for further deterioration is apparent. Human rights violations continue, especially linked with political activities. At the local level there has been some positive progress, but the democratic process is shaky and dependent on the local power structure. Consequently, the majority of the population is unable to have a voice in the political process and lacks access to decision-making, both locally and nationally. Therefore, there is challenge for the country to create a real participatory democracy, built on the rule of law for all its citizens.
- *Democratic Good Governance:* The centralised, corrupt and inefficient state structure is a hindrance to development. There is limited accountability and transparency, which has created a breeding ground for corruption and

⁹⁴ Various documents from the Centre for Policy Dialogue (CPD), 2000.

a growing mistrust from the public. The public administration also lacks financial and adequate human resources to perform its duties.

Management of public institutions needs to be strengthened at all levels and remains one of the obstacles for change. As a consequence, there are negative effects on the general public, as it cannot receive the public services it requests, and not least the private sector, as the red tape and corruption create inefficiencies in industry and commerce and reduce the potential for Bangladesh to compete in the world market. It is also a negative factor for foreign investors as they analyse potential markets. It is therefore a major urgent national challenge to reform the public administration and reduce corruption for the benefit of the whole economy.

- *Private Sector Development – State-Owned Enterprises:* Today, there is a general consensus that the private sector should be the major force in industry, trade and commerce. The role of the government is to ensure an environment conducive to economic growth, guaranteeing the public interest and having free and fair competition through supervision and, in some cases, regulatory measures. However, the state still has a large ownership role in the economy of Bangladesh. As state-owned enterprises are unable to provide needed goods and services, while retaining an inefficient monopoly, they also crowd out private initiatives and create a huge financial deficit. Privatisation must take place for the economy to have a chance to perform effectively. The development in the natural gas sector shows huge potentials for the country's economic development for the coming twenty years and there are even signs that Bangladesh might have oil reserves. These sectors require huge financial resources mainly through foreign direct investments. There is also a challenge in increasing the capacity within the private sector, not least in management and human skills development, as Bangladesh needs to upgrade competence within its industry and commerce to compete on the global market. Technical skills need also improve to meet international demands. The national challenge for the private sector is how to facilitate growth in the economy by tapping on the potentially huge resource of entrepreneurial and business oriented individuals. However, this also implies that the export-oriented private sector is permitted by the international community to compete on equal terms on the world markets in East Asia, Europe and not least the U.S.A.
- *Physical infrastructure:* Some of the conditions for economic growth is the existence of adequate transportation, communications and energy systems. This is needed both for the rural agro-based industries and the export-oriented urban centred industries. Bangladesh has made impressive progress in its transportation system during the last ten years, but more is needed. Telecommunications are lagging behind other countries in the region, but there have been positive expansions in mainly mobile cellular telephone systems during the last few years. International investors have shown an interest in developing communications in Bangladesh. The national challenge is to safeguard the continuation of foreign investments through a stable political environment, and at the same time ensure that there is sufficient growth in the whole economy, not least exports, to ensure that the balance of payments are managed and macroeconomic stability is retained⁹⁵.

⁹⁵ Foreign direct investments into the country naturally carry with them the need for investors to draw profits out of the country as hard currencies. This can only be met by

- *Human development:* Naturally, human development is both the means and the end of overall development. Bangladesh has achieved considerable progress in human development over the last decades, which for example is demonstrated in the fact that the rate of human poverty reduction has been faster than in case of the more restricted income-poverty rate⁹⁶. While there has been some expansion of education, there are still many problems within the sector, as well as in health and nutrition. Only a small proportion of the poor population has access to public health care services. Furthermore, the level of malnutrition remains one of the highest in the world and it is a major problem for future socio-economic growth as future generations will have less potential for productive lives. Therefore, there is a need to reach the vulnerable groups, e.g. poor pregnant and lactating mothers in order to deal with the problem. The structural and institutional challenge for Bangladesh is how to improve the quality while expanding its health, nutrition and education systems. There is a need to upgrade the management skills within the social sectors. This can only be achieved through increased allocations in the national budget to the social sectors⁹⁷, as well as with continued support from international donors and national non-governmental organisations.

10.3 Poverty Reduction

Poverty reduction interventions need to include ways to facilitate income growth, improve coping capacities and ensure access for the poor to public services and goods, e.g. education, health, sanitation and common property and state owned natural resources (Khas-land, forest and water bodies). Equality between men and women is a necessity for a sustainable development and builds on economic and social empowerment for both men and women. Economic empowerment involves income, employment, reduction of underemployment, decrease in indebtedness to moneylenders, and increase in savings and assets.

