

**Bangladesh:
Severe Poverty and a
Well Functioning Economy?**

Arne Wiig

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Summary

This is the first report on Bangladesh under the Country Advisor Agreement between the Norwegian Agency for Development Co-operation (NORAD), the Chr. Michelsen Institute (CMI) and the Nordic Consulting Group (NCG). The report consists of two parts. Part 1 comprises an assessment and overview of the prevailing macro-economic situation in Bangladesh. With this background, the second part focuses on the way in which the Government, through their expenditures on the social sectors, is targeting the poor. The analytical approach is based on a *decomposition* method where public expenditure is divided between sectors and sub-sectors.

It is found that the public expenditure ratio in Bangladesh is low compared to other developing countries. At the same time, the social allocation ratio is high but the ultimate human development impact, as reflected in human development indicators, is low. This indicates that the social priority ratio must be increased. It is therefore argued that efforts must be made to improve the quality of public services, especially for primary education.

In addition to the two main parts, a database on social and economic indicators has been created.

Bangladesh: Severe Poverty and a Well Functioning Economy?

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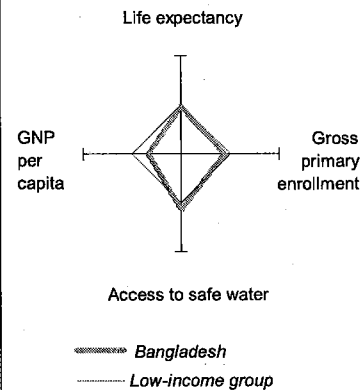
Bangladesh at a glance

1/31/00

POVERTY and SOCIAL

	Bangladesh	South Asia	Low-income
1998			
Population, mid-year (millions)	125.6	1,305	3,515
GNP per capita (Atlas method, US\$)	350	430	520
GNP (Atlas method, US\$ billions)	44.0	555	1,844
Average annual growth, 1992-98			
Population (%)	1.6	1.8	1.7
Labor force (%)	2.1	2.3	1.9
Most recent estimate (latest year available, 1992-98)			
Poverty (% of population below national poverty line)	36	..	..
Urban population (% of total population)	20	27	31
Life expectancy at birth (years)	61	62	63
Infant mortality (per 1,000 live births)	57	77	69
Child malnutrition (% of children under 5)	68	53	..
Access to safe water (% of population)	84	81	74
Illiteracy (% of population age 15+)	47	49	32
Gross primary enrollment (% of school-age population)	96	100	108
Male	93	109	113
Female	100	90	103

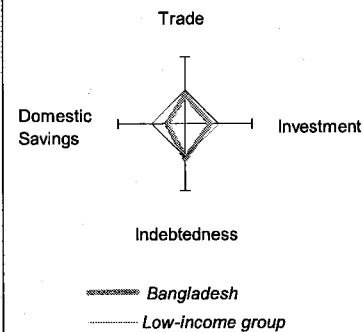
Development diamond*



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1978	1988	1997	1998	
GDP (US\$ billions)	13.2	25.8	41.0	42.7	
Gross domestic investment/GDP	17.1	18.4	21.6	22.2	
Exports of goods and services/GDP	4.1	5.8	12.4	13.8	
Gross domestic savings/GDP	7.8	9.4	15.3	17.1	
Gross national savings/GDP	8.4	11.9	19.4	21.0	
Current account balance/GDP	-2.9	-4.3	-2.2	-1.2	
Interest payments/GDP	0.3	0.6	0.4	0.4	
Total debt/GDP	23.4	41.4	36.9	38.3	
Total debt service/exports	20.8	22.1	10.6	9.1	
Present value of debt/GDP	..	..	21.1	..
Present value of debt/exports	..	..	129.8	..
(average annual growth)					
GDP	4.7	4.7	5.3	5.1	4.7
GNP per capita	2.3	3.1	3.8	4.2	3.1
Exports of goods and services	5.4	14.4	14.5	14.3	6.8

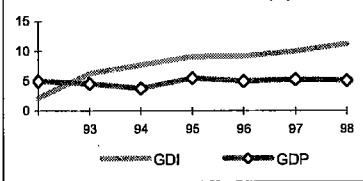
Economic ratios*



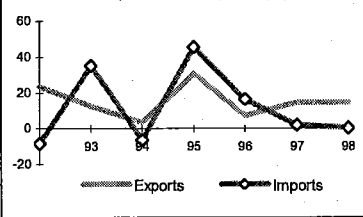
STRUCTURE of the ECONOMY

	1978	1988	1997	1998
(% of GDP)				
Agriculture	41.6	29.8	23.1	22.2
Industry	21.4	22.4	27.1	27.9
Manufacturing	15.8	14.8	17.3	18.1
Services	37.0	47.8	49.8	49.9
Private consumption	90.8	87.2	80.1	77.6
General government consumption	1.4	3.3	4.6	4.4
Imports of goods and services	13.4	14.7	18.7	18.9
(average annual growth)				
Agriculture	3.0	2.6	6.1	3.0
Industry	4.3	6.9	5.6	8.3
Manufacturing	2.9	7.0	6.2	9.2
Services	6.1	4.7	4.7	4.3
Private consumption	4.9	4.0	4.1	6.7
General government consumption	5.1	5.8	6.0	-0.3
Gross domestic investment	2.9	6.0	10.0	11.2
Imports of goods and services	4.6	10.5	2.0	0.6
Gross national product	4.9	4.8	5.5	5.9

Growth of Investment and GDP (%)



Growth of exports and imports (%)

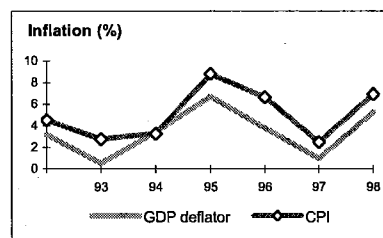


Note: 1998 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

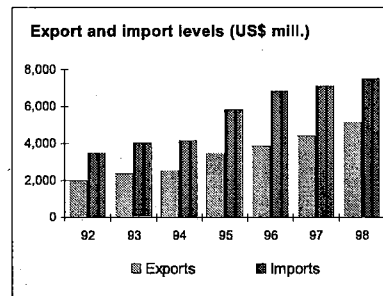
PRICES and GOVERNMENT FINANCE

	1978	1988	1997	1998
Domestic prices				
(% change)				
Consumer prices	..	6.3	2.5	7.0
Implicit GDP deflator	25.7	7.6	1.0	5.3
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	8.9	9.3	9.6
Current budget balance	..	..	2.2	2.2
Overall surplus/deficit	..	-5.3	-4.3	-4.2



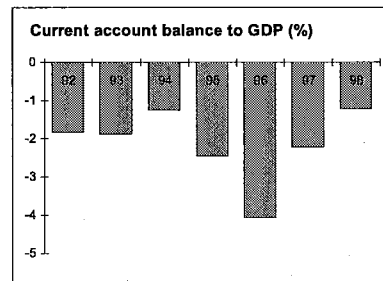
TRADE

	1978	1988	1997	1998
(US\$ millions)				
Total exports (fob)	..	1,232	4,427	5,172
Jute goods	..	81	116	108
Leather and leather products	..	147	196	190
Manufactures	..	825	3,755	4,531
Total imports (cif)	..	2,986	7,120	7,525
Food	..	704	197	373
Fuel and energy	..	272	361	506
Capital goods	..	1,090	2,000	1,342
Export price index (1995=100)	..	58	102	109
Import price index (1995=100)	..	90	100	101
Terms of trade (1995=100)	..	64	103	108



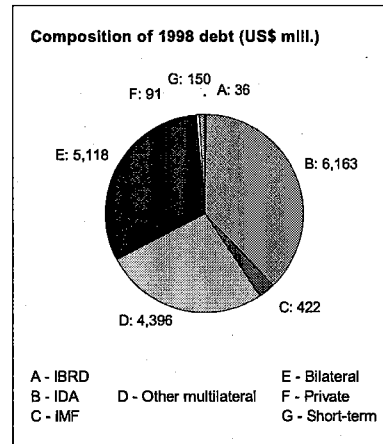
BALANCE of PAYMENTS

	1978	1988	1997	1998
(US\$ millions)				
Exports of goods and services	572	1,486	5,083	5,879
Imports of goods and services	1,431	3,252	7,677	8,049
Resource balance	-859	-1,765	-2,594	-2,170
Net income	-32	-133	-107	-100
Net current transfers	506	788	1,770	2,017
Current account balance	-385	-1,110	-909	-520
Financing items (net)	338	1,255	589	651
Changes in net reserves	48	-145	320	-131
Memo:				
Reserves including gold (US\$ millions)	..	..	1,719	1,739
Conversion rate (DEC, local/US\$)	15.1	31.2	42.7	45.4



EXTERNAL DEBT and RESOURCE FLOWS

	1978	1988	1997	1998
(US\$ millions)				
Total debt outstanding and disbursed	3,083	10,692	15,125	16,376
IBRD	55	66	38	36
IDA	608	3,188	5,701	6,163
Total debt service	146	504	705	683
IBRD	4	5	7	6
IDA	4	36	96	105
Composition of net resource flows				
Official grants	0	824	736	589
Official creditors	414	786	326	359
Private creditors	12	-21	-28	-23
Foreign direct investment	0	3	-116	252
Portfolio equity	0	0	0	0
World Bank program				
Commitments	163	221	460	646
Disbursements	103	291	299	347
Principal repayments	0	10	59	66
Net flows	103	281	241	281
Interest payments	8	31	44	45
Net transfers	96	250	196	236



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Annexes

PART 1



1 Introduction

The general aim of this study is to present an overview of the prevailing macro-economic situation in Bangladesh. It also aims to analyse the way in which the Government of Bangladesh, through their fiscal policy, is acting to alleviate the plight of the poor. Two weeks were used on fieldwork in Dhaka in September 1999 and an additional three weeks were spent on finalising this report.¹

The report is divided into two parts. The first part examines macroeconomic indicators such as economic growth, savings and investments, inflation and exchange rates, current account, public accounts and public reforms. This part seeks to give an overview of the current economic situation in the country. With this background, the second part focuses on the way in which the Government, through their expenditures on social activities, is targeting the poor. The analytical approach undertaken in part two is based on a *decomposition* method where public expenditure is divided between sectors. Expenditure on social sectors (health, social welfare and education) are highlighted since these are important for the welfare of the poor. After analysing the level of public expenditure and the ratio of social expenditure ('the social allocation ratio'), I proceed by questioning the extent of which public expenditure benefit the poorer groups (the term 'social priority ratio' is applied). Finally, I am addressing the quality of the public service provided to the poor. Based on this approach a given quality, say of primary education can stem from a combination of sources: it can stem from a high level of public expenditure, it can reflect a high priority on social expenditures or it can reflect that each penny on education is efficiently spent. Based on such an approach it is easier to reveal how a particular government through their fiscal policy can improve their targeting of the poor.

In order to sharpen the focus, a particular emphasis has been put on public expenditure on education. I find this reasonable because education expenditure is important in order to target the poor and because Norway in its aid programme to Bangladesh gives priority to the education sector.

In addition, a database on social and economic indicators has been created. This database is presented in Annex 1 and forms the basis for the analyses undertaken. The idea is to update and incorporate new data in order to monitor the future economic development in Bangladesh.²

¹ A draft was provided to NORAD in the beginning of November 1999. This released report is identical to the final report delivered NORAD in March 2000. The figures and information are not updated since then. I appreciate the comments from NORAD and from my colleagues Ole David Koht Norbye, Just Faaland, Hildegunn Nordaas and Arve Ofstad to a previous version of this report.

² Data is collected from different sources, but is mainly based on official UN and WB statistics. An ongoing process is currently being undertaken in order to change the national account system. WB has already started to apply this new system, while the Government of Bangladesh still applies the old national account system. To the extent that I have data from the new account serie available, I

2 Macro-Economic Overview

2.1 Economic Growth

2.1.1 Well-functioning macro-economy

Since 1977, Bangladesh has shown a stable annual growth rate of about 4.7%. Since there has been a decline in population growth, currently at 1.6%, the growth rate per capita has increased. During the period 1988–98, Gross National Product per capita increased by 3.1% annually compared to an average of 4% over the past two years (1997-98).³

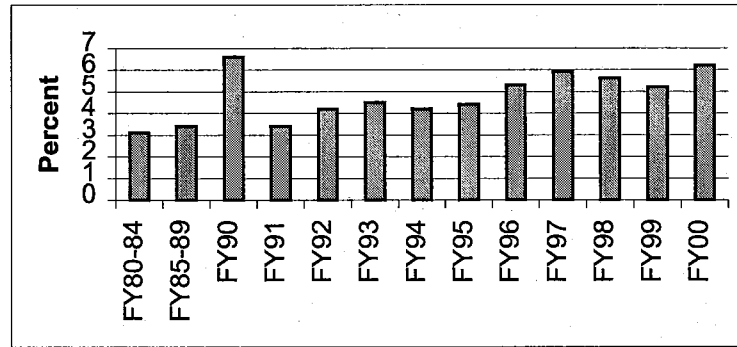
In spite of the flood last year, the Bangladesh Bureau of Statistics (BBS) estimated a growth of 5.2% in FY99.⁴ This indicates that the economy is able to contain external disruption.

have presented and applied these data, but most data is based on the old account series. Please, refer to <http://www.worldbank.org/data/countrydata/aag.htm> for a comprehensive list of definitions of terms applied by the WB.

³ *Gross domestic product* (GDP) measures the total output of goods and services for final use occurring within the domestic territory of a given country, regardless of the allocation to domestic and foreign claims. Gross domestic product at purchaser values (market prices) is the sum of gross value added by all resident and nonresident producers in the economy plus any taxes and minus any subsidies not included in the value of the products.

GNP per capita is the gross national product (GNP) in current U.S. dollars as divided by the mid-year population. *GNP* measures the total domestic and foreign income claimed by the residents of the economy. It comprises GDP plus net factor income from abroad, which is the income residents receive from abroad for factor services (labor and capital) less similar payments made to non-residents who contributed to the domestic production.

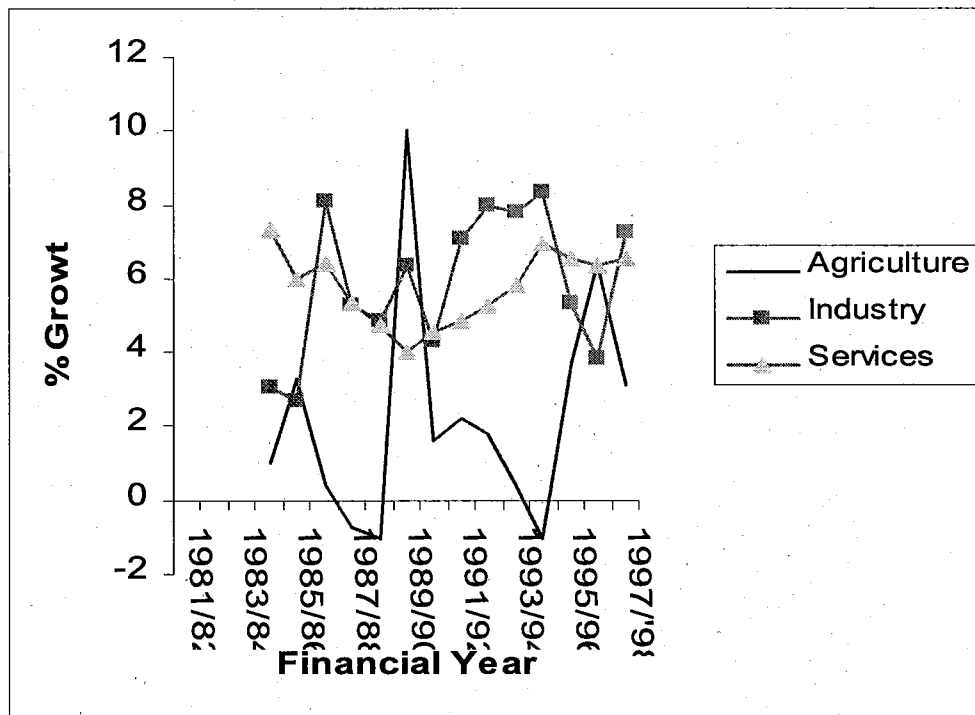
⁴ WB estimates the growth to be in the range of 4.5–4.8%. FY refers to financial year. FY99 started 1 July 1998 and ended 31 June 1999.

Figure 1: GDP growth rates. % change from previous year

Source: Table 2.1 and Periodic Economic Update 4, June 1999. World Bank

2.1.2 GDP growth by sector

Agriculture constitutes approximately 30% of the GDP while industry (including mining, construction and power) constitutes 20% (cf. Table 2.5).⁵ The rest of GDP can broadly be defined as services. During the period 1977-87, the average annual growth rate was highest in services (6.4%) compared to 4.3% in industry and 3.6% in agriculture. In this period manufacturing industry grew by less than 3% annually.

Figure 2: Growth by Sector

Source: Table 2.5

A remarkable change occurred during the late 1980s however: large-scale manufacturing industries such as apparel production showed annual growth rates in

⁵ The World Bank has started to use a new national account series. According to this series, the size of the agricultural sector has been adjusted downwards (to 24% of GDP) and industry upwards (27%).

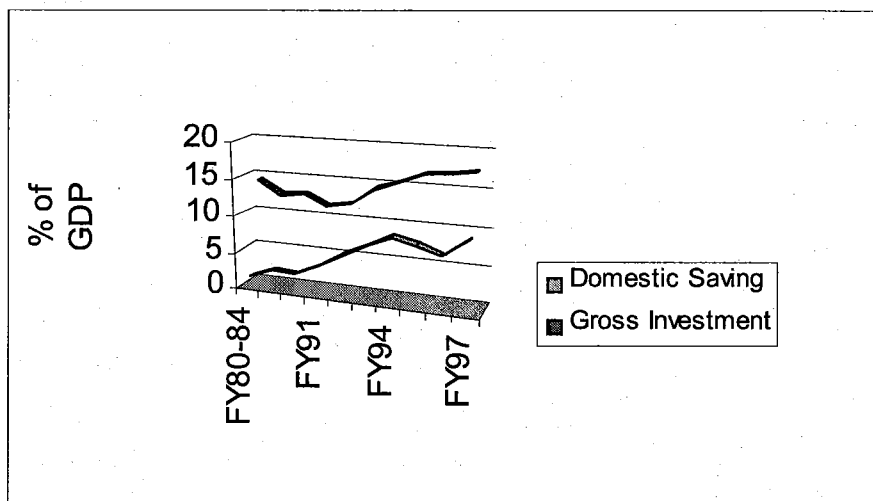
the two-digit range. During the last 10 years, industrial growth, particularly the growth of the manufacturing industry, has been the locomotive at the same time as the growth rate in agriculture has fallen. This has led to an overall structural transformation of the economy along the lines one would expect during an industrialisation process.

High growth rates in industry have more than compensated for slow growth in agriculture and may explain the relatively stable long-term growth.

