



Bangladesh

Presentation of
“Meeting the Challenge: A Mid-term Report on
Achieving MDG-1 in Bangladesh” by
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Hon’ble Foreign Adviser (Foreign Minister)
Government of the People’s Republic of Bangladesh
at the Annual Ministerial Review Meeting of ECOSOC on “Strengthening
efforts to eradicate poverty and hunger, including through the global
partnership for development”
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Mr. President,

I am immensely delighted to be here today and to present our report: “Meeting the Challenge: A Mid-term Report on Achieving MDG-1 in Bangladesh” at the first Annual Ministerial Review Meeting of the UN Economic and Social Council. The report prepared by the Ministry of Foreign Affairs, with assistance from relevant government ministries, agencies, NGOs and the UN Country Team, presents a comprehensive review of the progress we have made in reducing poverty and hunger. The international community will find it useful to understand and appreciate Bangladesh’s development experience, because we believe it to be replicable in comparable milieu.

Mr. President,

A discourse on poverty cannot afford to be poor – in its focus or content. Keeping this in mind, our report presents a detailed account of the fight against poverty in Bangladesh. It includes both achievements, and the challenges. Though we have attained significant progress in poverty reduction, there is no complacency on our part. We believe achieving MDG-1 is a journey, and the journey does not end in 2015. In 2015, we will not only need to sustain our achievements, we will also have to confront a new set of challenges. Our report offers a window to look beyond 2015.

Though poverty is as old as our civilized existence, discussion on its cause or consequence only dates back to the beginning of the last century. Early historians, often appointed by courts, had confused poverty and the poor, and had little empathy for the latter. After all, the mention of the poor had the menacing effect of tarnishing the image of the monarch. However, while historians avoided discussion on poverty, poets and writers did not hesitate to bring up poverty. Thanks to Charles Dickens, poverty became an acceptable focus of literature, that aroused sympathy for Oliver Twist, who famously asked for more.

Mr. President,

We have come a long way since this, not only in terms of evoking sympathy for the poor, but also in terms of addressing the root causes of poverty. The ECOSOC Annual Ministerial Review of the national efforts to reduce poverty is yet another milestone in the unfolding of this dialogue.

Bangladesh takes due pride on being a world leader in poverty research and innovation. During the past decade, it not only managed to reduce poverty by more than 10 per cent, it also produced two Bengali Nobel Laureates. Prof. Mohammad Yunus and Prof. Amartya Sen made outstanding contributions to address the root causes of poverty. They have changed the way we look at this scourge. Poverty is not just the absence of wealth. It is more fundamentally the lack of entitlement and the rights to livelihood, dignity, credit etc, Professor Yunus, in particular, has shown the world that it is possible to overcome poverty through simple ideas. The great intellectual contributions of Bangladesh to development thinking is that simple concepts can bring about profound changes. Because of our pioneering roles in microfinance and other development innovations, I hope many will agree that, Dhaka deserves to be declared the "Development Capital of the World".

Poverty is not yet history, but it is certainly on the retreat here in Bangladesh. We are not just looking at 2015. We are looking beyond for a steady and sustainable reduction of poverty. Our achievements in reducing poverty does not make us complacent. It only makes us more conscious of the imperatives for achieving other MDGs. The current government in Bangladesh just presented the annual budget last week. As high as 57 per cent of this year's budget has been earmarked for the poor. A remarkable improvement compared to the previous years. It is also noteworthy that we allocated 23 per cent the budget for various gender and empowerment programmes.

We strongly believe that stability and good governance are prerequisites for sustainable poverty reduction. After a prolonged episode of political chaos and violence, we have attained peace and stability in Bangladesh. In Bangladesh, we are witnessing a sea change since the current caretaker administration took office in January 2007. Since then, we have achieved significant reforms to restore public confidence in governance. The challenges that seemed near insurmountable – especially curbing corruption, separating judiciary from the executive and re-structuring the Election Commission – came about in less than six months our government has been in office. Bangladesh is now a model of positive transformation.

Our report presents three broad trends. Firstly, it shows that Bangladesh has made substantial progress in reducing poverty – from 58.8 per cent in 1990 to 40 per cent in 2005. The decline is significant and robust, regardless of the statistical methods we employ. The decline is the outcome of the highest priority that Bangladesh government attaches to poverty reduction. We are implementing our own home-grown Poverty Reduction Strategy (PRSP). PRSP incorporates the poverty reduction targets outlined in the MDGs.

Secondly, it makes an attempt to explain the factors that made this reduction possible, both at microeconomic and aggregate levels. The factors discussed in the report demonstrate that combating poverty requires a holistic, multi-pronged approach. We highlight the critical role of increased agricultural productivity, access to education, migration and microfinance in poverty alleviation.