Social empowerment, which needs to take place parallel to economic gains, involves increasing literacy rates and social awareness, decreasing oppression on women, increasing community participation in local decision-making and increasing women's options in society. Bangladesh has a long way to go before men and women have the same rights, possibilities and obligations as gender equality includes concrete possibilities for each individual to influence his or her life situation. Poverty reduction is therefore closely interlinked with other development goals, such as gender equality, environmental sustainability, democracy and human rights and, not least economic growth. Furthermore, there is a need for an enabling institutional framework, both at the national and local level, conducive to efficient public services and to supporting private initiatives.

increased exports and/or remittances from Bangladeshis abroad (and of course through international aid) .

⁹⁶ The human development index includes, apart from income figures, also health, education, nutrition and other indicators for development. Refer to UN's Human Development Index and "Bangladesh Poverty Analysis: Trends, Policies and Institutions", Binayak Sen, February 2000.

⁹⁷ This could be possible as: i) revenue should increase with continued economic growth, ii) the number of children compared to productive adults (dependency ratio) is decreasing for the next ten – twenty years. This creates a window of opportunity for health, education and nutritional programmes.

An important aspect is the balance between directly poverty-targeted projects and other development projects, e.g. dealing with expansion of physical infrastructure such as roads, irrigation and electricity. Some research indicates that the overall non-targeted projects have had a larger role in the poverty reduction process than the specifically targeted schemes⁹⁸. However, the majority of documentation put emphasis on the need for both indirect and direct poverty focused projects and combining various interventions so that synergy effects take place, which reinforces the poverty reduction process. Economic growth, in which the poor can participate, must accelerate if poverty is to decline faster. Therefore, it is vital to support activities that reduce the existing inequality without jeopardising overall growth.

A prerequisite for sustainable poverty reduction is economic growth and employment creation. But economic growth by itself is not enough, especially if one would expect redistribution only through a process of “trickle down”. Even with a per capita growth of around 4 to 5%, it would take over twenty years for the extreme poor to be lifted out of poverty, according to some calculations⁹⁹. Another issue with growth is the most likely increase of inequality, as some groups of society will benefit more than other groups, for example poor without access to resources. Specifically targeted approaches to include poor landless people in the economic sphere are therefore needed.

10.4 Development Needs

The plans for a comprehensive *public administration* reform have been delayed due to political procrastination and bureaucratic inertia. As the corrupt and inefficient state structure is one of the main obstacles for development, there is a need for the government and donors to put attention on this issue. Currently, several donors, e.g. UNDP, the World Bank and Asian Development Bank, have projects within this area, albeit with few results, as the right political climate appears to be lacking. The issue of good governance and corruption prevention will, however, be the main topic on the development agenda in Bangladesh for the next five to ten years. As the political situation currently faces difficulties and even civil unrest, Bangladesh seems to have lost its impetus for needed structural reforms.

Decentralisation through local government reform is another area where there is a need for continued progress. In reality, very little decentralisation has taken place. The link between the community and its elected representatives at Union and Pourashava level has received little attention. As Bangladesh has in place a democratic system at the local level, there is scope for strengthening one of the *basic human rights*: the right to participate actively and directly in local political decision-making processes. But the elected local bodies are weak and lack human and financial capacity. There is also a need for capacity building of the local administration in terms of accountability and transparency. These are areas where donors most likely will draw their attention to during the coming years.

⁹⁸ For example Ravallion and Wodon (1996); Hossain (1996), both referred to by Binayak Sen in “Politics of Poverty Alleviation”, 1998.

⁹⁹ To get an annual per capita growth of 5% , requires a growth of the economy with almost 7%, taking into account the annual population growth of 1.6–1.8%. The question is whether 7% annual growth is possible.

As the economy of Bangladesh continues to grow and mature (at least in the optimistic scenario), there will be a decreasing need for general donor assistance to financially sustainable areas of *energy*, *telecommunications* and, in the longer term, *transportation*, as major parts of these sectors are commercially viable and therefore of interest for domestic and international private investors. However, there is scope for donor support, mainly in the form of soft-term credits, for projects targeted for expansion of electricity, telecommunications and other communications to remote rural areas and thereby reaching poor segments of society. This is a case of the national interest not being fulfilled by business interests alone. Apart from support to rural extensions of networks, there is also a need for institutional assistance to strengthen the governments' role as regulator and supervisor of these sectors, as well as most public utilities. The objective is to facilitate for efficient sectors through fair competition while safeguarding the interest of the public.