2.2 Savings and Investment

Low savings and investment ratios of GDP. Investment ratios and savings ratios are lower than for low-income countries generally and lower than the average figures for South Asia. Domestic savings are even lower than in sub-Saharan Africa.⁶

Figure 3: Savings and Investments



Source: Table 2.1.

Various estimates are given for savings and investments. According to the old national account series on which Figure 3 is based, investments as a share of GDP in FY99 were only 18.5%.

The updated national accounts series, used by WB, show that in 1998, investments constituted approximately 22% of GDP while gross domestic savings constituted 17%. The internal resource gap between savings and investments is evident in the current account deficit (cf. section 2.4.3).

Financial distress and an unsound business climate are two main reasons for the low investment rate (see section 3.1). This is why the donor community is stressing the importance of a reform of the financial sector.

⁶ Gross domestic savings are calculated as the difference between GDP and total consumption. Total consumption expenditures cover the consumption by households and the general government. Gross national savings is gross domestic savings plus net income and net current private transfers from abroad.

Low investments jeopardise the future growth rate of the economy. A rising growth rate requires a significant increase in investments. As an illustration of the potential of such a strategy, Thailand and Indonesia have both investment ratios in excess of 30% of GDP.

The increase in investments will have to come from the private sector due to the long-term deficit in the public account (see section 2.5). Currently about one-third of the investments are from the private sector and in spite of a number of privatisation initiatives, this share has not increased during recent years.

2.3 Inflation and exchange rates

Fixed exchange rate. The exchange rate regime is based on a fixed target for the real exchange rate, in which the exchange rate consists of a basket of important currencies. Capital movements between countries is not liberalised, and therefore not influenced by differences in real interest rates across countries (such as in Norway).

No declining trend in inflation as in many other developing countries. The consumer price index increased by 7% in 1998 compared to 2.5% in 1997. However, a recent decline in inflation may be observed. The year-on-year inflation rate up to and including April 1999 is 7.7 compared to a rate of 12.7% in December 1998.

Depreciation of the nominal exchange rate. The nominal exchange rate over the two-year period beginning 1 October 1997 has depreciated by approximately 10% relative to American dollars and Hong Kong dollars, but retained its value relative to the Thai Baht and Singapore dollars. However, it has appreciated relative to the Indonesian Rupiah.

Appreciation of the real exchange rate. The real exchange rate has appreciated by 10% in the recent months. This has led to an increased trade deficit and a reduction in foreign reserves.

2.4 External balance, foreign debt and foreign aid

2.4.1 Deficit in current account.⁷

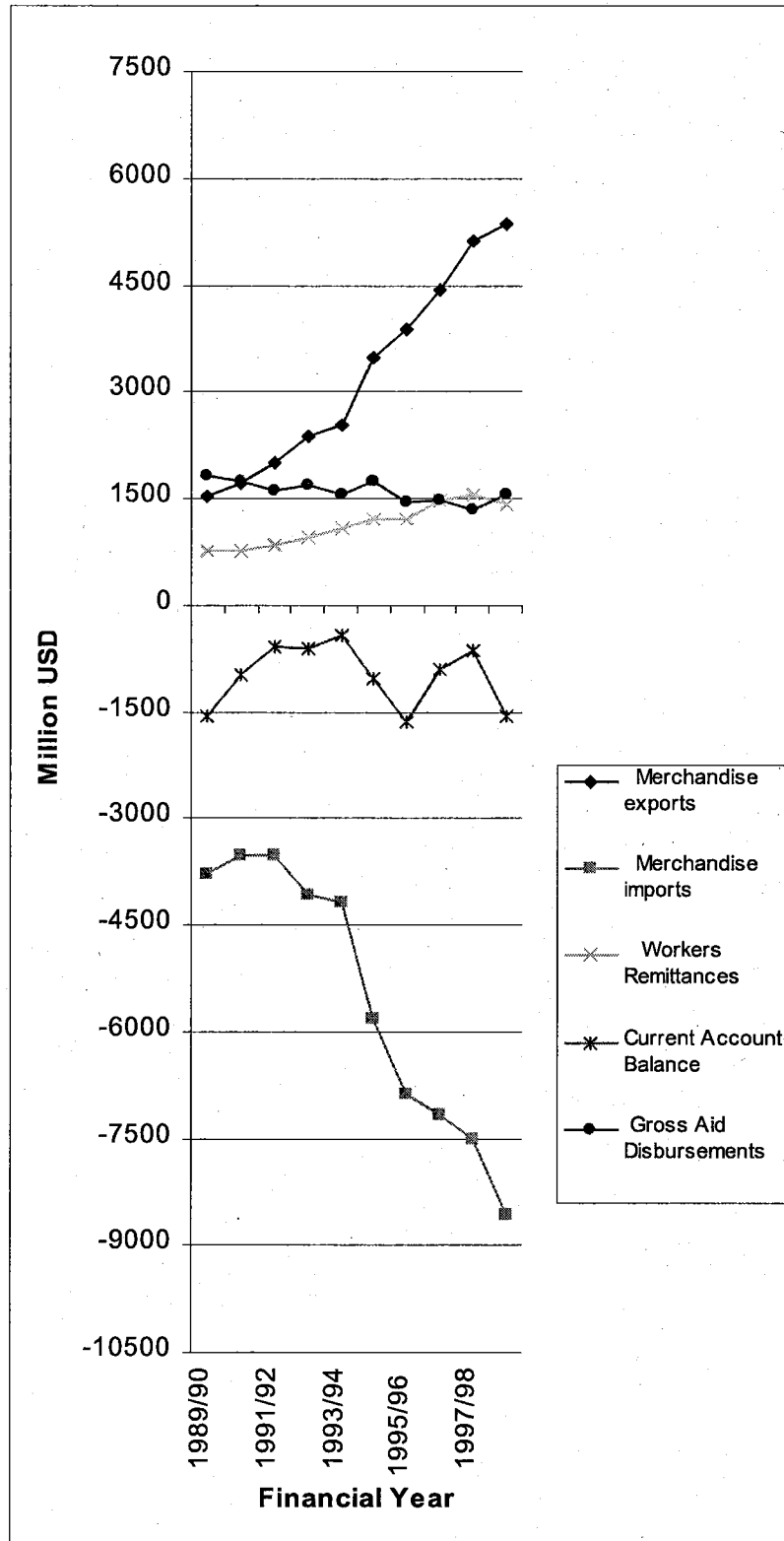
The current account deficit in % of GDP has fluctuated in recent years between 1.2% (in FY98) to 4.1% (in FY96). It is approximately 1.5 billion USD per year or one-half of the Bangladeshi trade balance.

The current account deficit during the first 8 months of FY99 has deteriorated compared to the previous year. Export growth has normally been 17 % annually (cf. Table 3.3) but the cumulative growth rate for the first 10 months of FY99 is a mere 3%. This has led to an increasing deficit in the trade balance.

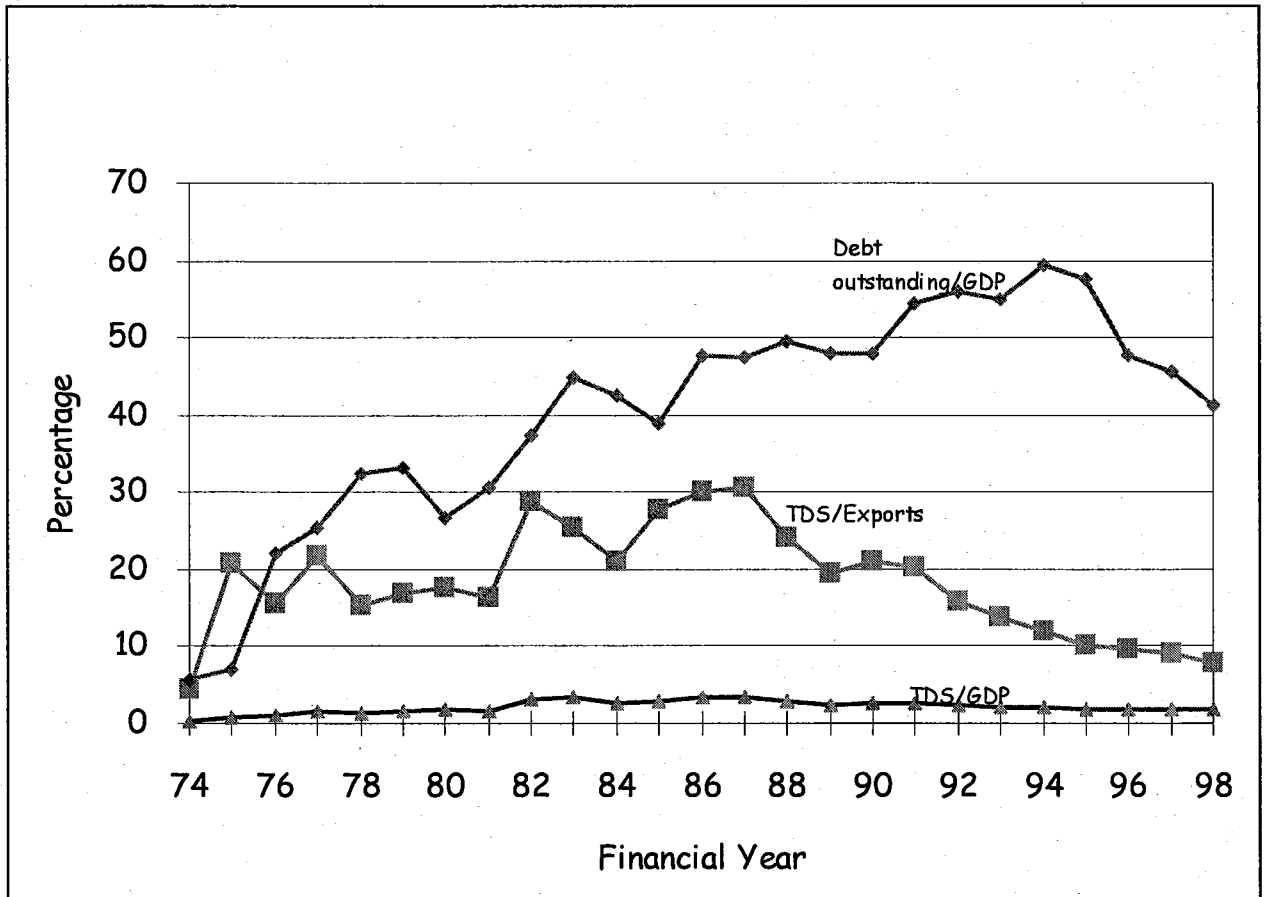
⁷ Current account balance is the sum of net trade (exports minus imports) in goods, services, and income plus net current transfers (remittances and investment income, but before aid).

Non-diversification of exports. Exports are concentrated in ready-made garments (RMG) and knitwear, which constitute more than two-thirds of Bangladesh's exports.

Figure 4: Current Account and Gross Aid Disbursement



Source: Table 3.1

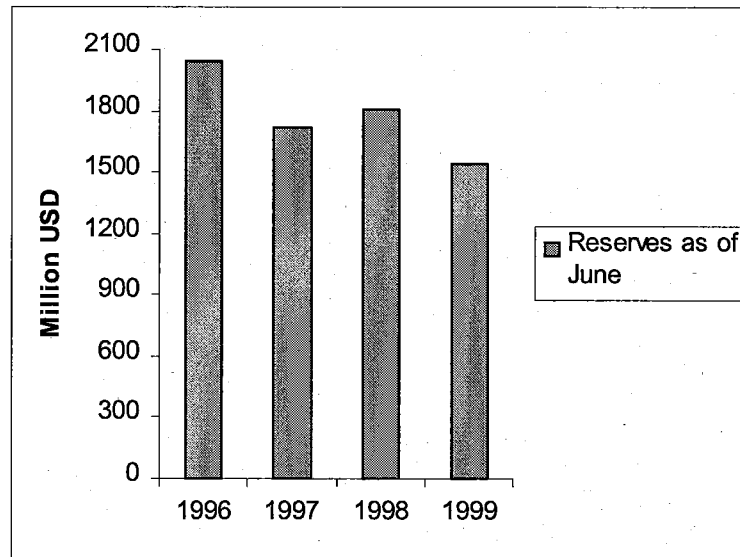
Figure 5: Debt Ratios: Total Debt Service (TDS) and Debt Outstanding

Source: ERD 1999 and Table 3.1

2.4.2 Debt and foreign reserves

As opposed to many other developing countries, Bangladesh has not experienced any significant debt problem. Total outstanding debts constitute approximately 40% of GDP while total debt service is less than 2% of GDP. However, servicing debts places a heavy burden on the revenue budget.

Lower foreign reserves. Foreign exchange reserves at the end of June 1999 were approximately 1.5 billion USD, which is 500 million less than in June 1996 (cf. Table 3.5). The reserves are equivalent to only 2.2 months of estimated FY99 imports. Such small reserves are very dangerous for such a “small” and undiversified economy as the Bangladeshi in which RMG (including knitwear) constitutes more than 70% of all exports (cf. Table 3.3).

Figure 6: Gross Official International Reserves

Source: Table 3.4

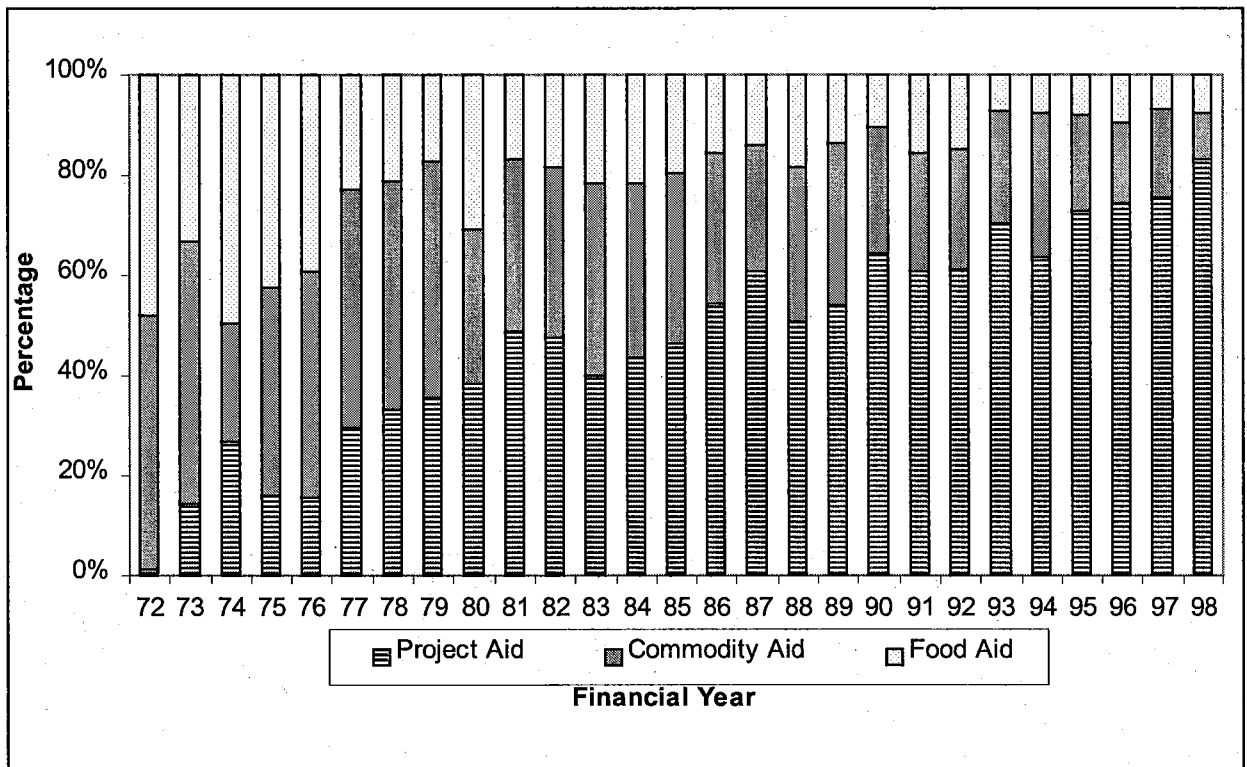
2.4.3 Foreign aid

Decreasing aid. Bangladesh as many other developing countries has experienced falling receipts of aid. In nominal value, gross aid disbursement has slowly declined during the last decade. This has led to a steep downward trend in the aid ratio or aid as a percentage of GDP (from 8% in the beginning of the 1990s to 4% in FY98).

Declining absorption capacity. At the same time, disbursement as a share of committed resources (opening pipeline + new commitments) has fallen (cf. Table 3.5) thereby indicating a reduction of absorption capacity. The problem of absorption capacity is an important reason why donors have not increased their level of foreign aid to Bangladesh. In fact, the ratio of actual commitments to pledges has decreased significantly during the 1990s (cf. Table 3.5). Such a decrease indicates that donors face problems finding appropriate projects.

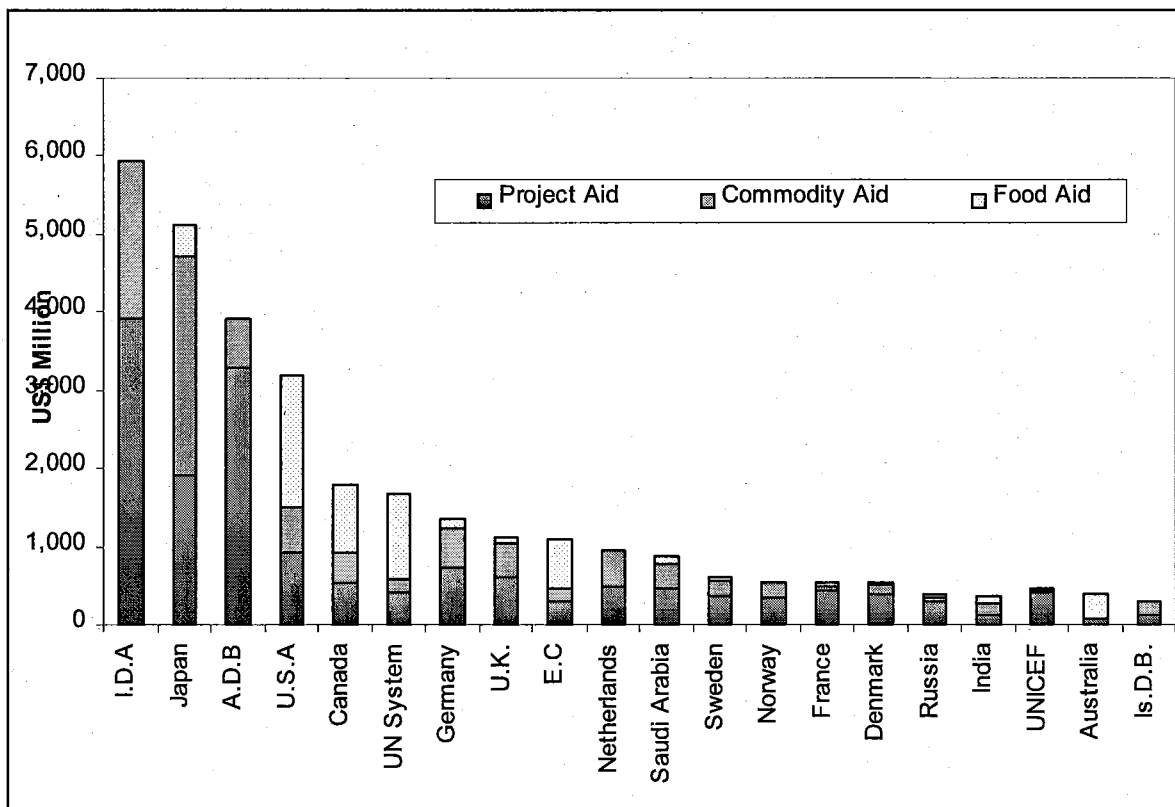
Project aid. Since the mid-1980s, project aid has been the most important source of aid and more than 80% of the foreign aid received by Bangladesh is project aid. The proportion of different types of aid varies by donors. USAID and UN have traditionally granted a large part as food aid.