Thirdly, the report illustrates the role of development cooperation in the decline of poverty headcounts in Bangladesh. We discuss the importance of cooperation between the government and non-governmental organizations and also between the government and the development partners. The report looks at the global partnership for development at national, sub-national and grassroots levels.

Mr. President

The steady annual economic growth of over 5 per cent and relatively low inflation have been the most critical macroeconomic factors in reducing poverty in Bangladesh. According to a World Bank study, Bangladesh's GDP growth experienced the least amount of volatility among the 151 economies it surveyed. This impressive growth performance, along with a decline in the population growth, contributed to a doubling of annual per capita GDP growth in Bangladesh, from 1.6 per cent in the 1980s to 3.3 per cent in 2004. Both farm and non-farm activities, as well as strong export performance of the RMG sector, triggered the growth. Given these impressive strides in economic growth, human development and poverty alleviation, Goldman Sachs recently included Bangladesh in a list of 11 countries that have the greatest economic potential to replicate the success stories of China and other Asian Miracle countries.

Bangladesh has outperformed most low-income countries on a range of social indicators. We managed to increase net primary school enrollment from 74 per cent in 1991 to 87.27 per cent in 2001. We have already attained the MDG of eliminating gender disparity in enrollment. With the sharp decline in infant and child mortality rates, we are set to achieve the targeted two-thirds reduction in both infant and child mortality rates by 2015. Food security has improved markedly. This is even true for the very poor. Bangladesh's ranking on human development index (HDI) is much better than that would be predicted for a country at its income level.

Mr. President,

In Bangladesh, the poverty line is determined using the Cost of Basic Needs (CBN) method. Households with per capita expenditure below the level at which all members can meet their basic needs – in both food and non-food consumption – are considered poor. The CBN method yields a poverty line that includes provision for non-food needs. By CBN estimates, the incidence of poverty in Bangladesh has declined from 58.8 per cent in 1991 to 40 per cent in 2006, with difference in urban and rural poverty rates.

MDG-1 recognizes the critical linkages between poverty and hunger. It is well accepted that hunger and under nutrition can trap people into an endless cycle of poverty that passes on to their children. It is the so called "hunger-low productivity-extreme poverty trap." Hunger can also induce weak immunity, rendering people more vulnerable to

disease. Disease, in turn, prevents poor people from participating in productive and income-generating activities, which further exacerbate their impoverishment. Reduction of hunger and ensuing food security are therefore viewed as *sine qua non* for faster growth and sustainable poverty reduction.

Complementing the priority attached to food security in PRSP, our National Food Policy focuses on three core objectives. They are: a. adequate and stable supply of safe and nutritious food; b. increased purchasing power and access to food; and c. adequate nutrition for all individuals.

Mr. President,

The Government of Bangladesh uses various Food and cash based targeted programmes to reduce hunger and under-nutrition. These programmes often target the extreme poor. Other programmes - such as the Vulnerable Group Development (VGD) - contribute to augment the income of the poorest households. VGD provides skill training as well as short term employment. Other such programmes aim to increase the sustainable income of the poor by improving nutrition and productivity.

As a consequence of sustained productivity in agriculture and various intervention programmes, Bangladesh has registered substantial progress in reducing the number of underweight children. This, as we all know, is one of the key MDG-1 indicators. Between 1990 and 2005, the percentage of under-weight children fell from 67 per cent to 39.7 per cent. To reach the MDG 1 target, its prevalence must fall to 33 per cent by 2015. Bangladesh is one of the few countries that is expected to reach the target.

Mr. President,

The share of agriculture in our GDP has declined from 30.4 per cent in 1991 to 20.1 per cent in 2005. This trend continues even at a faster rate. However, the agriculture sector employs about 50 per cent of the population in Bangladesh. Nearly 75 per cent of our population still lives in the rural areas. The deteriorating terms of trade for the farmers - because of high input prices - partly explains the diminishing role of agriculture in our GDP. Farmers often do not receive a fair price for their output. This is because access to market is often controlled by middle-men or intermediaries. The present government is actively pursuing policies to improve market access for our farmers and reduce distortions in prices.

Micro-credit is considered one of the most effective development tools, which you know is a product of Bangladesh's development thought. The Grameen Bank model of credit delivery to the rural poor - especially to women - has proved that the poor can lift themselves out of poverty. Micro-credit allows them to unlock their full potential. The microfinance industry in Bangladesh has demonstrated extraordinary growth over the last two decades. Nearly 700 MFIs now provide micro-credit to about 12.65 million households and by 2005, the cumulative number of borrowers reached 26.4 million. Over 80 per cent of poor households are covered by micro-credit programmes. A

majority of them have improved their economic condition and have climbed out of poverty.