Socio-economic development of Bangladesh has to take place within a very constrained *environment*, with limited and overused land and water. Good management of scarce environmental resources, both within the state structure and the private sector, is therefore needed at all levels and sectors. As an example, the rapid *urbanisation* has created difficult living conditions in the larger cities, mainly Dhaka. The capital is estimated to grow at a rate of half a million new inhabitants each year. This, together with the increasing concentration of various industries and commercial activities around the city, puts severe pressures on land, water, traffic, electricity systems, air, social services etc. A large proportion of the urban population lives in slum areas, where the living conditions are very difficult especially due to lack of *water* and *sanitation*. While there are negative effects due to urbanisation, it will most likely continue for the next twenty years as it is steered by strong push and pull factors for the poor segments of the population. It is foreseen that urban development will be an area where more donors will be willing to provide assistance to the government of Bangladesh and to non-governmental organisations working in the cities, especially with slum communities.

Although the *private sector* is expected to be the driving force within industry and commerce, there is a risk of non-fulfilment due to lack of management and human skills. There is a need to strengthen the competencies within the business community¹⁰⁰. This will be met through both direct foreign investments and targeted development projects financed by the donors. Businesses and entrepreneurs will also need credits and put demands on the formal *financial system*. These areas will need more attention during the coming years as Bangladeshi companies will strive to compete both domestically and internationally and take advantage of opportunities provided by increased international trade, convergence of technologies and the overall globalisation of markets. The private sector of Bangladesh has a chance to reap the benefits of globalisation if it develops its workforce and its capability for management, and not only experience the negative sides and risk turning internationally marginalised.

Agriculture and non-farm activities will continue to be the main source of income for at least the next ten years. Investments are needed in the rural areas, both directly in agriculture, but also to agro-based industry, which has potential for

¹⁰⁰ USAID, GTZ, Swiss Development Co-operation and a couple of other donors support initiatives in the area of business development. However, the need is large as the business community includes hundred thousands of small, medium and a few large companies all over Bangladesh.

growth. Most of the rural population have no access to the formal banking system as they lack collateral and business contacts. However, Bangladesh is well known all over the world for its *micro-credit programmes* targeted the rural poor. Today, it is estimated that a majority of the rural poor have access to at least one of the micro-finance institutions and demand and supply seems to be balanced. However, the programmes do not reach the poorest of the poor. There is a need for specific projects targeted to this group of marginalised extreme poor. On the other hand, there are other groups that have not been included in the existing credit programmes. These are mainly *small farmers*, *small business* and *entrepreneurs* in the rural areas. As these groups could play an important role in scaling up both agricultural and non-farm business it would be beneficial for the economy if they were able to finance their economic activities. Some NGOs, e.g. BRAC with its BRAC Bank, are already considering reaching these groups. However, as the demand is large and unmet, there might be a need for donor support.

As described above, the NGO-community is becoming more diversified and constitutes five major groups; alternative financial institutions, service provision organisations, social development organisations and social mobilisation organisations. Of these, there has been less emphasis on *social mobilisation* as micro-credits have crowded out the more multidimensional aspects of poverty reduction, especially activities that are essentially a local political process and stress socio-political awareness and action. These areas are linked to human rights and democracy issues. Bearing in mind the perceived decrease in some areas of *democracy* and *human rights*, e.g. law and order, the weak judiciary system and the prevailing concentration of power to a small elite, there is a need for stronger grass-root mobilisation by and for the poor to play an active role in local decision-making and in planning for their own future. Furthermore, there is a need for further emphasis on human rights issues at the national level but through media, civil society and watchdog organisations.

Given the situation within *education* and *health*, there are clear justifications for continued donor support. The existing state structure cannot cope with the situation and, consequently, there are millions of citizens lacking proper education and health facilities. There are needs for both quantitative and qualitative improvements. As the government already has in place large national programmes in health and education, it could be foreseen that these aspects are covered. A continuation of closer collaboration between government and donors are foreseen, built on lessons learned from the sector wide approach within the health sector. Only a fraction of the population continues to the college and *university* level. As a skilled workforce, together with efficient management, is needed for Bangladesh to utilise its resources, there is a need to expand both the quality and quantitative of higher education and research. As Bangladesh attempts to benefit from new and converging technologies, e.g. within IT and Infocom, there is a need to improve the competence of its human resource base.