Figure 7: Disbursement Of Aid By Purpose (Year on year)



Source: ERD 1999

Figure 8: Disbursement 20 Main Donors



Source: ERD 1999

The four most important donors have been IDA, Japan, ADP, and USAID.

2.4.4 Foreign direct investments (FDI)

We have already discussed the importance of increasing investments in order to promote economic growth. With declining trends in aid flows, Bangladesh can bridge the gap by inflows of foreign direct investments.

FDI is currently USD700–800 million per year or 10 times as high as in 1994/95.

FDI predominate in the gas and power sectors, but are also found in telecommunications, manufacturing and the service sectors. For instance, the Norwegian telecompany Telenor has invested in a cellular phone system.

There are two main reasons for this huge increase in foreign investments: gas has been found at a relatively low cost; and the markets for energy and telecommunications have been liberalised in recent years. Bangladesh currently has one of the most liberal regimes for foreign direct investment in South Asia (WB 1999:33).

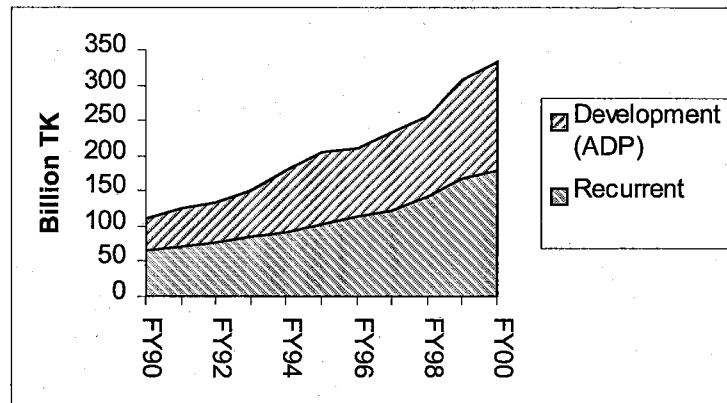
As far as the gas sector is concerned, it creates opportunities for developing domestic infrastructure, but it also represent a fiscal and political burden on the government. Gas is sold at subsidised prices in the domestic market.

2.5 Public accounts and the FY2000 budget

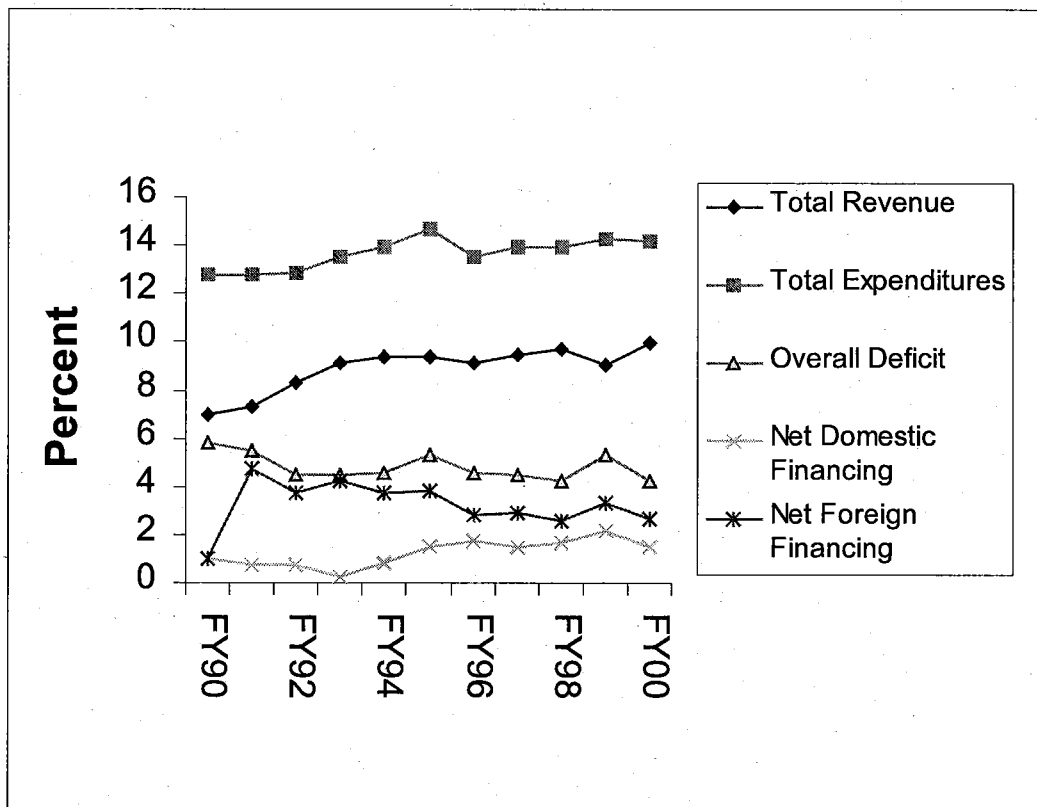
2.5.1 Introduction

Government expenditure differentiates between development expenditure and revenue or recurrent expenditure. Currently the budget is divided into the Non Development Budget (NDB) and the Annual Development Programme (ADP). ADP reflects long-term investments while NDB is revenue expenditure (recurrent expenditure). However, a large part of ADP is revenue expenditure (such as *Food for Education*), masking the real differences between the two expenditure groups. This is also one of the reasons why the *relative size* of recurrent to ADP expenditure is not even higher than revealed from Figure 9. In most developing countries recurrent expenditure plays a relative more important role than what can be observed in Bangladesh. But also in Bangladesh, recurrent expenditure is (slightly) higher than development expenditure.

ADP and the recurrent budget are prepared and approved on parallel tracks. This sometimes creates a mismatch between the investment programme and the recurrent budget, in that that the recurrent budget is unable to finance capital expenditure. The distinction between the two budgets also makes the budget less *transparent*. If one wants to address particular sectors such as expenditure on education or defence, both budgets need to be examined, making it a cumbersome procedure.

Figure 9: Expenditure Central Government

Source: Table 4.1

Figure 10: Fiscal Trends (percent of GDP)

Source: Table 4.1

The total expenditure to GDP ratio has doubled since 1980, but it has been relatively stable at about 14% of GDP during the 1990s. *This ratio is not only low, but it is also lower than for low-income countries (17%).*

NDB seems overloaded with rising claims on pay and allowances, defence expenditure and debt servicing. Defence expenditure makes up 17.5% of the recurrent budget, approximately the same as education, while debt servicing amounts to 14%.

The overall budget deficit increased to 5.3% of GDP in 1999 (cf. Table 4.1). This increase not only reflects an increase in total expenditure by 17%,⁸ but also reflects a reduction in expected tax revenue. Half of the reduction in tax revenue can be attributed to the deleterious effects of the flood. Over 3% of total expenditure (or 10 billion TK) was spent on flood-mitigating activities in 1999.

During the present decade, only in FY91 and FY95 has the government followed a more expansive fiscal policy in terms of the budget deficit than in FY99. But this can mainly be explained by the flood.

Since Bangladesh has had a long-term deficit the Government's elbowroom to increase expenditure is restricted.

2.5.2 Funding expenditure

Even though total revenue has increased more than total expenditure, leading to a reduction in the budget deficit, total revenue constitutes only 10% of GDP compared to 14% for low-income countries. Tax revenue (as a share of GDP) is 50% less than the average for South-Asian countries. *The low mobilisation of internal resources is a serious governance problem..*

Nearly 80% of revenue comes from taxes, mainly on foreign goods. Only 42% of tax revenue is taxes based on domestic activities (cf. Table 4.3). The rest is custom duties and VAT on imports. The part that has been financed domestically has increased during the period FY92–FY00.

2.5.3 A brief note on the FY2000 budget

Total expenditure in FY2000 is estimated to be TK 343 billion of which TK 155 billion is development expenditure (ADP).

- Recurrent expenditure will increase by 6 %.
- The overall budget deficit is projected to fall to 4.2% of GDP.
- Tax rates have generally been reduced, the tax base has been broadening and procedures for administration and collection of tax revenue have been improved.
- Average tariffs have been reduced from 20.2% to 16.8%.
- VAT will be extended to new areas such as 31 retail items and electricity.

The expected decline in the overall budget deficit is probably too optimistic since total revenue is expected to increase by 22.6%, or nearly the same as in FY92, the year in which VAT was introduced.

⁸ ADP increased by 24%.

3 Slow pace of reforms

Virtually none of the World Bank's suggested reforms (World Bank, 1996) have been implemented. According to a recent National Institutional Review undertaken by the donor community, the reforms have mainly failed because they promoted technical solutions when, in reality, the main obstacles to improved public sector management are social, cultural and political.

This section looks briefly at some current reforms. We are unable to discuss all existing reforms, and since a low investment rate is regarded as one of the main bottlenecks in the economy, we will focus on financial sector.⁹ One of the reasons for the low investment rate is the 'distress' in the financial sector.

3.1 Financial sector reform and financial distress

Low degree of financial intermediation. During recent years Bangladeshi currency has been relative stable, inflation low and the capital account relatively closed. Nevertheless, not only has the gap between bank lending and the deposit rate been high (7%), but the real lending rates have also remained high (9–12%, IMF, 1998:37). Both factors indicate high transaction costs in the formal banking sector and have hampered deposits and investments.

The share of GDP accounted for by deposits ("broad money"), was only 28% in 1997 (one-third of similar rates in Singapore and Thailand), indicating a poorly functioning banking sector which in turn negatively affects savings and investments and therefore economic growth.

The banking sector. The banking system in Bangladesh is made up of the central bank, four nationalised commercial banks (NCBs), specialised development banks and private banks, including 12 foreign banks. NCBs dominate the commercial banking sector and account for about two-thirds of its assets.

The share of non-performing loans (NPL) is high, concentrated and rising Approximately 50% of the outstanding loan portfolio in Bangladesh is NPL (WB, 1999:39 and IMF, 1998:25). Comparable data from other countries in Asia and Latin America in severe distress show 20% before a banking crisis. As of end 1997, nearly 90% of the defaulters are private and 500 borrowers accounted for 70% of the NPLs. In the NCBs the top 20 private sector defaulters (or 1% of the borrowers) accounted for 21% of the default.

⁹ There are several other reforms implemented such as:

Public Administration Reform Commission. The reform has recently been approved by the Prime Minister, but so far only 3 out of 23 recommendations have been implemented or acted upon.

Ombudsman. This reform has been accepted but a suitable incumbent has yet to be found.

The Human Rights Commission is in its final stage.

A peace accord achieved in Chittagong Hill Tracts

A Government-NGO Consultative Council has been established to serve as a forum for Government-NGO discussions.

The main problems and the strategies to resolve them. The World Bank has identified three problems presently afflicting the financial system in Bangladesh: a deficient legal framework; poor governance; and a weak central bank.

The reforms. A series of reforms of the financial sector has been undertaken during the recent years in order to improve the situation. These include:

- Deregulation of interest rates
- Strengthening the Bangladesh Bank's control and supervision over financial institutions.
- Technical assistance programme with the WB support to the Bangladesh Bank.
- Introduction of international accounting and auditing standards.
- Recruitment of senior managers of NCBs through open competition.

In light of the severity of the banking sector problems, one should expect the financial problems to have exploded as happened in other countries in the region. The main reason why this has not happened is a favourable macro-economic environment for the banking sector. Furthermore, the closed capital account limits the foreign exchange exposure of banks and of corporate borrowers and limits the potential impact of capital flows on asset prices and deposits.

3.2 But no dedicated reform on corruption

The inefficiency and corruption of the public sector remain a huge drag on the economy and a major constraint to improving the welfare of ordinary citizens. Public ownership still accounts for 20% of manufacturing output, 80% of commercial bank assets, and most utility services. Last year's losses of the State Owned Enterprises were around USD 360 million. The number of non-performing loans in the nationalised commercial banks now exceeds 50%. Inefficiencies in Chittagong Port amount to as much as 5% of the value of goods passing through the port. In the power sector, the losses can be as high as USD 100 million per year. WB assumes that the revenue loss due to corruption and inefficiency in customs and income tax departments exceeds 5% of GDP.

According to a recent survey by Transparency International, 96% of the respondents reported that it was impossible to get effective help from the police without money and influence.

Few watchdog institutions are established in Bangladesh and to the extent they are available, no government system exists in order to respond to their findings. According to a report by the previous Auditor General, corruption is increasing.

Although there are a number of ongoing reform processes, none are directly dealing with corruption, or with poverty, for that matters, which is the topic of the following section.

PART 2



4 Fiscal policy and poverty

The WB has identified five pillars in a strategy to alleviate poverty in Bangladesh:

1. accelerated economic growth
2. promotion of education of the poor, particularly through primary education
3. investing in poor areas
4. improved targeting of public expenditures and safety nets to reach the poor better
5. formation of partnerships with the poor

Apart from broad-based economic growth (pillar no 1), poverty can be reduced by targeting investments into human and physical capital. Of particular importance are investments in education and support to remote and poor areas (2 and 3). This section focuses on how the Government of Bangladesh has applied their fiscal policies in order to improve the conditions of the poor (pillar no 4). The focus is on public expenditure and the priorities of the education budget in particular (pillar no 2). We have not looked at the tax system as a redistributing tool. This is in line with Harberger (1998:204) who states that, in developing countries, the distribution of the government expenditures (services) has a much greater potential impact on the relative economic status of rich and poor than a progressive tax system. A brief overview is given about economic growth and the poverty situation in Bangladesh (section 4.1). Against this background, an assessment of the effects of Government fiscal policies is undertaken in the following sub-sections.

4.1 WB's poverty assessment

4.1.1 Food intake versus basic needs

A range of studies has been made in Bangladesh in order to analyse poverty and trends in poverty. Ravallion (1996) gives an overview of the literature. These studies are differing in the methodology and definitions applied. Most of these are based on national survey data of household expenditures (HES) by Bangladesh Bureau of Statistics. Two main approaches have been applied. Until the 1995/96 survey, the food energy intake (FEI) approach was the most common. According to this approach, the poverty line in each sector (urban and rural) and period is obtained by finding the expenditure (or income) level at which the expected value of calorie intake equals the food-energy requirement (2122 calories defining absolute poverty while 1805 calories define hard core poverty). Headcounts refer to the percentage of the population which consume less than the prescribed calorie levels.

Rural households have higher caloric intakes at a given real food expenditure (the diet is more calorie intensive). People in better off regions are buying more expensive calories. Thus there is large difference (about 20%) in the real food expenditure level at which average intake equals typical requirements level. This is also one of the main weaknesses by this measure: a person living in a city who chooses to buy fewer and more expensive calories than a person at the countryside

will be categorized as poorer even though they can afford the same standard of living.

An alternative approach based on the cost of basic needs (CBN) explicitly aims to control for differences in purchasing power over consumption needs, and is currently perceived as the most representative and consistent poverty measure.

With the cost of basic needs method, poverty lines represent the level of per capita expenditures at which the members of a household can be expected to meet their basic needs. The estimation procedure is as follows: First a fixed food bundle is defined which provide the minimal nutrition requirements corresponding to 2122 kcal a day per person. The cost of this food bundle is calculated in different areas by using regional price information. This forms the food poverty line for each area. By adding allowances for non-food basic needs, one can estimate the poverty lines. Two poverty lines are normally applied: an *upper and a lower* poverty line depending on allowances for non basic food items. Also this measure has its weaknesses. It is based on a Laspeyre price index and therefore under relative changes of prices neglects that people substitute high priced items with lower priced items. No common and agreed rules of what constitute a 'normal' allowance for non-food items is an additional weakness. Studies applying the same data and methodology can therefore lead to different headcount ratios.

4.1.2 Moderate declining trend in poverty

The World Bank made a poverty assessment in Bangladesh in 1998 (WB, 1998) applying the HES data and the CBN approach. This sub-section summarises its main conclusions (confer also Wodon, 1999).

Stable long-term growth has led to a significant reduction in poverty since 1991-92 (cf. Tables 1.4 and 1.6). During this period, the incidence of very poor households declined from 43 to 36% and poor households from 59 to 53%. Looking at the period from 1983/84 to 1995/96 a *national trend of moderate* decreasing poverty has occurred (0.6 % on yearly basis). Urban and rural poverty have moved hand in hand, down in 1985/86, up in 1991/92 and down since then. Rural poverty is still higher than urban poverty and urban poverty has declined the most (the average yearly reduction in poverty has been 3 % in urban areas, but only 0.3percentage in rural areas). This contrasts the main findings from FEI studies where urban poverty is estimated to be higher than rural.

Looking at the household characteristics influencing the change in per capita consumption, the following conclusions can be made:

Location. Household living in the Dhaka district are better off than people living in other districts. Over time the gap between poverty in urban and rural areas has widened (poverty in urban areas has reduced most rapidly).

Demographic. Larger families tend to have lower levels of per capita consumption. The decrease in household size (reduced fertility) and increased participation of women in the labour force have played an important role in the increase of standard of living (as measured by consumption patterns).

Occupation. Non-farm households are better off than farm households in rural areas (especially when compared to agricultural workers). The relationship between occupation and household has been stable over time.

Land. Land has larger return in rural areas than in urban. In rural areas, household with more than 2.5 acres of land has a per capita consumption 40 percent higher than a landless household. The return on land has been stable over time.

Education. The returns to education are large, and they are similar for both the household head and the spouse. The level of return is higher and has increased most in urban areas.

Education and land contribute the most to inequality, in urban and rural areas respectively.

In sum: The assessment found that the variation in poverty between geographical areas depended more on differences in area characteristics than on differences in the characteristics of those living there. *From such a perspective, it makes sense to target particular poor areas rather than targeting particular groups (e.g. based on occupation).* Education was found to be the essential determinant of urban living standards while *land ownership* was the essential determinant for rural living standards.

4.1.3 But increasing inequality

However, growth has also been accompanied by inequality. Rising inequality leads to an increased rate of poverty.¹⁰ This is one of the main reasons why the growth rates in GDP per capita has not transformed itself to a even higher reduction in the poverty level. Between a fifth and a third of the potential poverty reduction from growth may have been lost due to increased inequality. A 1% increase in per capita consumption results in a 2.4% decline in the headcount ratio (ratio of the poor) if this growth has no effect on inequality, but only in a 2% decline if the increased inequality is taken into account. *Nevertheless, the net effect of growth is positive and underlines the importance of economic growth in order to reduce poverty.*

The effect of growth on inequality is greatest when the growth occurs in industries in urban areas. The poverty reducing effect of growth is therefore higher in rural areas than in urban areas and is higher in agriculture than in other sectors.