Numerous studies have shown that micro-credit has significantly contributed to reducing poverty. One World Bank study concluded that it accounted for 40 per cent of the entire reduction of poverty in rural Bangladesh. Bangladesh has also pioneered micro-insurance schemes, which is a new concept. Effective micro-insurance and micro-health insurance schemes are potentially significant means of reducing the huge vulnerability of poor people to natural disasters. The challenge is to develop practical, appropriate and sustainable micro insurance models. The micro-finance sector is set to reach new frontiers with the development of micro-insurance schemes.

Mr. President,

It is important to note that more than 90 per cent of funding for microfinance programmes comes from domestic sources. The MFIs themselves account for nearly 60 per cent of all funds. The MFIs often face severe resource constraints, which limit their capacity to expand outreach or to scale up their programmes. The international community can play an important role to increase the capacity of MFIs in Bangladesh and other developing countries.

Mr. President,

It is widely accepted that literacy is both a foundation and a pre-condition for the eventual eradication of poverty. Education gives learners the tools for skill development and to improve their economic prospects. Bangladesh has made significant advances in ensuring education for all. We have increased net enrolment rates in primary education from 74 per cent to 87.27 per cent in just about 15 years. We have also achieved gender parity in the primary school enrolment – one of the key Millennium Development Goals. The Government has made female education free up to the 12th grade to ensure gender parity in secondary and tertiary education.

Despite these remarkable progresses, difficulties still remain in ensuring education for all. There are, by some estimates, about 17 million children outside the education system. Poverty continues to prevent many children from fulfilling their rights to education. In reality, there are many direct costs that prevent children from the poorest and most vulnerable groups accessing 'free' educational opportunities.

In Bangladesh, Non formal education (NFE) plays an important role in empowering illiterate people and in fostering development. The NFE Policy Framework aims to provide life-long access to learning opportunities. The target population of various NFE projects includes out-of-school children, school dropouts, adolescents and young adults. NFE programmes also reach urban slum-dwelling working children and adolescents engaged in hazardous professions.

BRAC – the largest NGO in Bangladesh, and perhaps in the world – plays a lead role in providing non-formal education to the poor children. It operates 32,000 primary schools in all 64 districts with nearly 1 million students currently enrolled. By 2005, 3,225,031

children had graduated from BRAC schools. Nearly 90 per cent of them successfully made to formal high schools. This is significantly higher than the transition rates of students who graduated from formal primary schools. Despite the tremendous success in reaching the poor and out of school children, resource mobilization remains a challenge for the NFE sector in Bangladesh. There is a strong need for involving the private sector to mobilize domestic resources to achieve the goal of education for all.

Mr. President,

There are compelling evidences that international migration - through remittances, the transfer of social capital and diaspora linkages - can positively contribute to alleviate poverty. Migration stimulates development in the countries of origin. By some estimates, the origin countries of temporary labour migration would enjoy a return of USD 160-200 billion if the EU, Canada, Japan and the USA allowed migrants to make up 4 per cent of their labour force.

Temporary labour migration has contributed significantly to increase household income and reduce poverty in Bangladesh. The effects are both direct and also through consumption and investment multipliers. Migration provides job opportunities to a growing young population in Bangladesh. The number of Bangladeshis that went for work abroad reached a record high of 377,591 in 2006. During the past six months, on an average 55,000 Bangladeshi workers went abroad for jobs each month. The remittances reached USD 5.48 billion in 2006, accounting for nearly one tenth of our GDP. This year, we are expecting well over USD 6 billion. Bangladesh in the list top twenty remittance recipient countries. Although remittances are largely used to meet basic needs, a significant portion is also invested in land, education and health-care, which have significant poverty reduction impacts.

PRSP duly recognizes the importance of migration and remittances in poverty alleviation. Our Overseas Employment Policy – which conforms to the PRSP targets - emphasizes the importance of increasing remittance flows through formal channels. It is widely accepted that remittance through formal channels has greater impact on poverty alleviation. The policy also seeks to expand overseas employment opportunities for a fast-growing young population. The Government of Bangladesh believes that the source and recipient countries should work to promote temporary labour migration and to protect the interests of the migrant workers.

Temporary labour migration and remittance will continue to play an important role to reduce poverty in the foreseeable future. However, any adverse shock – global political and economic instability - to the migration flow and remittance will seriously undermine the gains in poverty reduction.

In the concluding section of the report, we show that effective partnership among different government agencies, development partners and non-governmental organizations is extremely critical to achieve sustainable poverty reduction. The increased aid harmonisation and alignment of the strategies with PRSP have contributed to improve effectiveness of development assistance. The development partners are implementing joint programmes to reduce overlaps in various poverty alleviation

programmes. Increased understanding by the government and our development partners suggest that the vulnerability of the extreme poor can be reduced with policies and strategies that focus on micro-finance, asset or cash transfer, and social safety nets.