Arsenic poisoning is increasing in Bangladesh due to arsenic contamination in the ground water. This affects a large proportion of the population, as shallow and deep tube-wells are the overwhelmingly most common source for drinking water. Several donors are putting their attention to the problem, but as the problem is enormous and the need for urgent action, there is scope for action in the rural areas. *HIV/AIDS* is another area with potentially catastrophic consequences for the population as social and behavioural factors in Bangladesh

and the region could trigger an epidemic. Further attention is therefore needed on this issue.

Finally, Bangladesh will continue to suffer from *natural disasters* such as floods, cyclones and infrequent droughts. The pressure for fertile land will draw increasing numbers of poor to low-lying areas. Bangladesh has long experience of disaster management and one of the lessons learned is that it is possible to prepare locally in the communities for floods and cyclones and that the negative effects can be reduced by appropriate awareness and infrastructure. Regional co-operation can also improve both in forecasting and prevention of floods and other natural disasters. However, there will be a continued need for *both flood proofing* before, and *humanitarian assistance* after times of disasters as the basic needs and the human suffering is enormous.

10.4 Concluding Analysis for the Medium and Long Term

Bearing in mind the obstacles and challenges described above, it might appear as the necessary tasks and changes ahead are overwhelming, and maybe even impossible. However, one needs to keep in mind that positive changes in any of the development areas reinforce each other and that the final outcome could be greater than the sum of each specific change. The economy has the potential to become dynamic, the population is energetic and there are clear areas for synergy effects.

The long-term scenario: Taking a ten-year perspective, it might be possible to imagine a scenario where the political situation at least calms down, law and order strengthen and the democratic process continues to gradually develop. The outcome of the national election in year 2001 is vital for this to take place. A political improvement would allow for a stronger government that might be able to reform the public administration so that it becomes more public and service minded and less corrupt. State revenues would be increasingly used for primary health and education, with improvements for the life quality of the people. Necessary improvements in higher education would also take place, not least in management, which must improve both within public administration, business and other institutions. As revenue increases there will also be possibilities for more targeted interventions for the extreme poor and vulnerable. Public investments in transportation, environment and other physical infrastructure would continue.

As the international confidence in Bangladesh increases, so would private investments continue to be directed to growth areas such as natural gas, oil and maybe some agro-based industries, backed by credits from mainly multilateral donors. The gas sector could, if well managed, be a driving force for economic growth, together with other export-oriented sectors. The domestic market would grow substantially as employment and the purchasing power of the population increase. The private sector would thereby have more freedom to do its business based on commercial aspects and the international market needs. New, and today unknown, business areas of success would have a chance to compete¹⁰¹. This would further create employment for a large share of the growing work force and allow for continuous upgrading of skills.

¹⁰¹ In India, with an economy that is more closed than Bangladesh, there has been an impressive growth in the new technology area of InfoCom and IT and several millions of Indians are employed within this rapidly growing area.

All in all, this modest scenario builds on small but gradual and incremental rather than revolutionary changes in the political, economic and social landscape of Bangladesh. For the scenario above to take place, there is a need for strong political will and strength, backed by public pressures. The upcoming election in mid-2001 is a “*window of opportunity*” for this positive scenario to take place. A clear public mandate for the new government would give the political strength for needed reforms and pro-active implementation of already decided programmes. If, on the other hand, the next government does not take a lead and firmly demonstrates a will for change within the first year after the election, there will be a serious lack of political momentum for development.

A medium-term scenario: Unfortunately, there are presently too many negative tendencies on the political arena, within the state structure and the business community for the positive scenario, as described above, to take off and create reinforcing pressures for socio-economic development. A more realistic scenario, at least for the next three to five years, is the continuation of some social and economic achievements tempered by setbacks and disappointments on the political scene and within the bureaucracy. As a likely result, there will be few real changes for the majority of the population within the next five years. Widespread poverty might decrease gradually during coming years, but existing structural obstacles as described above, will dampen the potential opportunities for human development and economic growth.

As a conclusion, it's obvious that the future of Bangladesh will contain many drawbacks, failures and setbacks for the population. On top of the man-made problems, natural disasters will continue to affect the life of millions of Bangladeshis, especially poor in vulnerable areas. The future for Bangladesh will therefore, as before, depend on the resilience, entrepreneurship, energy and demonstrated human strength of its main resource, the people. Given the present political situation, it is likely that the necessary reforms in public administration, local governments, privatisation of major state-owned enterprises and the financial sector will continue to drag out in the coming few years. Furthermore, as the overall trend in law and order is negative, with major institutions like the police and the legal system inefficient and corrupt, there is a growing discontent among the citizens. Although the political situation is an area of concern for all, there are potentials for private initiatives and investments in Bangladesh, as demonstrated in the areas of ready-made garments, telecommunications, natural gas and energy. Another potential area for growth is the agro-based industry. These sectors could become “agents for change”, provided that at least the minimum requirements for business are in place.