If future growth of the economy, as estimated, take place primarily in industries in urban areas, this will have less effect on poverty. A given percentage reduction in poverty therefore requires an even higher future growth rate of the economy than at present, since one can expect an increasing inequality. WB, however, estimates a reduction of GNP per capita during 1998-02 (from 4.2% in 1998 to 3.1%).

¹⁰ Inequality is usually measured by the Gini coefficient which is approximately 0.3 in Bangladesh. A 1% increase in this coefficient is estimated to increase the headcount index by 1.3%. Since a 1% increase in growth is estimated to increase inequality by 0.36%, a loss of $1.30 \times 0.36 = 0.448\%$ will occur (equal to the difference between the gross figure of 2.4% and the net figure of 2%).

4.2 Taxes: Widening the tax base

Bangladesh's revenue effort is small and not sufficient to finance its essential development priorities.

Tax holidays and exemptions have reduced the *transparency and equity* of the tax system. The tax base is narrow: 731 individuals account for 56 percent of the personal income taxes collected, while out of a total of 28,500 companies, 300 account for 55% of the total company tax collected.

The central government collects 97% of the total revenue, and is responsible for 93% of total public spending (WB 1996:2).

VAT was introduced in 1991 and was initially only on manufacturing and imports. Almost 60% of all economic activity is still exempted from VAT. There is no VAT on services and on transport, for instance. VAT constitutes approximately 25% of revenue income and is of equal importance as revenue derived from customs duties.

Even though the tax system in Bangladesh is in need of reform to finance rising government expenditures (and, as described in section 2.5.3, some reforms are already suggested in FY2000), only improved policies on the expenditure side can significantly increase the living standards of the poor.

4.3 Expenditure ratios

To monitor how public spending affects human development, four ratios have been suggested in the UNDP, Human Development Report of 1991.

- The public expenditure ratio – the percentage of national income that goes into public expenditure.
- The social allocation ratio – the percentage of public expenditure earmarked for social services.
- The social priority ratio – the percentage of social expenditure devoted to human priority concerns.
- The human expenditure ratio – the percentage of national income devoted to human priority concerns.

The human expenditure ratio is the product of the first three ratios.

These ratios represent a powerful operational tool, which allows policy-makers who want to restructure their budgets to see existing imbalances. We also want to apply them in the following.

However, these ratios are only related to the input on a very aggregate level and do not address the quality of the provided services. Neither do they address the incidence or benefits of different types of social spending between different income groups.

As argued in the following: in Bangladesh, the public expenditure ratio is low compared to other developing countries. At the same time, the social allocation

ratio is high but the ultimate human development impact, as reflected in human development indicators, is low. This indicates that the social priority ratio must be increased and the quality of the services improved.

4.4 Public expenditure ratio: Stable, but low

It is widely acknowledged that improvement in the situation of the poor is dependent upon the quality, accessibility and sustainability of the public sector. These indicators are partly determined by the level of expenditure, which, as mentioned in section 2.5, is extremely low.

At the same time, about 17% of government revenue expenditure is spent on defence while the debt service is 14%. Many of the approved ADP projects have no public good contents.

The growth in the recurrent budget is caused mainly by increase in salaries, crowding out maintenance and services. Pay and allowances constitute the main expenditure item.

In spite of its low level, the budget needs to be reassessed to see which areas of expenditure could be reduced. Military spending and loss-making public enterprises are likely candidates. Such a reduction may enhance the possibilities of an even stronger support to the poor.

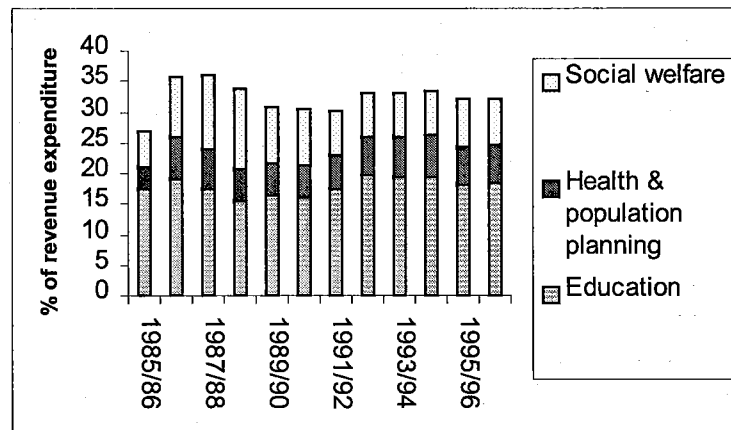
4.5 Social allocation ratio: Increasing resources for human development

Public expenditures such as health and family planning, education and social welfare can be assigned to specific groups. It also makes sense to assign public expenditure on rural infrastructure to specific groups although we have no data for this. From a poverty perspective, it has less meaning to allocate pure public goods such as general government administration, the police, the defence budget, the courts and the penal system. These are necessary expenditures in order to run the economy and generally favours all.

As will be seen in the following section, the state has increased its capacity to provide resources for human development through an increasing share of resources devoted to social expenditure. *More than 20% of government expenditure is currently devoted to social purposes (32% of recurrent expenditure and 22% of ADP).*

4.5.1 Social recurrent expenditure (NDB)

Figure 11: Social (revenue) Expenditure FY86-FY97



Source: Table 4.4

The *one-third* share of the recurrent expenditure spent on social spending on areas such as education, social welfare and health and family planning has been stable throughout the 1990s. Education is the single most important social sector.

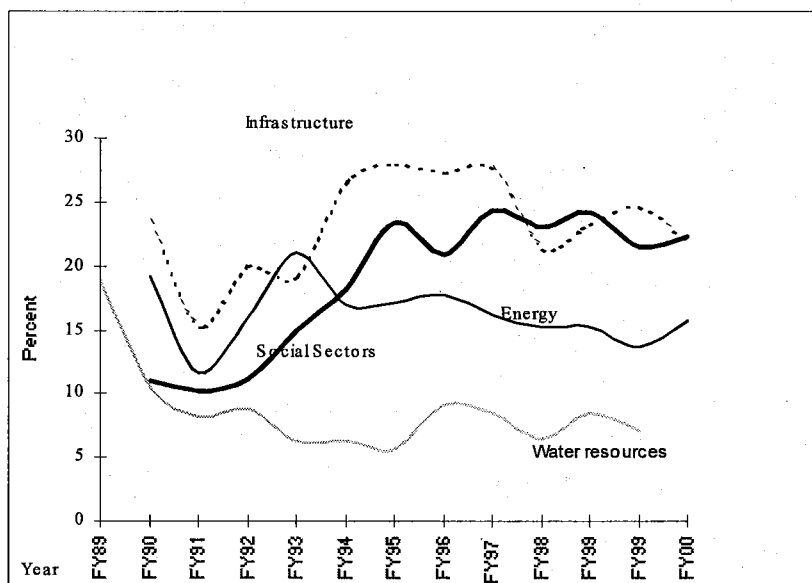
For the financial year FY2000, the government plans to spend TK 32 billion, or 18% of its revenue expenditure, on education. This share has stayed approximately the same during the 1990s.

No significant increases have occurred either in the government social expenditure ratio or in its composition between different social sectors. In the development budget, however, the change has been dramatic.

4.5.2 Social expenditure in ADP

The share spent on social sectors in ADP is less than in the revenue budget, but the share is increasing. The share of social sectors in ADP has increased from 11% in FY1990 to 22.3% in FY2000. The upward trend in the allocation to social sectors has been followed by a downward trend in spending on water resources.

When looking at the composition of the social sectors, spending on education has increased most (to 12.5% of ADP, mainly through the establishment of Food for Education [FFE] in 1993/94). No significant changes have occurred after that.

Figure 12: Sectoral Allocation of ADP. Social Sectors (In per cent)

Sources: Table 4.6

The growth in social sectors' share of total expenditures is also accompanied by a *real increase in per capita social spending* during the period.

According to the Fifth Five-Year Plan, ADP expenditures on social sectors will amount to 30% of total ADP spending in 2001. That means a tremendous growth in coming years, which will outpace planned social spending increases in other South-Asian countries.

4.6 The social priority ratio: Problems of low quality and biases

Does public expenditures benefit the poorer groups in Bangladesh? Let us analyse health and education.

The main question addressed is whether the distribution of benefits (as measured by the use of services) from public spending on education and health is less skewed than the overall income distribution? Our yardstick is an equal distribution of benefits from government expenditure (e.g. the poorest 10% receives 10% of the benefits). In many developing countries, this is hardly attainable.

To the extent permitted by available data, we will also analyse the internal composition of expenditure in these sectors and the quality of the service provided. Few attempts have been made to assess the impact of service deliveries, and audits are only on input.

4.6.1 Health and family planning

Good health has a positive effect on the quality of life. It improves capabilities and raises earning possibilities. The importance of access to affordable healthcare is underscored by the fact that healthcare expenditures are high in Bangladesh. The

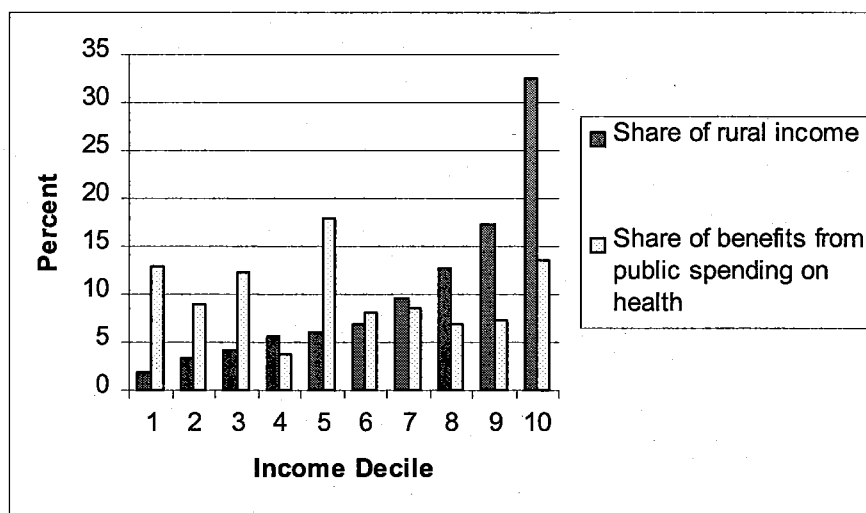
annual per capita treatment costs are higher than the monthly poverty lines (both in regional and urban areas).

Public expenditure on health in Bangladesh has increased during the recent years and constitutes approximately 1.2% of GDP (or slightly lower than private healthcare expenditure). This is higher than in low-income countries and higher than in South Asia. At the same time, the quality of service indicators are lower than in South Asia.

Incidence: Progressive targeting of the poor

How is the gross benefit of government healthcare distributed across various income groups? According to Chowdhury and Sen (1998) who analysed rural household, the poorest 10% (decile 1) of the households have 2% of the total income, but 13% of public spending on rural health, while the top 10% (decile 10) has 32% of income and 13% of the public spending. The *progressivity* of the distribution of public healthcare is underscored by the fact that the poorest two deciles have only 5% of total income, but receive 22% of benefits from public health spending.

Figure 13: Rural Income Distribution and Benefits from Public Spending on Health. 1994



Source: Chowdhury and Sen 1998

Structure of public healthcare expenditure

The picture above notwithstanding, budget trends show that an increasing share of public healthcare expenditure is devoted to secondary healthcare.

Table 1: Public Health Care Expenditure

	1990/91	1993/94
Primary health care	39.2	33.2
Secondary health care	33.9	41.7
Population control	26.4	24.8
Other	0.5	0.3
Sum	100	100

Source: Chowdhury and Sen 1998.

It is difficult to assess the reasons why the poor benefit more than the rich from public healthcare. It could be that the rich mainly use private healthcare services and do not need public healthcare to the same extent as the poor.

Focusing on public expenditure alone is therefore misleading when there are weak links between public spending and actual improvements in health status because of poor service quality or because healthcare is financed by other sources. Here, we will discuss the aspect of service quality.

An assessment of what has been achieved

Physicians per 1000 people. This proportion doubled from 0.1 to 0.2 during the period 1980–1996, but it is still only half the average for South Asia. Lower middle-income countries generally have 9 times as many physicians per person than in Bangladesh.

Hospital beds per 1000 people. This ratio has increased by 50% during the same period, but it is still half the average of South Asia and 12 times lower than middle-income countries.

Significant increase in access to health services: 86% of the population had access to *safe water* in 1997 (before the arsenic problems arose), compared to 40% in 1980. For *sanitation*, the corresponding figures are 36% and 4% respectively. For sanitation and water, these ratios are higher than on average in South Asia. No other country in South Asia has witnessed a similar pace of improvement. In 1997, 97% of the children were immunised against measles compared to 6% in 1987 (The World Health Report, 1999).

Progress in health and family planning

Life expectancy at birth has increased from 56 years in 1980 to 59 years in 1997. Total fertility rate has halved during the same period (to 3.2 per woman). The infant mortality rate has fallen during the same period from 137 to 79 (per 1000 live births). Although this is lower than for African countries, it is still high compared to low-income countries.

However, many challenges remain:

- Fertility, although reduced, is still very high for illiterate rural women. Up to one-third of births may still be unwanted or unplanned.
- Population is growing by more than 2 million persons per year.
- Child malnutrition is still very high, about 68%.

- Maternal and infant mortality rates are too high.

The main conclusions are that public spending on healthcare supports the poor, health service indicators have improved, but they are still low in a comparative perspective.

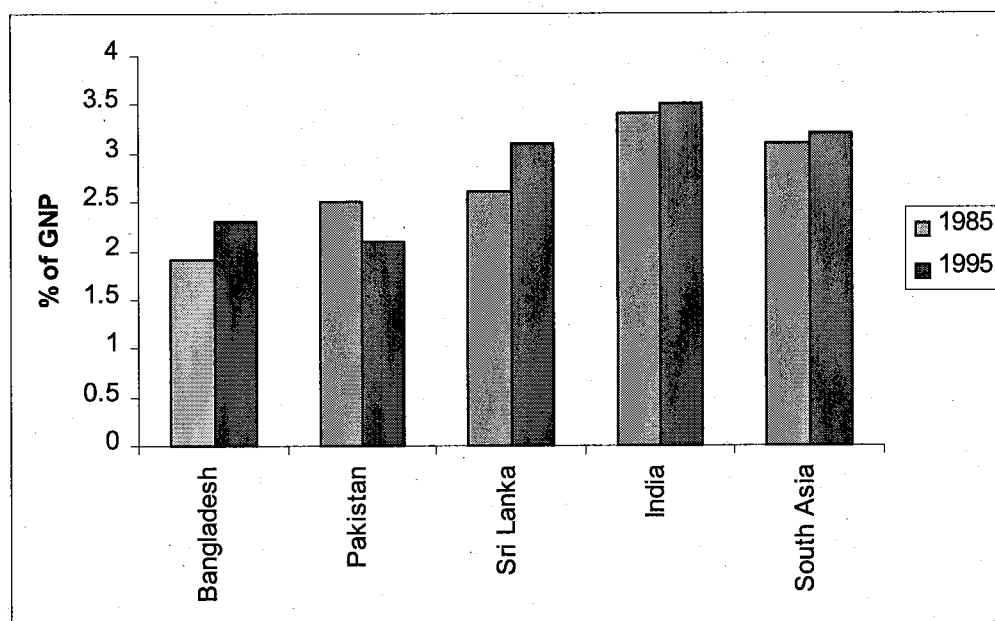
4.6.2 Education¹¹

In 1990, average years of education was 2.4 years (1.2 for women) compared to 1.9 in Africa. More than half of the labour force has no schooling and another 25% has less than 5 years. Most of the labour force is therefore functionally illiterate.

Most experiences indicate that education is an important growth-enhancing factor and a way out of poverty. Neglecting education is therefore tantamount to perpetuating poverty. This said, education in a country consisting of 50 million people between five and 19 years is a formidable task, which the Government finds difficult to deal with by themselves. It accommodates over 18 million children in regular primary schools and 6 million students at secondary school.

Expenditure on education has increased from 1.9% of GDP to 2.3% of GDP in 1995. Looking at the expenditure on education in a comparative perspective, however, Bangladesh still invests less than other countries in the region.

Figure 14: Expenditure on Education in some South-Asian Countries



Source: UNDP 1999

Bangladesh has therefore shown an increasing input into education. This notwithstanding, an increasing share of resources is being devoted to education, Bangladesh spends less on education compared not only to South Asia but also compared to sub-Saharan Africa. Expenditure per student in primary and secondary education is among the lowest in the world, in both absolute terms and as percentage of GDP.

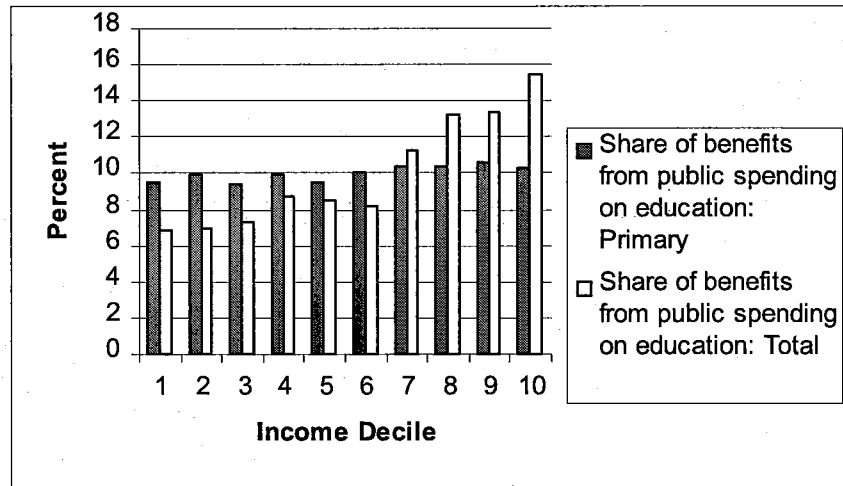
¹¹ Annex 2 gives a summary of the education profile in Bangladesh.

The argument put forward in the following section is that poor learning achievement and lack of priority to primary education are the main problems in the education sector, not access to schools (enrolments).

Incidence: Regressive targeting of the poor

Who benefits the most from public expenditure on education? This question was addressed by Chowdhury and Sen (1998).

Figure 15: Rural Income Distribution and Benefits from Public Spending on Education. 1994



Source: Chowdhury and Sen 1998.

The overall distribution of benefits from public spending on rural education is regressive. The top 20% of households have 28.8% of public spending on rural education, while the bottom 20% of households have only 13.9% of such expenditure. The poor constitute approximately half (47%) of the rural population, but only benefit from 36% of total expenditure while in comparison the proportion of public healthcare spending accruing to the poor is 50%. Yet, the share of the poor of expenditure on education is higher than their share of total income (19%).