Mr. President,

While we have made commendable progress, we are still facing formidable challenges. Agricultural production is showing signs of diminishing marginal return. Given the finite amount of land and a still growing population, land use and crop intensity is approaching a maximum. This severely limits the ability of many poor to earn a livelihood from farming. New investments and innovations in agriculture to further boost productivity will remain a key to maintaining food security and reducing poverty. It will remain a challenge to maintain a steady job growth in the urban sector to absorb the increasing flow of migrating rural poor. We will have to identify and promote new thrust sectors to sustain the progress in achieving MDG-1 targets by 2015.

The ready-made garments (RMG) industry - the country's foremost export sector - has experienced impressive success and growth in recent years. It employs nearly two million women, who migrated to cities and whose income not only empowers them, but also contributes significantly to the rural economy throughout the country. But the future of this important sector will rely heavily on its ability to compete with other garments producing countries. It will also depend on the outcome of the Doha Development Round, in the areas of special and differential treatment.

If Bangladesh loses preferential market access for its RMG exports to Europe and North America, we are likely to face a large number of job losses. This will have severe adverse consequences on poverty. By some estimates, almost 740,000 garments workers, mostly women, will lose their jobs if Bangladesh loses preferences. If possible job losses in other sectors dependent on the RMG industry are taken into account, it may be as high as 2.59 million. This would also mean almost 1.15 million people would slip back into poverty. This will potentially derail our efforts to reach MDG-1 by 2015.

It is important to keep in mind the fact that RMG is not a skill-intensive sector. It has little or no learning effect. Excessive reliance on RMG exports may consequently depress the demand for skills and by extension, the demand for education in Bangladesh. The over-dependence on RMG sector may trap our economy in a "low-skill, low-value added equilibrium", undermining future efforts to reduce poverty. Taking this into account, PRSP puts the right emphasis on skill development and export diversification.

Mr. President,

Trade liberalization is perhaps the most visible manifestation of globalization. Bangladesh has taken bold steps to liberalize its trade since the early 1990s. Trade now accounts for nearly 37% of our GDP, compared to about 19% in 1992. During the same

period, our average MFN tariff declined from 47.4% in 1992-93 to 13.54% in 2004-2005.

The result of liberalization is reflected in the nearly four-fold increase in our imports, from USD 3.9 billion in 1992 to USD 13.8 billion in 2005. Concurrently, trade deficit as a percentage of GDP rose from 4.76% to 6.46%. This shows that our export has not kept up with growth in imports. It will remain a daunting challenge for us to pursue a pro-poor trade policy, especially to ensure that liberalization leads to job-growth, both in traded and non-traded sectors.

Another formidable challenge before us is the adverse consequences of global warming. The Stern Report warns that the poor in the low-lying coastal areas of Bangladesh will be one of the worst victims of a rise in our sea-level. By some estimates, the sea level in the Bay of Bengal is rising by about 3 mm a year and it is predicted that as much as one fifth of our land mass will go under water if the sea level rises by just one meter. This will not only cause massive displacement, but will also reduce our capacity for rice production by as much as 30 per cent. If we are to achieve MDG-1 by 2015, we will need to address the issues of climate change more vigorously. Global warming will pose serious threats to sustaining a low rate of poverty in the post 2015 era. International cooperation will be critically important to minimize the adverse effects of global warming on Bangladesh.

Mr. President, PRSP recognizes the emerging importance of migration and remittances as a dominant factor in household income and poverty alleviation. Our Overseas Employment Policy highlights the importance of increasing remittance flows through formal channels to maximize its impact on poverty alleviation. It also seeks to expand overseas employment opportunities for a fast-growing young population. The Government of Bangladesh believes that the source and recipient countries should work to promote temporary labour migration and to protect the interests of the migrant workers.

Bangladesh has made steady and satisfactory progress towards achieving MDG-1. Realistic projections by the government and the development partners indicate that we will succeed in lifting nearly 12 million people out of poverty by 2015. This will help reduce poverty by half by then, as targeted in MDG-1. However, success will ultimately depend on identifying the target population, improving coordination to make interventions timely and cost effective and enhancing the resources for the poor.

Mr. President,

It is important that we combine all our endeavors to eliminate poverty. Poverty anywhere is poverty everywhere. Today humanity is united in the belief that ameliorations of the pains of some is the responsibility of all. This is what distinguishes our times from those of the past. Our efforts must brook no delay and begin now. If there is a hill to climb, Mr. President, waiting will not make it any smaller.

Thank you.