Development assistance can, at best, play an active catalytic role and facilitate for the creation of an enabling environment for socio-economic development and in the longer term, poverty elimination.

Appendix on Other Donors in Bangladesh

The World Bank Group (IDA and IFC): The bank's mission in Bangladesh is to accelerate the economic growth rate so as to reduce absolute poverty in a sustainable way, ensuring participation of people at the grassroots level. The bank has a two-pronged strategy, which promotes labour intensive growth and human resource development through targeted measures, which directly assists the poor. The bank also finances development projects, with support to investment or reforms in various economic sectors. The bank finances more than 25 major projects. Since 1972, the bank has supported physical infrastructure such as the Jamuna Bridge, rural roads and markets, natural resource exploitation such as natural gas, water resource management, irrigation, fisheries, agricultural growth and environmental resource management such as forest management, as well as health and family planning, poverty alleviation through micro-credits and primary and secondary education. The World Bank is the major donor in Bangladesh and it finances programmes in all development sectors.

ADB (The Asian Development Bank): ADB is a major donor and it finances various reform and infrastructure programmes. Important areas are roads, bridges, embankments, irrigation and water schemes. ADB also finances projects aiming at strengthening public administration local government, for example through the Secondary Towns Development Programme, in co-operation with LGED. ADB finances a broad area of projects related to all aspects of development.

European Commission (EC): The EC-financed development and food aid programmes in Bangladesh are one of the largest for the European Commission. Though Bangladesh has been the second highest recipient of EC grants within Asia, it has received the highest level of funds for activities directly aimed at poverty alleviation. Food aid is given to the government, World Food Programme and NGOs. EC emphasises health, social mobilisation, and primary education and food security. Approximately a fifth of the total commitment is channelled to national NGOs, e.g. BRAC and Proshika Kendra. EC finances a large number of projects¹⁰². Over 60% of the projects address the issue of food security, over 60% aim at economic development of rural areas and around 45% of the projects have social development as a key poverty alleviation issue.

Japan: The bilateral support from Japan to Bangladesh is substantial. Major areas are investments in physical infrastructure, transportation, energy and other economic sectors.

The UN-Organisations:

– *UNDP* (The United Nations Development Programme) has the mandate to build capacity for sustainable human development in the fields of poverty eradication, employment creation, empowerment of women, environment and good governance. The UNDP programme in Bangladesh is the third largest in the world for the organisation¹⁰³. The major programmes are: i) The community empowerment programme; reaching about 400,000 people through

¹⁰² According to the document "Twenty Years of European Community Support to Asia – Alleviating Poverty", EC, 1997, the EC finances over 60 projects in Bangladesh.

¹⁰³ The grant funding for 1995 – 2000 is 114 million USD. The annual expenditure for 1999 is around 30 million USD.

NGOs in partnership with government, ii) The advancement of women programme, iii) The governance programme; includes strengthening of parliament, reforming the electoral system, reforming public administration, strengthening human rights and security and making government more transparent and open to public audit, iv) The environment and natural resources management programme; includes the national environment management action plan, the sustainable environment management plan and the integrated pest management project, v) The food security programme, iv) The non-formal employment and micro-credit programme; has the objective of increasing sustainable livelihood opportunities for the poor, especially for young people and women, and finally, iv) The disaster management programme.

–*FAO* (Food and Agriculture Organisation) focuses on food security and rural development. Programmes include cereal technology transfer, pest management, vegetable seed production, agricultural planning, minor irrigation schemes, hybrid rice production, shrimp disease, integrated resource management of Sundarban reserved forests and the Bengal fisheries management project.

–*IFAD* (International Fund for Agricultural Development) targets the rural poor, comprising marginal and small farmers and landless. Projects include delivery of services such as micro-credits, irrigation equipment and other farm inputs, adaptive research and extension and rural infrastructure to improve accessibility to inputs and product markets.

–*ILO* (International Labour Organisation) is not a donor but an executing agency and it receives funding mainly from UNDP. *ILO* focuses on activities in the field of international labour standards for better labour-management relations and working conditions. *ILO* is rather small in Bangladesh, but has an important role in the supervision of labour related issues, e.g. freedom of association, equality of opportunity and treatment, minimum age, occupational safety and health etc.