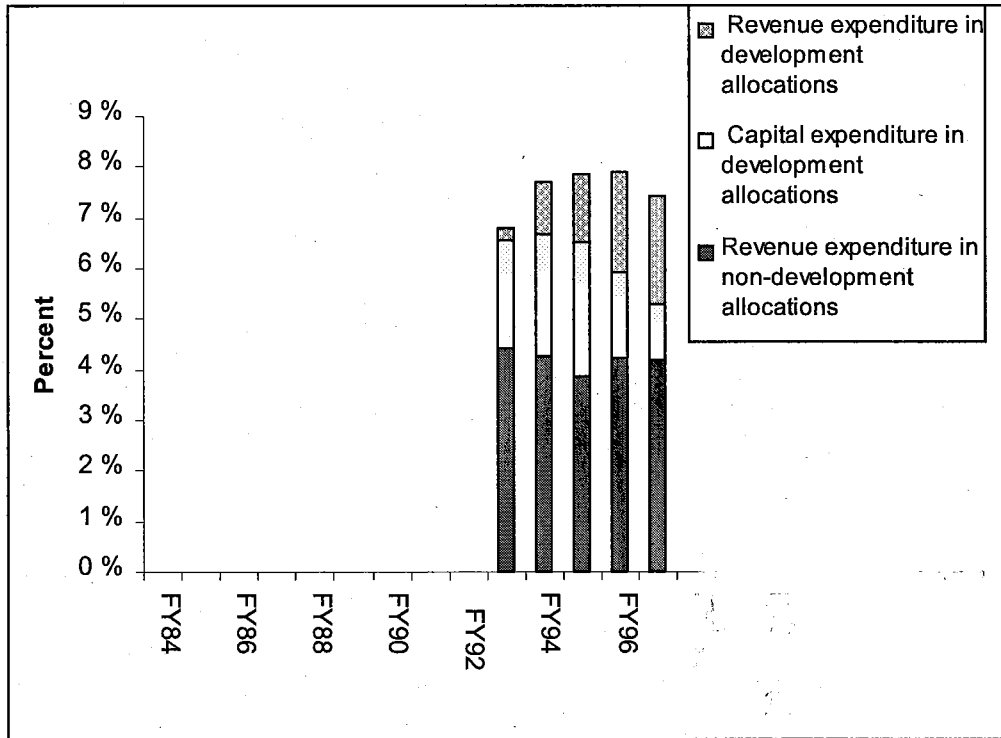
The regressive nature of the spending is mainly the result of the inequality in the allocation of expenditure at the secondary and higher education level. While the bottom half of the households' share of higher education is only 14% (86% is therefore allocated to the non-poor), their share of primary education is 48% or approximately equal to their share of total rural population. *An expansion of rural expenditure on education, primary education in particular, therefore seems to have a pro-poor bias.*

Structure of public spending on education

According to the Education Sector Review (Vol. 3, Annex B1) public expenditure on primary education represents 43% of government expenditure on education in FY1999 (41.6% of public recurrent expenditure and 50% of ADP expenditure) compared to 50% in FY93. *Public expenditure on primary education as a share of total expenditure on education has shown a significant declining trend during the*

1990s thereby reducing the pro-poor bias. The opposite trend (increasing share of expenditure) has occurred for secondary education.

Figure 16: Expenditure on Primary Education. % of Total Government Expenditure FY93-FY97.



Source: Education Watch 1999: Annexes 2.4-2.11 and Alam and Hussain 1999

Total expenditure on primary education has increased from 6.8% of total government expenditure in FY1993 to 7.4% in FY1997. This increase is mainly due to an increase in revenue expenditure on development allocations. In percentages, capital expenditure in ADP has decreased, while revenue expenditure in non-development allocations has increased along with the overall growth of revenue expenditure. The budget allocations for secondary education has seen a major improvement in the same period.

Nearly 90% of revenue expenditure on primary education is salaries, leaving little room for training materials. State schools constitute 85% of total revenue expenditure.

Approximately 1% of GDP is spent on primary education. This share has remained constant during the 1990s.

Some indicators of quality and efficiency

Participation: Enrolment.

Enrolment ratios are useful measures of participation, but do not reflect attendance (currently measured as high as 60%), dropouts, and the performance level of the students. There is also a general tendency to overstate enrolment ratios. This said, enrolment has doubled from 1990 to 1996. Net enrolments in primary schools are

currently 85% compared to 58% in 1980.¹² This is still lower than in South Asia and for low-income countries.

Pupil-teacher ratio. The increased enrolment has not been accompanied by a corresponding increase in the number of teachers. The pupil-teacher ratio is currently 75 in state-owned primary schools. In contrast to most other developing countries, this ratio has increased in recent years and is higher than in other countries with a similar population structure (e.g. India and China).

Adult illiteracy. Since 1985, adult illiteracy (percentage of population 15+) has fallen from 68 to 61%. This is still higher than in low-income countries including South Asia. The illiteracy rate for women is as high as 74%. Only 26% of women between 15 and 24 years are literate. The country wide Non-Formal Education programme aiming at making the country literate by year 2005 claims to have reached 58% literacy by the end 1999.

Mastery. Although enrolment ratios and literacy ratios have increased, these indicators say little about the achievement level of the pupils. At present students complete five years of primary education with a mastery of only about three years of the content. 40% of those who enter primary school do not complete the five grades. It takes on average nearly 9 years for a student to complete 5 years of primary school. Those who complete the five grades perform on average only at the expected third grade level. One-third of rural school children aged 11 and above do not meet the minimum level of performance in reading, writing, and mathematics (Greaney, Khandker and Alam 1997).

The main obstacles in the primary education system are identified as being:

- insufficient number of classrooms and teachers
- high teacher absenteeism
- insufficient teaching hours and training
- no learning assessment system
- poor school accountability

At the secondary level, the dropouts are even higher than in primary school. Half the secondary students fail the final exams after years 10-12.

Continuous assessments and improved incentives for teachers and school managers to improve learning outcomes are necessary to improve the performance.

In sum: The increasing share of education expenditure as a share of government expenditure has mainly benefitted secondary education. An improved poverty targeting through increased resources to primary education cannot be revealed by data (data is including figures for 1998/99!). The recent introduction of the Primary Education Development Programme (PEDP), which is also supported by Norway, may, however, change this picture in the future. At the same time it does not help to increase the resources put into the education sector if one is unable to improve the

¹² Net enrolment ratio is the ratio of the number of children of official school age who are enrolled in school to the population of the corresponding official school age.

quality of the services provided. Even though enrolments have increased, it is alarming that the performance of the students is at such a low level. From a poverty perspective, increased attention should therefore be put on primary education with a particular emphasis on the quality of the service provided.

4.7 Safety nets: Well-targeted except for FFE

There is a long tradition in Bangladesh of safety nets funded by external food aid. The three biggest programmes are:

- Food for Work
- Food for Education
- Food for Vulnerable Groups

In spite of rapid increases in both rice and wheat production, domestic production of food grain in Bangladesh still falls short of supplies needed to provide a minimum standard of consumption. Out of a total consumption of food grain of about 22 million tons in FY2000, 2.5 million will be imported of which approximately one million tonnes is financed by food aid (WFP, Bangladesh Foodgrain Digest, August 1999). Food aid is therefore an important component of the food security of the poor. The share of the food gap provided by foreign aid has declined while private imports have increased. An increasing share has thus been financed on commercial terms, reducing the possibility of targeting the distribution of the food. During the massive flood in 1998, the Government increased its public food grain distribution from 1.7 million tons to 2.1 million. At the initial stage, this was achieved by drawing on their own resources (available stocks). Later, food aid arrived and stocks were replenished.

4.7.1 Food for Work (FFW)

This programme provides wheat (now wages) for work in rural infrastructure projects and this is the biggest programme. For FY2000, the government has budgeted for the distribution of 525 thousand tonnes.

4.7.2 Food for Education (FFE)

This programme started in 1993–94 and has grown considerably over the recent years. The programme provides wheat and rice to children in return for regular school attendance. This safety net is only available in specific areas. For FY2000 the budget is for approximately 350 thousand tonnes to be channelled through this school system.

4.7.3 Food for Vulnerable Groups (VGD)

The Vulnerable Groups Development project aims to increase the earning potential and social empowerment of the most disadvantaged rural women. The programme provides wheat as a grant to give poor women a break from the struggle to find food, and to give them a chance to attend courses on income-generating activities. Thus, from originating as a pure transfer programme, it now includes a skill investment component. VGD was the channel applied during the flood.

4.7.4 Incidence

FFW and VGD

The leakage to the non-poor is low for these safety net programmes. According to the WB (1998: Table A4: 5), the poorest 22% of the rural population receives 83% of FFW and 91% of VGD. These programmes are therefore well-targeted towards the poor. The administrative cost of FFW is higher than for the other programmes, but can be improved by the suggested monetisation. Compared to public works programmes in other countries, Bangladesh's programmes appear to be performing well.

FFE

Since many poor households do not send their children to school simply because they cannot afford it, FFE was launched in order to improve the situation. Its main objectives are to increase enrolment and attendance rates and reduce dropout. Participating children receive monthly rations of wheat and rice as long as their attendance rate is no less than 85%. In order to receive FFE, a student has to live in a specific targeted area and must be poor.

FFE does raise enrolment and attendance rates, it is cost effective in terms of its programme impact, but suffers from programme leakage. A third of its beneficiaries come from households above the poverty line. An additional weakness is that more students are enrolled without any corresponding increase in capital investments or investments of the service provided.

5 Conclusions

Growing impatience can be observed among donors in Bangladesh. The reform processes are not perceived as progressing fast enough.

In Bangladesh, great progress has been over the past quarter century.

- GDP has increased 5% annually over the past 25 years;
- There is no significant debt problem;
- The proportion of the population in absolute poverty has declined, especially during the 1990s;
- Fertility has halved (it is currently 3.2 births per woman);
- 10–15 years have been added to life expectancy (currently at 58 years);
- Food production has increased from a situation of chronic shortages to a point at which the country is nearly self-sufficient.
- Child immunisation has increased from 10% to 70% (for measles it has soared from 6% in 1987 to 97% in 1998).
- During the last 15 years, the mortality rate for children under five has decreased by 40%; child malnutrition has decreased by 15%; and adult illiteracy has decreased by 23%.
- Net enrolment ratios in primary schools have increased significantly.
- Bangladesh has made a tremendous effort in dealing with the flood crisis.¹³ The growth rate of GDP was hardly influenced by this natural disaster.
- Democratic institutions have been strengthened. A caretaker Government was established to oversee the elections, and the Supreme Court has showed willingness to take the initiative in holding public institutions accountable (as was the case when the Government evicted slum-dwellers in Dhaka).

¹³ The 1998 flood was more severe than any previous time. The floods extended over 100,000 sq. km. covering 52 districts, impacted the lives of 31 million people and damaged all crops over an arable area of 1.4 million acres. It damaged 16 thousand km of roads. 1,200 died (mostly from diarrhoea).

But Bangladesh started from extremely severe conditions, requiring an even higher growth rate in the economy and a faster reduction in fertility and mortality rates to make significant dents in poverty. Investments are among the lowest in the world. Child malnutrition still leaves 8 million of children under 5 years in a deprived situation characterised by underweight and stunted growth. Infant mortality is still higher than the average for South Asia but it is lower than in Africa. Illiteracy is 61% (75% for women), compared to 49% on average in South Asia. It is twice the average for all developing countries.

Some major macro-economic and political problems still hamper development. State-owned enterprises remain heavily subsidised and the banking sector is in distress. A narrow revenue base and major problems of leakage and corruption constrain effective public resource mobilisation. Furthermore, the opposition has withdrawn from the Parliament, which makes ruling the country a difficult proposition.

In light of these governance problems, as well as the country's skill base, its low investment ratio and the returning natural disasters, it is quite impressive what Bangladesh has achieved.

At the same time, formidable tasks remain, and donors should bear this in mind.

Vigorous public sector reforms must be implemented. Domestic resources must be mobilised in order to increase investments. In Bangladesh, the public expenditure ratio is low compared to other developing countries. At the same time, the social allocation ratio is high but the ultimate human development impact, as reflected in human development indicators, is low. This indicates that the social priority ratio must be increased. Efforts must be made to improve quality of public services. Not only is this a prerequisite for getting the political acceptance among business and individual citizens to pay more tax, but as argued above, enhanced poverty reduction through public expenditure cannot succeed unless the quality problem is forcefully addressed.

Priorities among the different sectors must be re-examined. Crucial in this respect is the quality of the education system: the number of pupils has risen without a corresponding increase in spending on primary education.

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Annex 1

STATISTICAL APPENDIX

Data is collected from different sources, mostly from WB publications and from WB staff.
All figures are computerized in a database.



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Table 1.1 Bangladesh Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1992-97	South Asia	Low-income
POPULATION					
Total population, mid-year (millions)	76.6	98.0	123.6	1,281.3	2,035.6
Growth rate (% annual average)	2.8	2.5	1.3	1.5	1.7
Urban population (% of population)	9.3	13.4	19.5	27.0	28.4
Total fertility rate (births per woman)	7.0	6.0	3.2	3.5	4.0
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	35.6	..	..
Urban headcount index	..	..	14.3	..	..
Rural headcount index	..	..	39.8	..	..
INCOME					
GNP per capita (US\$)	200	200	360	380	350
Consumer price index (1995=100)	20	52	109	117	122
Food price index (1995=100)	..	52	110	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	28.3	..	..
Lowest quintile (% of income or consumption)	6.8	..	9.4	..	..
Highest quintile (% of income or consumption)	42.2	..	37.9	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	1.2	0.8	1.0
Education (% of GNP)	1.1	1.9	2.9	3.0	..
Social security and welfare (% of GDP)	..	..	..	..	..
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	56	..	..	..
Male	..	65	..	..	..
Female	..	47	..	..	..
Access to safe water					
<i>(% of population)</i>					
Total	56	40	84	81	69
Urban	22	29	47	84	80
Rural	61	43	85	80	66
Immunization rate					
<i>(% under 12 months)</i>					
Measles	..	1	97	81	74
DPT	..	2	98	87	76
Child malnutrition (% under 5 years)	..	68	56	53	..
Life expectancy at birth					
<i>(years)</i>					
Total	45	50	58	62	59
Male	46	50	58	62	58
Female	44	49	58	63	60
Mortality					
Infant (per thousand live births)	140	117	75	77	82
Under 5 (per thousand live births)	239	173	104	100	118
Adult (15-59)					
Male (per 1,000 population)	473	383	285	219	274
Female (per 1,000 population)	486	388	309	212	255
Maternal (per 100,000 live births)	..	3,000	887	..	..

1999 World Development Indicators CD-ROM, World Bank

Table 1.2

VITAL POPULATION STATISTICS

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
CRUDE DEATH RATE [per thousand]																
National	10.18	11.5	12.2	12.3	12.3	12.0	11.9	11.5	11.3	11.4	11.3	11.0	11.0	10.0	9.0	8.6
Rural	10.77	12.2	12.8	13.2	12.9	12.9	12.3	11.8	11.8	12.0	11.8	11.5	11.3	10.5	9.3	9.0
Urban	6.81	7.2	6.9	7.5	8.5	8.3	8.4	7.6	7.4	7.3	7.9	7.3	7.5	7.2	7.1	6.9
INFANT MORTALITY RATES [per thousand]																
National	101.40	111.5	121.9	117.5	121.8	112.0	116.0	113.0	110.0	98.0	94.0	90.6	88.0	84.0	77.0	75.0
Rural	103.50	112.5	123.2	120.8	122.0	113.0	118.0	115.0	112.0	105.0	97.0	94.4	91.0	88.0	79.0	78.0
Urban	80.70	99.4	103.0	98.8	119.5	99.0	101.0	95.0	91.0	84.0	71.0	69.3	65.0	61.0	57.0	53.0
Male	102.30	113.4	124.1	118.8	113.5	114.2	122.0	120.0	116.0	102.0	98.0	94.4	90.0	86.0	77.0	77.0
Female	97.40	109.4	119.4	116.0	109.3	109.0	111.0	105.0	105.0	95.0	91.6	86.8	86.0	82.0	76.0	74.0
LIFE EXPECTANCY AT BIRTH [years]																
National	56.90	54.8	54.5	53.9	54.8	55.1	55.2	56.4	56.0	56.0	56.0	56.1	56.3	57.9	58.1	58.7
Rural	56.60	54.3	53.9	53.1	54.4	54.7	54.8	56.1	55.4	55.0	55.4	55.8	56.0	57.5	57.7	60.9
Urban	61.90	60.1	60.6	60.3	58.7	60.1	58.8	60.0	60.9	61.0	60.5	60.0	60.5	60.6	60.0	57.9
Male	57.00	55.3	54.4	54.2	54.9	55.7	55.2	55.6	57.0	56.0	56.3	56.5	56.8	58.2	58.2	58.4
Female	57.10	54.4	54.8	53.6	54.7	54.6	55.9	54.9	56.0	55.6	55.6	55.6	55.9	57.7	57.9	58.1
CRUDE BIRTH RATE [per thousand]																
National	33.40	34.6	34.8	35.0	34.8	34.6	34.4	33.3	33.2	33.0	32.8	31.6	30.8	28.8	27.8	27.0
Rural	33.90	35.7	36.9	36.4	36.1	35.3	35.4	34.6	34.5	34.2	34.3	32.9	32.2	30.0	29.1	28.9
Urban	29.20	24.8	22.9	27.1	25.0	28.0	25.9	24.8	24.9	24.3	24.6	23.9	23.4	21.0	20.2	20.0
FERTILITY RATE [per woman]																
National	4.99	5.04	5.21	5.07	4.83	4.71	4.70	4.41	4.43	4.24	4.33	4.24	4.18	3.84	3.58	3.45
Rural	5.13	5.28	5.50	5.36	5.08	4.91	4.89	4.64	4.59	4.58	4.57	4.51	4.33	4.00	3.79	N/A
Urban	3.87	3.20	3.01	3.45	3.10	3.52	3.26	3.05	2.84	2.92	2.90	2.89	2.88	2.62	2.38	N/A

N/A = Not available.

Source: Annual Report of Sample Vital Registration System 1993 and 1994, October 1995, Bangladesh Bureau of Statistics.

Table 1.3

FAMILY PLANNING STATISTICS

[thousands]

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95
Voluntary Sterilization													
Tubectomies	275	337	232	116	141	97	130.94	142	97	92	63	49	54
Vasectomies	88	216	259	151	210	100	100.03	83	68	69	50	71	17
Total	363	552	492	268	351	197	230.97	225	165	161	114	120	71
Delivery of Contraceptive Devices													
IUDs	118	303	432	368	420	379	362	366	274	270	282	338	245
Pills (cycles)	8258	9726	11553	12137	15023	19100	24620	34348	42704	46629	63920	67548	74403
Condoms (doz.)	116821	131095	151940	135907	149236	166436	181978	199023	133798	159514	224134	208303	213142
EMKO	70	64	72	46	39	15	10.12	4	5	2	1	4	5
Injections	73	122	166	216	315	392	605	1258	1689	2255	2561	3534	4333
Foam tablets	5404	4385	3222	3125	3463	3890	4100	1547	25174	9258	1778	14	17
COUPLE-YEARS OF PROTECTION (thousands)													
By Sterilization a/													
Tubectomies	909	1155	1272	1261	1276	1245	1252	1269	1240	1208	1150	1098	1042
Vasectomies	408	583	784	857	981	983	984	969	940	915	874	837	770
Total	1317	1738	2055	2118	2257	2228	2236	2238	2179	2123	2024	1935	1812
With Contraceptive Devices b/													
IUDs c/	236	469	760	900	1050	1114	1142	1165	1090	1032	984	1025	963
Pills	551	648	770	809	1002	1273	1641	2290	2847	3109	4261	4503	4960
Condoms	779	874	1013	906	995	1108	1213	1320	892	1063	1494	1389	1421
EMKO	17	16	18	12	10	4	3	1	1	1	0	1	1
Injections	18	31	41	54	79	97	150	314	422	564	640	883	1083
Foam tablets	36	29	21	21	23	26	27	10	168	62	12	1	1
Total	1637	2067	2625	2702	3159	3622	4175	5101	5420	5830	7392	7802	8428
Total	2954	3804	4680	4820	5416	5850	6411	7339	7599	7953	9416	9737	10240
Married Females Aged 15-49 d/	17179	17746	18332	18937	19562	20208	20875	21565	19946	20590	N/A	N/A	22200
Apparent Contraceptive Rate e/	17.0	21.3	25.5	25.5	27.7	28.9	30.7	34.0	38.1	38.6	N/A	44.6	46.1

a/ Cumulative, assuming year-to-year carry-over of 90%.

b/ Assuming one couple-year of protection per 15 cycles of pills, 150 condoms or foam tablets, or 4 doses of injectables or vials of EMKO.

c/ Cumulative, assuming year-to-year carry-over of 70%.

d/ Staff estimates based on age-specific marriage rates from 1981 census.

e/ Couple-years of protection per married female aged 15-49.

N/A= Not available

Sources: MIS, Directorate of Family Planning, Bangladesh Bureau of Statistics, and staff estimates.

Table 1.4

POVERTY INDICATORS

		1983/84	1985/86	1988/89	1991/92	1995/96
I. Poverty Incidence: a)						
Very poor (lower poverty lines)	National	40.9	33.8	41.3	42.7	35.6
	Rural	42.6	36.0	44.3	46.0	39.8
	Urban	28.0	19.9	22.0	23.3	14.3
Poor (upper poverty lines)	National	58.5	51.7	57.3	58.8	53.1
	Rural	59.6	53.1	59.2	61.2	56.7
	Urban	50.2	43.0	43.9	44.9	35.0
II. Poverty Incidence: b)						
Absolute poverty	National	62.6	55.7	47.8	47.5	47.5
	Rural	61.9	54.7	47.8	47.6	47.1
	Urban	67.7	62.6	47.6	46.7	49.7
Hard core poverty	National	36.7	26.9	28.4	28.0	25.1
	Rural	36.7	26.3	28.6	28.3	24.6
	Urban	37.4	30.7	26.4	26.3	27.3

a) Cost of Basic Needs Approach (CBN). Population in percentage below poverty level. All figures are based on WB (1998; Annex: 59.) Figures for 1995 are based on BBS (1997:36). With the cost of basic needs method, poverty lines represent the level of per capita expenditures at which the members of a household can be expected to meet their basic needs. The estimation procedure is as follows: First a fixed food bundle is defined which provide the minimal nutrition requirements corresponding to 2122 kcal a day per person. The cost of this food bundle is calculated in different areas by using regional price information. This forms the food poverty line for each area. By adding allowances for non-food basic needs, one can estimate the poverty lines. Two poverty lines are normally applied: an upper and a lower poverty line depending on the degree of generosity of allowances for non basic food items.

CBN is perceived to be the most representative and consistent poverty measure and from 1995 BBS has applied this measure.

b) Direct Calorie Intake (DCI). Figures are based on BBS (1997:34). Absolute poverty (hard core poverty) refers to the percentage of population with daily calorie intake per person below 2122 (1805) calories.

Table 1.5

BANGLADESH POPULATION PROJECTIONS

('000)

Projection with NRR = 1 by 2010

AGE GROUP	1990	1995	2000	2005	2010	2015	2020	2025	2030
TOTAL M+F	110371	119769	129066	139293	149796	160534	170384	179655	188312
MALES									
0-4	9816	7833	7743	7877	7998	8141	7874	7945	7901
5-9	9387	9471	7586	7558	7736	7877	7556	7778	7862
10-14	6472	9271	9366	7518	7504	7689	7497	7517	7744
15-19	5564	6339	9118	9255	7443	7442	7801	7445	7472
20-24	4273	5277	6054	8911	9094	7335	7742	7713	7372
25-29	3789	3920	4921	5843	8712	8932	7473	7634	7620
30-34	3621	3478	3621	4736	5693	8547	7420	7361	7534
35-39	3176	3354	3227	3470	4601	5566	7363	7291	7247
40-44	2461	2957	3140	3088	3352	4476	6515	7199	7144
45-49	1991	2294	2777	2993	2961	3233	5369	6315	6996
50-54	1606	1846	2138	2615	2831	2816	4298	5131	6055
55-59	1284	1460	1686	1966	2415	2633	3347	4019	4818
60-64	1041	1127	1287	1493	1748	2169	2581	3027	3655
65-69	791	860	935	1074	1253	1488	1595	2216	2619
70-74	684	595	651	713	823	981	1046	1263	1773
75+	718	743	703	729	786	915	1007	1184	1438
TOTAL	56674	60825	64953	69839	74950	80240	86484	91038	95250
FEMALES									
0-4	9336	7522	7447	7589	7719	7845	7580	7638	7638
5-9	9055	8936	7252	7263	7473	7620	7298	7500	7500
10-14	6223	8925	8826	7185	7216	7433	7257	7265	7265
15-19	5734	6128	8810	8734	7123	7163	7569	7212	7212
20-24	4783	5605	6002	8669	8616	7039	7532	7493	7493
25-29	3981	4647	5459	5875	8517	8485	7284	7435	7435
30-34	3297	3858	4515	5332	5756	8369	7217	7177	7177
35-39	2614	3187	3740	4397	5209	5640	6994	7094	7094
40-44	2116	2520	3081	3629	4279	5086	6073	6852	6852
45-49	1700	2031	2424	2973	3511	4155	5162	5918	5918
50-54	1386	1614	1933	2314	2845	3375	4117	4984	4984
55-59	1033	1292	1508	1812	2175	2692	3265	3917	3917
60-64	850	933	1171	1372	1654	2005	2563	3033	3033
65-69	570	729	803	1013	1193	1460	1662	2287	2287
70-74	485	449	578	641	813	980	1145	1385	1385
75+	534	568	564	656	747	947	1182	1427	1427
TOTAL	53697	58944	64113	69454	74846	80294	83900	88617	88617
Birth Rate	29.80	26.90	25.00	23.20	21.80	19.70	18.70	18.70	18.70
Death Rate	10.90	9.60	8.80	8.20	7.80	7.90	8.00	8.00	8.00
Rate of Nat'l. Inc. 1/	1.90	1.73	1.62	1.50	1.41	1.17	1.07	1.07	1.07
Net Migration Rate	-2.60	-2.30	-0.90	-0.40	-0.20	-0.10	-0.10	-0.10	-0.10
Growth Rate	1.63	1.50	1.52	1.45	1.38	1.16	1.06	1.06	1.06
Total Fertility	3.80	3.27	2.81	2.41	2.27	2.26	2.24	2.24	2.24
NRR	1.51	1.34	1.18	1.05	1.00	1.00	1.00	1.00	1.00
e(0) - Both Sexes	56.59	58.41	60.27	62.19	63.98	64.58	65.83	65.83	65.83
e(15) - Both Sexes	50.83	51.43	52.03	52.65	53.91	54.24	55.07	55.07	55.07
IMR - Both Sexes	85.10	74.60	64.20	53.80	47.60	44.70	40.10	40.10	40.10
IMR - MALE	93.00	82.00	70.90	59.90	53.00				
IMR - FEMALE	76.70	66.90	57.10	47.40	41.90				
q(5) - Both Sexes	0.12	0.11	0.09	0.07	0.06	0.06	0.05	0.05	0.05
q(5) - MALE	0.13	0.11	0.09	0.08	0.07				
q(5) - FEMALE	0.12	0.10	0.08	0.06	0.06				
Dep. Ratio 2/	96.00	87.50	68.50	55.70	52.00	49.80	44.80	44.80	44.60

Source: World Bank.

1/ Rate of Natural Increase

2/ Dependency Ratio

Table-1.6:

Gender Based Human Development Indicators

Health: 1/			
Population per Physician	1991	5,285	
	1996	4,866	
Population per Hospital Bed	1991	3,231	
	1996	3,229	
Life Expectancy	1991	56.1	Life Expectancy 8/
	1996	59.5	1995
			1991
			55.7
			1995
			58.1
Labor Force:			
Labor Force Size (million) 3/	1991	51.2	Labor Force (million) 3/
	1996	56.0	1991
			20.1
			1996
			21.3
Growth Rate (percent) 3/	1991-1996	2.4	Labor Force Growth Rate 3/
			1991-1996
			1.5
Underemployment Rate (percent) 5/	1991	42.8	Occupation 3/
	1996	34.6	Percent in agri., forestry, fisheries
			1991
			88.1
			1996
			77.0
Human Development:			
Poverty: Headcount Index 4/	1988/89	47.8	Underemployment Rate (percent) 3/
	1991/92	47.5	1991
			85.3
			1996
			70.7
Poverty: % using less than one dollar a day 10/	1989-94	29	
Population below poverty level 11/	1992	42.7	
	1996	35.6	
Human Development Index 6/	1991	0.38	Literacy Rate (percent) 9/
	1995	0.43	1991
			19.5
			1996
			24.8
Literacy Rate (7 years and over) 7/	1991	32.4	Gender-Related Development Index 6/
	1994	42.1	1991
			0.33
			1996
			0.38
Primary School Enrolment Ratio 2/	1991	75.6	Primary School Enrollment Ratio 2/
	1995	92.0	1991
			69.8
			1995
			85.8

1/ Source: BBS, 1995 Statistical Yearbook of Bangladesh, and Ministry of Finance, Bangladesh Economic Survey 1997, June 1997.

2/ Source: Primary & Mass Education Division, Bangladesh Secretariat, Dhaka.

3/ Source: BBS, Report on Labour Force Survey in Bangladesh, 1990 and 1996.

4/ Source: BBS, Report on Household Expenditure Survey 1991-92, November 1995. Note that the Head Count Index (HCI) has some severe methodological weaknesses which makes intertemporal comparison of HCI inappropriate. Alternative measures of poverty are the Cost of Basic Needs.

The poverty level in Bangladesh is extremely high and this is independent of poverty measurement methods. For more details see Quentin T. Wodon, A Profile of Poverty in Bangladesh: 1983-1992, Report No. IDP-169, The World Bank, October 1996.

5/ Defined as those working less than 35 hours during the reference week.

6/ The Human Development Index (HDI) combines indicators of national income, life expectancy and educational attainment to give a composite measure of human progress. Source: UNDP, Human Development Report, 1992 and 1996 issues.

7/ Source: BBS, 1995 Statistical Yearbook of Bangladesh, page 532 and Annual Report of Sample Vital Registration System 1993 and 1994, October 1995, page xiii.

8/ Source: BBS, 1995 Statistical Yearbook of Bangladesh, page 41.

9/ Source: BBS, Statistical Bulletin Bangladesh, February '97, page x and Ministry of Finance, Bangladesh Economic Survey 1997, June 1997.

10/ Source: UNDP, 1999 Human Development in South Asia 1999 page 196.

11/ Source: WB 1999 Bangladesh: Key challenges for the next millennium

12/ Source: WB 1998 Bangladesh: From Counting the Poor to Making the Poor Count

Note that this figure is based on the costs of basic needs method

Table 2.1

MACROECONOMIC INDICATORS, FY90-FY97

(Based on the BBS' 1984-85 National Accounts Series)

	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97 (PE)
	(In Percentage)							
GDP growth rate:	6.6	3.4	4.2	4.5	4.2	4.4	5.3	5.9
GNP Per Capita (In \$) a/	208	213	213	214	230	253	270	276
	(Percent of GDP)							
Savings:								
Domestic Saving	2.7	4.2	6.0	7.6	9.1	8.3	7.2	9.7
National Saving	5.8	7.4	9.7	11.7	13.8	13.1	11.9	14.8
Investment:								
Gross Investment	12.8	11.5	12.1	14.3	15.4	16.6	17.0	17.4
Public	6.4	5.7	5.5	6.4	7.6	7.2	6.3	6.5
Private	6.4	5.8	6.6	7.9	7.8	9.4	10.7	10.9
Budget:								
Total Revenue	9.3	9.6	10.9	12.0	12.2	12.1	11.5	11.7
Tax Revenue	7.8	7.8	8.8	9.6	9.3	9.6	9.2	9.5
Total Expenditure	17.2	16.8	16.8	17.8	18.1	18.9	17.1	17.0
Current Expenditure b/	8.8	8.7	8.3	8.9	8.9	8.8	8.7	8.9
Overall Budget Deficit c/	-7.9	-7.2	-5.9	-5.9	-6.0	-6.8	-5.7	-5.3
Balance of Payments:								
Exports d/	6.8	7.3	8.4	9.8	9.8	11.9	12.2	13.5
Imports e/	16.9	15.0	14.8	16.8	16.3	20.0	21.6	21.5
Current Account Balance	-7.0	-4.2	-2.4	-2.6	-1.6	-3.5	-5.1	-2.6
	(In Percentage)							
Debt Service Ratio f/	13.7	12.5	11.5	10.2	11.5	10.0	9.8	8.5
External Debt g/ (million US \$)	12,757	13,470	13,898	14,619	16,223	16,370	17,070	na
Rate of Inflation h/	9.3	8.9	5.1	1.3	1.8	5.2	4.1	3.9
Memorandum Items:								
BB Gross Reserves: (million US \$)	585	966	1,709	2,227	2,852	3,070	2,039	1,719
(in months of imports)	1.9	3.3	5.8	6.6	8.2	6.3	3.6	2.9
Exchange Rate (TK/US \$)	32.9	35.7	38.2	39.2	40.0	40.2	40.9	42.7
Real Effective Exchange Rate (1990=100) i/								
End of Period		93.8	91.6	91.7	86.9	86.1	85.6	88.9
Period Average		98.2	92.3	91.5	90.8	85.9	85.7	89.3

PE = Provisional estimates

a/ Workers' remittances are included in net factor income. Also, per capita GNP is calculated using the same year's period average exchange rate.

b/ Excludes food subsidies.

c/ Defined as the difference between expenditure/GDP and revenue/GDP ratios, further adjusted for a residual amount to reflect the difference between the fiscal accounts and estimates of total financing of the Government

d/ Merchandise exports only.

e/ Merchandise imports only.

f/ Represents the ratio of debt service to total foreign exchange earnings from export of goods and non-factor services, plus workers remittances. Debt service includes interest on public M&LT debt, amortization of public M&LT debt, total IMF transactions (net) and IMF service charges.

g/ World Bank, *Global Development Finance 1997*, Volume - 2, Country Tables, March 1997, P.76.

h/ Based on Dhaka Middle Class Consumers Price Index (CPI, 1973-74=100).

i/ IMF, Information Notice System. An increase in the index indicates real appreciation.

Sources: Bangladesh Bureau of Statistics (BBS); Twenty Years of National Accounting of Bangladesh 1971-1992, Export Promotion Bureau (EPB); Bangladesh Bank (BB); Ministry of Finance, IMF.

Adapted from Public Expenditure Review 1997: Update

Newest figures are adapted from EIU 3rd quarter 1999, WB Periodic Economic Update June, 1999, WB Economic Trends, June 1999 and Bangladesh Economic Review, 1998

Table-2.2:

GROSS DOMESTIC PRODUCT BY EXPENDITURE IN CURRENT PRICES

(Taka in Million)

	FY87/88	FY88/89	FY89/90	FY90/91	FY91/92	FY92/93	FY93/94	FY94/95	FY95/96	FY96/97	FY97/98
Net Resource 1/	652301	727523	811764	895597	962395	1011165	1095813	1267360	1428631	1512806	1679526
Consumption 2/	577995	642332	717337	799642	852544	875951	936886	1072709	1207431	1262299	1429019
Private 2/	508026	551877	614119	684910	727607	741647	789606	911911	1029776	1034715	1201435
Public 3/	69969	90455	103218	114732	124937	134304	147280	160798	177655	227584	227584
Investment 3/	74306	85191	94427	95955	109851	135214	158927	194651	221200	250507	250507
Private 2/	38290	42891	47275	48562	60063	74406	80676	110172	139343	157064	157064
Public 3/	36016	42300	47152	47393	49788	60808	78251	84479	81857	93443	93443
Resource Balance 4/	-55165	-67925	-74193	-61205	-55893	-63100	-65448	-97099	-127031	-109761	-138603
Exports	46438	51522	62683	75364	94121	113783	122272	166010	184373	217112	230900
Imports	101603	119447	136875	136569	150014	176883	187720	263109	311404	326873	369503
Gross Domestic Product at m.p.	597136	659598	737571	834392	906502	948065	1030365	1170261	1301600	1403045	1540923
Net Factor Income from Abroad 4/ 5/	18873	21266	21044	23612	28996	34095	42344	46511	49550	62875	66725
Gross National Product at m.p.	616009	680864	758615	858004	935498	982160	1072709	1216772	1351150	1465920	1607648
Net Indirect Taxes	32895	37601	41807	50070	57492	65589	73150	86073	97990	10980	10980
GNP at Factor Cost	583314	643263	716808	807934	878006	916571	995559	1128699	1253160	1454940	154940
Net Private Transfers from Abroad 6/	1594	2089	1350	2925	4845	4815	6320	9166	10552	12599	12599
Gross Disposable Income 7/	617602	682953	759965	860928	940343	986975	1079029	1225938	1361703	1478519	154150
Gross Domestic Saving 8/	19141	17266	20234	34750	53958	72114	93479	97552	94169	136201	220874
Gross National Saving 9/	39607	40622	42628	61287	87799	111024	142143	153229	154271	211675	220874
Current Account Deficit 10/	34699	44569	51799	34668	22052	24190	16784	41422	66929	38832	28633
Memo Items (% of GDP):											
Consumption	96.79	97.38	97.26	95.84	94.05	92.39	90.93	91.66	92.77	89.97	92.74
Private	85.08	83.67	83.26	82.08	80.27	78.23	76.63	77.92	79.12	73.75	77.97
Public	11.72	13.71	13.99	13.75	13.78	14.17	14.29	13.74	13.65	16.22	14.77
Investment	12.44	12.92	12.80	11.50	12.12	14.26	15.42	16.63	16.99	17.85	16.26
Private	6.41	6.50	6.41	5.82	6.63	7.85	7.83	9.41	10.71	11.19	10.19
Public	6.03	6.41	6.39	5.68	5.49	6.41	7.59	7.22	6.29	6.66	6.06
Resource Balance	-9.24	-10.30	-10.06	-7.34	-6.17	-6.66	-6.35	-8.30	-9.76	-7.82	-8.99
Exports	7.78	7.81	8.50	9.03	10.38	12.00	11.87	14.19	14.17	15.47	14.98
Imports	17.01	18.11	18.56	16.37	16.55	18.66	18.22	22.48	23.92	23.30	23.98
Gross Domestic Saving	3.21	2.62	2.74	4.16	5.95	7.61	9.07	8.34	7.23	9.71	10.00
Gross National Saving	6.63	6.16	5.78	7.35	9.69	11.71	13.80	13.09	11.85	15.09	14.33
Current Account Deficit	5.81	6.76	7.02	4.15	2.43	2.55	1.63	3.54	5.14	2.77	1.92

1/ Consumption plus Investment.