–*WFP* (World Food Programme): The mandate of *WFP* is to provide food aid to save lives in emergency situations, to improve the nutritional status of the most vulnerable people and to help build assets and promote self-reliance of poor people, particularly through labour intensive works programmes. *WFP* plays an important role in the large rural development programmes. An important project is the vulnerable groups development project (VGD).

–*UNFPA* (United Nations Population Fund) works with the reduction of maternal mortality, infant mortality and unwanted pregnancies and stabilisation of population growth in Bangladesh.

–*UNICEF* (United Nations Children's Fund) works with education for all, health and nutrition, water and environmental sanitation and the protection of children's and women's rights. *UNICEF* collaborates with a wide range of partners, including the line ministries, local governments, communities and almost 400 NGOs.

–*WHO* (World Health Organisation) has two main mandates; to act as the directing and co-ordinating authority on international health work and, to encourage technical co-operation in health issues among member states. In Bangladesh, *WHO* works with health policy and management, health services development, promotion and protection of health and integrated control of diseases.

Denmark: The development co-operation between Bangladesh and Denmark includes all major sectors, e.g. health care, water supply and sanitation, poverty alleviation in Greater Noakhali district, inland water transport, rehabilitation of highways, river control, agricultural projects and other areas related to rural development and poverty alleviation. Denmark has a large number of projects within its portfolio in Bangladesh.

Canada (CIDA): Canada's development co-operation, being one of the largest bilateral donors, with Bangladesh has poverty reduction as its central focus. Key areas of activity include increased and diversified food production, primary health care and family planning, literacy and primary education, profitable income generating activities and micro-credit programmes for poor and landless, water management including irrigation, fisheries enhancement and flood control, rebuilding the railway infrastructure, energy development and rural electrification. Food aid is a vital part of Canada's assistance in both emergency relief efforts as well as in long-term development programmes for the poor. The assistance through NGOs focuses on group formation, literacy, health skills training, environmentally sound food production and providing micro-credit for income generation and profitable micro-enterprises.

Norway (NORAD): The development co-operation between Bangladesh and Norway is in the areas of rural development, education, democracy and investment in infrastructure, e.g. energy and gas. Bangladesh is among the largest recipients of Norwegian aid. NORAD finances, inter alia, the Kurigram Poverty Alleviation Project (KPAP) within BRDB, which aims at creating employment and income opportunities for the rural poor, especially disadvantaged women. KPAP was part of the PEP-component within the Swedish – Norwegian funded RESP up to 1996.

The Netherlands: The Dutch co-operation with Bangladesh is in the areas of integrated water management, agriculture, health and education, women in development and micro-credits. Support is given e.g. to BWDB (Bangladesh Water Development Board) for water management systems in order to increase safety and social security in the coastal areas and on the islands. Other water activities include flood control, drainage and irrigation projects, e.g. through the previously joint Dutch-Swedish Early Implementation Project. Other rural development projects include support to BRAC and Proshika through collaboration with the Dutch organisation NOVIB.

The U.S.A (USAID): The development co-operation between U.S.A. and Bangladesh is mainly in the areas of food security, rural electricity, agro-based industries, creation of private sector employment for poor women and men (e.g. through JOBS-project), fisheries, soil management and other environmental areas. USAID finances a project through CARE Bangladesh, aiming at improved year-round access to markets and basic services for the poor through improved rural road network. Within the rural electrification project, over 25,000 villages have been supplied with electricity and 320,000 commercial and industrial connections made. This project is being implemented throughout the country in collaboration with 54 Rural Electric Co-operatives.

The United Kingdom (DFID): The current programme focuses on poverty reduction and strengthening governance and institutions. Around half of the programme resources goes to human development, mainly health and education, micro-credit and primary education. Another important area is

improved livelihood for the poor, through agriculture and fisheries projects. Around one-third of the assistance goes to infrastructure projects and support to public administration and governance. The British support to Bangladesh accounts for around 5% of all aid to Bangladesh, which makes the U.K. one of the largest bilateral donors. The U.K. finances several NGO activities, for example, BRAC, Proshika and BURO Tangail's micro-credit projects and other social development activities. On the energy side, support has been given to distribution and transmission of electricity around Dhaka, together with ADB. Financing of a gas processing plant and gas transmission are other energy areas of support. DFID is also providing assistance to road rehabilitation and maintenance, e.g. through LGED.

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