2/ Derived as residual.

3/ BBS data.

4/ From Balance of Payments Table 3.1 converted into Taka by using average exchange rate.

5/ Includes Net Investment Income and Workers' Remittances. Excludes "other" private unrequited transfers - e.g. unilateral transfers to NGOs.

6/ Excludes official grants to the Government.

7/ Equals Gross National Product at Current m.p. plus Net Private Transfers from Abroad.

8/ Equals Gross National Savings minus Net Factor Income from Abroad minus Net Private Transfers from Abroad.

9/ Equals Investment minus Foreign Saving (External Current Account Balance).

10/ Current Account Deficit from Table 3.1 converted into Taka, excluding official grants to the Government.

Note: P = Provisional

Table 2.3:

GROSS DOMESTIC PRODUCT AT CURRENT PRICES

(Taka in Million)

	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Agriculture	354083	169970	188382	219761	231623	245392	271790	300596	312438	288842	305888	361367	389986	411632	444797
Crops	325689	135031	139489	164975	167646	176467	194211	217823	222451	184660	187653	225139	235200	243254	254796
Forestry	10947	10948	19881	20544	25374	24187	26529	28639	31005	32442	33739	38943	43059	45351	50096
Livestock	8053	11785	15401	16222	17875	21266	25300	26564	28115	31613	36091	40373	46857	51351	57723
Fisheries	9394	12206	14511	18020	20728	23472	25750	27570	30867	40127	48405	56912	64870	71496	82182
Industry	57771	64982	72337	80019	89639	101593	116529	131375	150306	165888	182582	205803	229922	244042	270034
Mining and Quarrying a/	4	4	3	4	3	4	89	112	134	160	190	209	282	365	457
Manufacturing	37733	40112	43563	47631	50437	55608	64506	72801	82571	92009	101463	112739	124411	130496	145115
Large Scale	20543	21282	23380	26911	28517	31414	37565	42259	49347	57087	64327	73161	81311	85131	96471
Small Scale	17190	18830	20183	20720	21920	24194	26941	30542	33224	34922	37136	39578	43100	45365	48644
Construction	18095	22518	26058	28839	34602	39262	43110	47261	53590	56717	60395	69209	76599	82863	91544
Power, Gas, Water & Sanitary	1939	2348	2713	3545	4597	6719	8824	11201	14011	17002	20534	23646	28630	30318	32918
Services	146342	171981	205508	239421	275874	312613	349252	402421	443758	493335	541895	603091	681692	747371	826092
Transport, Storage	41797	45655	54605	61901	65945	71774	75061	97697	108672	122466	129221	139049	148238	161161	172946
Trade Services	30813	38816	41505	45863	50396	55015	61583	68279	73766	78306	86156	100548	117461	124996	137433
Housing Services	28558	32444	37066	40988	49982	59866	66358	73867	79055	87378	97314	106869	124567	135106	146597
Public Admn. & Defense	8934	13235	17366	20867	24735	29203	32764	38191	43406	49210	55040	62308	70742	79950	91577
Banking and Insurance	5152	6889	8935	10116	11435	13126	15110	16299	17793	19607	21500	23127	26373	28512	30285
Prof. & Misc. Services	37088	34942	46031	59666	73381	83629	98376	108088	121066	136388	152664	171190	194311	217646	247254
GDP at Market Prices	558196	406933	466227	539201	597136	659598	737571	834392	906502	948065	1030365	1170261	1301600	1403045	1540923
Growth Rate (%)	20.14	-27.10	14.57	15.65	10.74	10.46	11.82	13.13	8.64	4.58	8.68	13.58	11.22	7.79	9.83
Indirect Taxes - Subsidies	20969	21794	25516	30082	32695	37601	41807	50070	57492	65589	73150	88073	97990	10980	
GDP at Factor Cost	537227	385139	440711	509119	564441	621997	695764	784322	849010	882476	957215	1082188	1203610	1293223	

a/ Due to variation in coverage, the figures may not be comparable for the years preceding 1989/90.

P = Provisional

Source: Bangladesh Bureau of Statistics.

Table 2.4

GROSS DOMESTIC PRODUCT AT CONSTANT (1984/85) PRICES

(Taka in Million)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Agriculture	190354	193421	197662	201230	201915	199822	207126	220456	227325
Crops	150828	152575	155101	156392	153852	148068	152168	161572	164193
Forestry	12586	12845	13147	13536	14077	14712	15338	15980	16667
Livestock	13805	14102	14615	15522	16841	18239	19706	21278	22980
Fisheries	13135	13899	14799	15780	17145	18803	19914	21626	23485
Industry	84632	88294	94558	102105	110044	119234	125603	130389	139869
Mining and Quarrying a/	66	80	94	107	121	137	174	222	278
Manufacturing	49256	50423	54117	59033	63665	69165	72823	75401	81480
Large Scale	28095	29269	32342	36627	40363	44884	47595	49189	54167
Small Scale	20561	21154	21775	22406	23302	24281	25228	26212	27313
Construction	29749	31087	32471	34032	36074	38593	40146	42098	44708
Power, Gas, Water & Sanitary	5561	6704	7876	8933	10184	11339	12460	12668	13403
Services	222541	232727	243969	256894	271881	290737	309712	329361	350933
Transport, Storage & Comm.	59024	60840	63349	66416	70089	74203	77889	82949	88506
Trade Services	44965	46707	48561	50631	53284	58669	64544	68797	73069
Housing Services	38030	39316	40656	42197	43792	45457	47204	49039	50965
Public Admn. & Defense	20363	22334	24184	26240	28484	30962	33533	36344	40087
Banking and Insurance	9523	9755	10002	10302	10663	11090	11478	11914	12366
Prof. & Misc. Services	50636	53775	57217	61108	65569	70356	75064	80318	85940
GDP at Market Prices	497527	514442	536189	560229	583840	609793	642441	680206	718127
Growth Rate (%)	6.63	3.40	4.23	4.48	4.21	4.45	5.35	5.88	5.57
Indirect Taxes - Subsidies	28200	30907	34019	38764	41400	45893	48366	53235	
GDP at Factor Cost	469327	483535	502170	521465	542440	563900	594075	626973	

a/ Due to variation in coverage, the figures may not be comparable for the years preceding 1989/90.

P = Provisional.

Source: Bangladesh Bureau of Statistics.

Table 2.5

GDP GROWTH AT CONSTANT (1984/85) PRICES

(In Percentage)

Base Year 1985/85=100

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Agriculture	10.0	1.6	2.2	1.8	0.3	-1.0	3.7	6.4	3.1
Crops	12.1	1.2	1.7	0.8	-1.6	-3.8	2.8	6.2	1.6
Forestry	2.3	2.1	2.4	3.0	4.0	4.5	4.3	4.2	4.3
Livestock	3.4	2.2	3.6	6.2	8.5	8.3	8.0	8.0	8.0
Fisheries	2.1	5.8	6.5	6.6	8.7	9.7	5.9	8.6	8.6
Industry	6.4	4.3	7.1	8.0	7.8	8.4	5.3	3.8	7.3
Mining and Quarrying	..	21.2	17.5	13.8	13.1	13.5	26.7	27.6	25.2
Manufacturing	7.2	2.4	7.3	9.1	7.8	8.6	5.3	3.5	8.1
Large Scale	8.3	4.2	10.5	13.2	10.2	11.2	6.0	3.3	10.1
Small Scale	2.9	2.9	2.9	2.9	4.0	4.2	3.9	3.9	4.2
Construction	3.2	4.5	4.5	4.8	6.0	7.0	4.0	4.9	6.2
Power, Gas, Water & Sanitary	15.3	20.6	17.5	13.4	14.0	11.3	9.9	1.7	5.8
Services	4.0	4.6	4.8	5.3	5.8	6.9	6.5	6.3	6.5
Transport, Storage & Comm.	4.3	3.1	4.1	4.8	5.5	5.9	5.0	6.5	6.7
Trade Services	3.0	3.9	4.0	4.3	5.2	10.1	10.0	6.6	6.2
Housing Services	3.3	3.4	3.4	3.8	3.8	3.8	3.8	3.9	3.9
Public Admn. & Defense	2.6	9.7	8.3	8.5	8.6	8.7	8.3	8.4	10.3
Banking and Insurance	1.1	2.4	2.5	3.0	3.5	4.0	3.5	3.8	3.8
Prof. & Misc. Services	6.3	6.2	6.4	6.8	7.3	7.3	6.7	7.0	7.0
GDP at Constant Market Price	6.6	3.4	4.2	4.5	4.2	4.4	5.4	5.9	5.6
Memo.item:									
ICOR 1/	1.9	3.8	2.7	2.7	3.4	3.5	3.1	2.9	3.2

.. Because of extremely low base the growth rates were misleadingly large with wild fluctuations.

1/ Incremental Capital-Output Ratio (ICOR). The calculation assumes a one year lag in investment-growth relation.

P: Provisional.

Source: Derived from Table 2.5

Table 3.1

BALANCE OF PAYMENTS, 1987/88-1997/98

(US\$ in Millions)

	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Merchandise exports, fob a/		1231	1291	1524	1718	1993	2383	2534	3473	3882	4427	5111	5366
Merchandise imports, fob/c&f a/ b/		-2986	-3390	-3791	-3510	-3526	-4071	-4191	-5834	-6881	-7162	-7525	-8576
Trade Balance		-1755	-2099	-2267	-1792	-1533	-1688	-1657	-2361	-2999	-2735	-2414	-3210
Non-factor services, net		-11	-14	14	76	68	76	21	-54	-107	163	40	-74
Non-factor services, receipts		255	312	379	395	474	523	523	657	626	656	670	818
(- Other transport)		27	32	36	34	37	38	41	57	66	86	104	
(- Travel)		10	17	20	17	25	32	20	23	28	42	42	
(- Government services, n.e.i.)		39	51	92	96	78	99	114	229	123	na	na	
(- Other)		179	212	232	248	334	354	348	348	409	528	524	
Non-factor services, payments		-266	-326	-365	-319	-406	-447	-502	-711	-733	-493	-630	-891.6
(- Other transport)		-41	-52	-63	-73	-102	-107	-129	-142	-149	-165	-203	
(- Travel)		-77	-114	-112	-61	-109	-126	-153	-265	-162	-153	-208	
(- Government services, n.e.i.)		-106	-115	-138	-141	-142	-149	-160	-223	-270	na	na	
(- Other)		-41	-46	-52	-44	-53	-65	-60	-81	-152	-175	-219	
Investment income, net		-133	-109	-122	-102	-88	-73	-30	-41	-6	-108	-130	
Investment income, receipts		55	78	67	65	91	94	147	162	182	89	95	
(- Interest on reserves)		41	67	41	52	61	49	83	83	81	81	77.3	
(- Other interest & investment income)		14	11	26	13	30	45	64	79	101	8	17.7	
Investment income, payments		-188	-187	-189	-167	-179	-167	-178	-203	-188	-196	-225	
(- Interest on external public M< debt)		-123	-139	-131	-129	-137	-144	-137	-154	-153	-155	-165	
(- IMF service charges)		-39	-43	-48	-33	-35	-11	-7	-7	-7	-7	-7	
(- Other interest & investment income)		-26	-5	-10	-5	-7	-12	-34	-42	-28	-34	-53.2	
Private unrequited transfers, net		788	836	802	846	975	1067	1247	1426	1475	1770	1850	1722
Receipts		788	836	802	846	975	1067	1247	1426	1475	1770	1850	
Workers Remittances		737	771	761	764	848	944	1089	1198	1217	1475	1550	1422
Others		51	65	41	82	127	123	158	228	258	295	300	
Payments		0	0	0	0	0	0	0	0	0	0	0	
Current Account Balance		-1111	-1387	-1573	-972	-578	-618	-420	-1030	-1636	-909	-654	-1562
Amortization of public M< debt		-166	-170	-186	-197	-210	-239	-264	-314	-316	-316	-320	
Total IMF transactions, net		-18	68	-164	4	85	2	-70	-60	-66	-108	-48.6	
Gross Aid Disbursements		1640	1669	1810	1733	1611	1675	1559	1739	1444	1481	1340	1540.4
Other long-term capital, net		-7	44	0	1	0	6	58	55	10	-66	167	
(- Direct & portfolio investment, net)		3	2	3	2	10	16	69	67	-14	-116	221	279
(- Subscriptions to int'l non-monetary orgs)		-2	0	0	-1	0	-1	0	0	0	0	0	
(- Other, net)		-8	42	-3	0	-10	-9	-11	-12	24	50	-54	
Short-term capital, net		-160	-139	-131	-143	-85	-9	32	11	-92	-14	36	
(- Resident official sector, net)		-5	4	0	0	-1	1	0	117	-21	-26		
(- Deposit money banks, net)		-97	-144	-38	-40	-18	-3	4	-72	-25	-17		
(- Other, net)		-57	-	-93	-103	-66	-7	28	-34	-46	29	36	
Liabilities constituting foreign authorities' reserves, net		-40	-	-	0	0	0	0	0	0	0	0	
Food borrowing, net		6	43	-21	-21	-19	-8	-11	0	0	0	0	
(- Food Borrowing, gross)		39	55	0	0	0	0	0	0	0	0	0	
(- Food Loan Amortization)		-33	-12	-21	-21	-19	-8	-11	0	0	0	0	
Errors & omissions, net d/		-1	-61	-112	-24	-62	-291	-259	-127	-406	-388	-388	
Change in reserves e/ (-=increase)		-145	-66	377	-381	-742	-518	-625	-274	1062	320	-31	
MEMORANDUM ITEMS:													
Reserve level, end of June (US\$ m)		856	913	520	880	1608	2121	2765	3070	2039	1719	1750	
-Reserves, excluding gold (US\$ m)		832	892	500	857	1586	2095	2738	3043	2012	1694		
-Gold, national valuation (US\$ m)		24	21	20	23	22	26	27	27	27	25		
Average annual exchange rate (Tk/US\$)		31.25	32.14	32.93	35.67	38.15	39.14	40.00	40.20	40.90	42.70		

--not available separately

a/ Exports and Imports include that of EPZ since 1987/88.

b/ Merchandise imports are reported on a mixed valuation basis, partly fob and partly cif.

c/ Including valuation changes and ACU account changes other than those of reserves, (from 1994-95, it does not include ACU account changes).

d/ This includes the difference between the shipment and payment-based values of exports.

e/ Including Non Resident Foreign Currency Deposit (NFCD).

P = Preliminary estimates; na = Not available.

Source: Bangladesh Bank, Statistics Department.

Table 3.2

Compositon and Growth of Exports FY92-FY98

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Ready-made Garments							
Value (million US \$)	1064.0	1231.0	1287.0	1834.6	1950.3	2236.6	2844.4
Knitwear							
Value (million US \$)	118.6	204.5	264.1	145.8	597.8	764.1	937.5
Frozen food							
Value (million US \$)	127.6	164.0	210.5	298.9	314.8	321.6	295.6
Quantity (million lbs.)	42.6	48.4	55.5	78.4	75.1	86.0	
Unit value	3.0	3.4	3.8	3.9	4.2	4.1	
Jute Goods							
Value (million US \$)	293.3	290.0	283.0	319.0	329.7	318.3	281.5
Quantity ('000 metric tons)	491.1	503.2	502.9	539.6	536.9	542.1	
Unit value	597.1	564.1	540.6	574.5	605.0	627.2	
Raw Jute							
Value (million US \$)	85.5	74.0	57.0	72.0	90.0	116.3	107.9
Quantity (million bales)	1.4	1.4	1.0	1.4	1.4	1.7	
Unit value	61.5	54.7	57.0	56.0	64.4	65.5	
Leather							
Value (million US \$)	144.5	147.9	168.2	202.0	212.5	196.3	189.9
Volume (million square feet)	119.6	138.6	157.4	161.7	155.8	133.1	
Unit value	1.2	1.1	1.1	1.2	1.4	1.4	
Tea							
Value (million US \$)	32.4	41.0	38.0	32.8	33.4	38.3	47.8
Quantity (million kgs.)	23.7	32.8	27.4	25.2	21.4	32.0	
Unit value	1.4	1.3	1.4	1.3	1.5	1.5	
Naphtha							
Value (million US \$)	8.3	15.0	7.0	4.0	4.1	16.5	11
Fertilizers							
Value (million US \$)	21.4	51.2	51.4	91.0	94.7	85.0	
Other	98.4	164.4	167.8	472.9	281.9	325.0	444.4
Total	1994.0	2383.0	2534.0	3473.0	3883.0	4418.0	5160.0

Source: Export Promotion Bureau (EPB).

Growth rates from previous year:

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Ready-made Garments		16 %	5 %	43 %	6 %	15 %	27 %
Knitwear							
Value (million US \$)		72 %	29 %	-45 %	310 %	28 %	23 %
Frozen food							
Value (million US \$)		29 %	28 %	42 %	5 %	2 %	-8 %
Quantity (million lbs.)							
Unit value							
Jute Goods							
Value (million US \$)		-1 %	-2 %	13 %	3 %	-3 %	-12 %
Quantity ('000 metric tons)							
Unit value							
Raw Jute							
Value (million US \$)		-13 %	-23 %	26 %	25 %	29 %	-7 %
Quantity (million bales)							
Unit value							
Leather							
Value (million US \$)		2 %	14 %	20 %	5 %	-8 %	-3 %
Volume (million square feet)							
Unit value							
Tea							
Value (million US \$)		27 %	-7 %	-14 %	2 %	15 %	25 %
Quantity (million kgs.)							
Unit value							
Naphtha							
Value (million US \$)		81 %	-53 %	-43 %	2 %	302 %	-33 %
Fertilizers							
Value (million US \$)		139 %	0 %	77 %	4 %	-10 %	-100 %
Other		67 %	2 %	182 %	-40 %	15 %	37 %
Total		20 %	6 %	37 %	12 %	14 %	17 %

Table 3.3

QUANTITY AND VALUE OF MAJOR IMPORT COMMODITIES

	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Major Primary Goods	609.8	584.7	525.0	497.0	474.0	409.0	869.0	989.0	662.0
Rice a/(mill. US \$)									
Value (mill. US \$)	17.0	102.0	0.0	5.0	0.0	10.0	208.0	334.0	10.0
Quantity ('000, long tons)	60.0	300.0	11.0	39.0	19.0	74.0	813.0	1150.0	33.0
Unit Price a/ (US \$)	283.3	340.0	0.0	128.2	0.0	135.1	255.8	290.4	303.0
Wheat a/									
Value (mill. US \$)	357.0	241.0	297.0	260.0	176.0	141.0	291.0	236.0	187.0
Quantity ('000, long tons)	2077.0	1234.0	1566.0	1525.0	1164.0	892.0	1754.0	1313.0	934.0
Unit Price a/ (US \$/long ton)	171.9	195.3	189.7	170.5	151.2	158.1	165.9	179.7	200.2
Oilseeds									
Value (mill. US \$)	11.0	13.7	16.0	9.0	35.0	65.0	63.0	75.0	70.0
Quantity ('000, mt tons)	42.0	50.0	2.0	105.0	108.0	200.0	211.0	225.0	220.0
Unit Price (US\$/mt ton)	261.9	274.0	8000.0	85.7	324.1	325.0	298.6	333.3	318.2
Crude Petroleum									
Value (mill. US \$)	131.8	123.0	144.0	152.0	181.0	116.0	187.0	164.0	205.0
Quantity ('000 tons)	1096.0	1008.0	1182.0	1018.0	1129.0	1239.0	1364.0	1288.0	1200.0
Unit Price (US \$/ton)	120.3	122.0	121.8	149.3	160.3	93.6	137.1	127.3	170.8
Raw Cotton									
Value (mill. US \$)	93.0	105.0	68.0	71.0	82.0	77.0	120.0	180.0	190.0
Quantity ('000 bales)	349.0	375.0	250.0	286.0	305.0	221.0	294.0	344.0	400.0
Unit Price (US \$/bale)	266.5	280.0	272.0	248.3	268.9	348.4	408.2	523.3	475.0
Major Intermediate Goods	563.0	567.0	626.0	627.0	733.0	719.0	840.0	895.0	1130.0
Edible Oil a/									
Value (mill. US \$)	170.0	200.0	153.0	163.0	152.0	117.0	228.0	188.0	189.0
Quantity ('000 tons)	408.0	425.0	500.0	426.0	259.0	310.0	337.0	315.0	315.0
Unit Price (US \$/ton)	416.7	470.6	306.0	382.6	586.9	377.4	676.6	596.8	600.0
Petroleum Products b/									
Value (mill. US \$)	153.0	174.0	204.0	168.0	177.0	168.0	209.0	274.0	361.0
Quantity ('000 tons)	926.0	973.0	711.0	825.0	821.0	951.0	1181.0	1511.0	1596.0
Unit Price (US\$/ton)	165.2	178.8	286.9	203.6	215.6	176.7	177.0	181.3	226.2
Fertilizer a/									
Value (mill. US \$)	108.0	48.0	90.0	117.0	131.0	135.0	142.0	149.0	169.0
Quantity ('000, long tons)	535.0	227.0	457.0	595.0	656.0	675.0	710.0	725.0	750.0
Unit Price (US \$/long ton)	201.9	202.6	196.9	196.6	199.7	200.0	200.0	205.5	225.3
Cement									
Value (mill. US \$)	83.0	83.0	75.0	77.0	115.0	100.0	150.0	156.0	180.0
Quantity ('000, mt. tons)	1893.0	1500.0	1800.0	1786.0	2040.0	1990.0	2200.0	2300.0	2400.0
Unit Price (US \$/ton)	43.8	55.3	41.7	43.1	56.4	50.3	68.2	67.8	75.0
Staple Fibres									
Value (mill. US \$)	9.0	10.0	12.0	10.0	31.0	31.0	26.0	26.0	30.0
Quantity ('000 bales)	24.0	25.0	15.0	51.0	77.0	124.0	87.0	52.0	75.0
Unit Price (US \$/bale)	375.0	400.0	800.0	196.1	402.6	250.0	298.9	500.0	400.0
Yarn									
Value (mill. US \$)	40.0	54.0	92.0	92.0	127.0	168.0	85.0	102.0	201.0
Quantity (million .lbs)	37.0	45.0	60.0	55.0	52.0	64.0	53.0	64.0	115.0
Unit Price (US cents/ lb)	108.1	120.0	153.3	167.3	244.2	262.5	160.4	159.4	174.8
Capital Goods (mill. US \$)	1070.0	1296.0	1231.0	1289.0	1346.0	1299.0	1480.0	1918.0	2000.0
Others (mill. US \$) c/	1147.0	1343.0	1128.0	1113.0	1518.0	1764.0	2645.0	3079.0	3328.0
TOTAL IMPORTS (mill. US \$)	3389.8	3790.7	3510.0	3526.0	4071.0	4191.0	5834.0	6881.0	7120.0

a/ As a large portion of imports is financed on a grant basis, unit prices are often available for accounting purposes only.

b/ Includes petroleum products imported by BPC from its refining operations in Singapore as well as imports of non-fuel petroleum products.

c/ Consumer and other intermediate goods not separately shown.

N/A : Not available

Note: 1 bale of raw cotton = 500 lbs; 1 bale of polyester = 618 lbs; 1 bale of viscose - 441 lbs; 1 bale of yarn = 400 lbs.

Source: Bangladesh Bank.

Table 3.4

Gross Official International Reserves

(In Million of US\$)

Year	Month	Reserves	Year	Month	Reserves
1995/96	Sep	2673	1996/97	Jan	1727
	Oct	2641		Feb	1931
	Nov	2372		Mar	1727
	Dec	2368		Apr	1776
	Jan	2217		May	1562
	Feb	2394		Jun	1719
	Mar	2193	1997/98	Jul	1670
	Apr	2163		Aug	1630
	May	1956		Sep	1765
	Jun	2037		Oct	1667
1996/97	Jul	2036		Nov	1585
	Aug	2078		Dec	1660
	Sep	1949		Jan	1729
	Oct	2001		Feb	1840
	Nov	1829		Mar	1964
	Dec	1868		Apr	1808

Source: Bangladesh Bank and Periodic Economic Update, WB 1999

1998/99	Jul	
	Aug	
	Sep	
	Oct	
	Nov	1700
	Dec	
	Jan	
	Feb	
	Mar	
	Apr	
	May	1490
	June	1545

Table 3.5

AID PIPELINE

(US\$ in Million)

	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97 (Est)
FOOD AID												
Opening pipeline	194.4	323.8	207.4	270.9	201.0	173.2	88.4	73.2	130.0	95.6	90.3	85.1
Commitments	329.6	109.0	364.0	157.0	159.7	183.8	226.0	177.7	83.4	132.1	132.8	105.0
Disbursements	202.7	225.4	300.5	226.9	187.5	268.6	241.2	121.0	117.8	137.4	138.0	110.0
Closing pipeline	323.8	207.4	270.9	201.0	173.2	88.4	73.2	130.0	95.6	90.3	85.1	80.1
Pledges	260.2	164.6	168.6	153.1	109.3	91.5	92.6	156.2	208.7	157.4	130.0	160.0
COMMODITY AID												
Opening pipeline	387.2	402.7	562.3	304.1	367.7	341.7	229.5	419.2	383.2	297.3	498.8	498.8
Commitments	408.9	562.1	251.2	601.3	430.7	295.9	575.7	336.1	365.4	354.3	163.1	120.0
Disbursements	393.4	402.5	509.4	537.7	456.7	408.1	386.0	372.1	451.3	332.8	229.4	161.0
Closing pipeline	402.7	562.3	304.1	367.7	341.7	229.5	419.2	383.2	297.3	498.8	498.8	498.8
Pledges	431.4	183.0	279.6	214.5	598.3	387.8	494.4	409.5	274.1	253.3	250.0	170.0
PROJECT AID												
Opening pipeline	4061.8	4632.8	4597.8	4681.8	4893.0	5312.2	5146.9	5196.8	4855.6	5827.5	5684.4	5591.6
Commitments	922.9	932.2	914.5	1115.1	1584.6	890.6	1113.9	760.7	1961.4	1125.8	983.6	1200.0
Disbursements	709.8	967.2	830.5	903.9	1165.4	1055.9	1064.0	1101.9	989.5	1268.9	1076.4	1179.0
Closing pipeline	4632.8	4597.8	4681.8	4893.0	5312.2	5146.9	5196.8	4855.6	5827.5	5684.4	5591.6	5612.6
Pledges	1018.7	1106.4	1179.4	1237.3	1351.6	1235.3	1407.1	1474.6	1584.4	1675.4	1570.0	1610.0
TOTAL												
Opening pipeline	4643.4	5359.3	5367.4	5256.7	5461.6	5827.0	5464.8	5689.2	5368.7	6220.3	6273.5	6175.5
Commitments	1661.4	1603.3	1529.7	1873.4	2175.0	1370.3	1915.6	1274.5	2410.2	1612.2	1279.5	1425.0
Disbursements	1305.9	1595.2	1640.4	1668.5	1809.6	1732.6	1691.2	1595.0	1558.6	1739.1	1443.8	1450.0
Closing pipeline	5359.3	5367.4	5256.7	5461.6	5827.0	5464.8	5689.2	5368.7	6220.3	6273.5	6175.5	6191.5
Pledges	1710.3	1454.0	1627.6	1604.9	2059.2	1714.6	1994.1	2040.3	2067.2	2086.1	1950.0	1940.0
Ratio of Actual Commitments to Pledges (%)	97.1	110.3	94.0	116.7	105.6	79.9	96.1	62.5	116.6	77.3	65.6	73.5

Commodity aid includes cash aid, and project aid includes technical assistance.
Discrepancies between closing pipeline in one year and opening pipeline in the next
year result from adjustments for currency revaluations, aid cancellations, and reclassifications.

Source: Economic Relations Division, Planning Commission.

Table 3.6

Real Effective Exchange Rate

[1990 = 100]

Year	Quarter	REER	Year	Quarter	REER
1991	II	101.39	1994	III	89.03
	III	100.14		IV	91.11
	IV	93.74	1995	I	92.46
1992	I	92.50		II	90.32
	II	94.42		III	92.75
	III	90.41		IV	94.19
	IV	91.47	1996	I	93.43
1993	I	93.47		II	92.30
	II	90.08		III	91.78
	III	90.86		IV	90.89
	IV	92.77	1997	I	94.96
1994	I	93.37		II	95.20
	II	91.46		III	98.12

Sources: IMF, Information Notice System (adapted from Economic Update 98 WB)

Table 3.7

The Official Exchange Rate

	Date	Buying Rate	Selling Rate	Average
1995	Before Sep 10	40.00	40.20	40.10
	Sep 10	40.15	40.35	40.25
	Oct 1	40.40	40.60	40.50
	Oct 18	40.65	40.85	40.75
1996	Jan 8	40.90	41.10	41.00
	Apr 8	41.40	41.60	41.50
	Apr 18	41.65	41.85	41.75
	Jul 15	41.80	42.00	41.90
	Aug 1	42.05	42.25	42.15
	Sep 7	42.20	42.40	42.30
	Sep 23	42.35	42.55	42.45
1997	Feb 6	42.65	42.85	42.75
	Mar 19	43.10	43.30	43.20
	Apr 7	43.55	43.75	43.65
	Jul 21	44.00	44.20	44.10
	Aug 18	44.45	44.65	44.55
	Oct 26	44.85	45.15	45.00
	Nov 24	45.30	45.60	45.45
1998	Feb 2	46.15	46.45	46.30

Source: WB 1999: Economic Update

Table 4.1

Actual Income and Expenditure of the Central Government

(In billion taka)

	FY84	FY90	FY91	FY92	FY93	FY94	FY 95	FY96	FY97	FY98	FY99	FY2000
Total Revenue		68.9	80.0	98.9	113.6	125.3	141.8	150.2	165.9	185.5	197.1	241.6
Tax		57.3	65.2	79.5	91.2	96.3	111.9	120.0	133.1	147.0	158.6	186.4
Non-tax		11.6	14.8	19.4	22.4	29.0	29.9	30.2	32.8	38.5	38.5	55.2
Total expenditure		-127.0	-139.9	-152.4	-169.2	-186.8	-221.5	-222.8	-244.1	-266.9	-312.6	-343.2
Current expenditure a/		-64.7	-72.3	-75.6	-84.6	-91.2	-103.1	-113.1	-123.6	-143.2	-167.7	-178.0
Food account surplus		-8.8	-7.4	-5.8	-6.5	4.5	-7.0	-5.0	-4.0	-3.2	-4.4	-2.2
Annual Development Program		-47.2	-52.0	-57.0	-67.5	-87.1	-100.9	-96.1	-108.5	-113.0	-140.0	-155.0
Other capital expenditure and net lending b/		-5.2	-5.3	-5.4	-8.5	-12.5	-12.0	-8.6	-8.0	-7.5	-0.5	-8.0
Residual d/		-1.1	-2.9	-8.6	-2.2	-0.5	1.4	-2.0	-0.1	0.0		
Overall budget deficit		-58.1	-59.9	-53.5	-55.6	-61.5	-79.7	-74.6	-78.2	-81.4	-115.5	-101.6
Net foreign financing c/		48.6	51.9	44.1	52.9	50.4	57.5	46.1	51.3	48.9	72.0	65.0
Project aid		35.5	35.2	36.4	39.6	38.9	49.7	44.0	47.7	52.7	57.7	
Commodity aid		13.5	16.3	6.4	17.2	18.2	13.4	9.4	11.2	9.3	17.1	
Food aid		6.2	9.7	8.8	4.7	4.8	5.5	5.6	4.3	5.0	5.6	
Commercial food borrowing		-0.8	-0.5	-0.8	-0.7	-0.4	0.0	0.0	0.0	0.0	0.0	
Others									2.1	-2.5	8.4	
Debt amortization		-5.8	-8.8	-6.7	-7.8	-11.0	-11.0	-12.9	-14.0	-15.5	-16.8	-18.0
Net domestic financing		9.5	8.0	9.3	2.7	11.1	22.2	28.1	26.8	31.6	46.3	36.0
Banking system		6.5	1.7	-2.9	-10.3	-5.4	5.2	15.6	17.1	12.6	14.7	
Other domestic		1.9	3.5	9.2	13.0	16.4	17.0	12.5	9.7	19.0	31.6	
(Annual percentage change)												
Total Revenue		14.8	16.1	23.6	14.9	10.3	13.2	5.9	10.5	11.8	6.3	22.6
Tax revenue		17.2	13.8	21.9	14.7	5.6	16.2	7.2	10.9	10.4	7.9	17.5
Total expenditure		18.3	10.2	8.9	11.0	10.4	18.6	0.6	9.6	9.3	17.1	9.8
Current expenditure a/		14.1	11.7	4.6	11.9	7.9	13.0	9.7	9.3	15.9	17.1	6.1
ADP		11.8	10.2	9.6	18.4	29.0	15.9	-4.7	12.9	4.1	23.9	10.7
(As percent of GDP)												
Total revenue		6.9	7.3	8.3	9.1	9.3	9.4	9.1	9.5	9.7	9.0	10.0
Tax revenue		5.8	5.9	6.7	7.3	7.2	7.4	7.3	7.6	7.7	7.3	7.7
Non-tax revenue		1.2	1.3	1.6	1.8	2.2	2.0	1.8	1.9	2.0	1.8	2.3
Total expenditure		12.8	12.8	12.8	13.5	13.9	14.6	13.5	13.9	13.9	14.3	14.2
Current expenditure a/		6.5	6.6	6.4	6.8	6.8	6.8	6.9	7.1	7.5	7.7	7.3
ADP		4.7	4.7	4.8	5.4	6.5	6.7	5.8	6.2	5.9	6.4	6.4
Overall budget deficit		5.8	5.5	4.5	4.4	4.6	5.3	4.5	4.5	4.2	5.3	4.2
Net foreign financing		4.9	4.7	3.7	4.2	3.8	3.8	2.8	2.9	2.5	3.3	2.7
Net domestic financing		1.0	0.7	0.8	0.2	0.8	1.5	1.7	1.5	1.6	2.1	1.5
Banking system		0.7	0.2	-0.2	-0.8	-0.4	0.3	0.9	1.0	0.7	0.7	
Other domestic		0.2	0.3	0.8	1.0	1.2	1.1	0.8	0.6	1.0	1.4	
GDP Mkt. Prices e/		994.2	1097.0	1188.9	1249.9	1342.4	1512.1	1648.4	1752.4	1920.4	2186.6	2422.0

a/ Excludes food subsidies, which are included under the food account deficit.

b/ Comprises non-ADP project expenditure, the Food for Work program, miscellaneous investment (non-development) and net loan and advances.

A major part of gross lending by Government is included within the ADP.

c/ Including foreign grants.

d/ Represents the difference between the balance of revenue and expenditure from the fiscal accounts and total financing estimates of the central Government.

e/ GDP data since 1990 is based on the new national account series.

(see Periodic Economic Update, No 4 1999) These new GDP data is higher than those based on the old series, reducing the figures for the rate of tax revenue in GDP.

Note: E= Estimated outcome

Source: Ministry of Finance, IMF and BBS.

Adapted from MOF: Economic Update:1998 Table 13 and WB: Periodic Economic Update, No 4 1999 (

Table 4.2

Current Revenue - Revised Budget Estimates.

(In billion taka)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
REVENUE											
Tax Revenue	57.1	63.1	76.6	89.3	97.6	109.8	120.8	139.1	156.8	155.9	182.7
Production, consumption and distribution taxes	46.1	50.9	61.7	69.6	77.3	90.8	101.2	117.3	135.4	130.5	152.2
Custom duties	21.7	23.3	28.2	28.4	30.7	36.7	38.5	42.5	50.1	48	56.8
Sales taxes	5.3	8.2	0.0	0.0	0.0	0.0	0.0	0.0			
Excise duties	17.0	17.1	13.6	3.2	1.8	1.8	1.8	2.1	2.3	2.1	2.3
Value Added tax	0.0	0.0	16.8	25.0	27.8	32.8	37.9	44.4	50.5	47.6	56.8
Stamp taxes	1.8	1.9	2.5	3.1	3.6	4.2	4.8	5.3	5.6	6.2	6.7
Motor vehicle taxes	0.4	0.4	0.4	0.5	0.6	0.9	1.1	1.3	1.8	1.2	1.5
Supplementary tax	0.0	0.0	0.2	9.5	12.9	14.5	17.1	21.7	25.1	25.4	28.1
Taxes on income	8.8	10.7	13.0	17.2	17.4	15.6	15.8	17.4	19.5	23.3	27.9
Land revenue tax /a	1.1	0.6	0.9	1.0	1.2	1.5	1.7	1.9	1.9	2.1	2.6
Other taxes and duties /b	1.1	1.0	1.1	1.5	1.8	1.9	2.1	2.6			
Non-tax revenue	5.3	9.1	12.4	14.7	25.2	32.3	34.3	32.4			
Nationalized sector	1.8	4.4	7.0	7.9	8.3	8.8	7.5	7.4			
(Industries)	0.5	2.8	3.8	3.6	4.2	2.3	2.2	2.2			
(Banks)	1.3	1.6	3.2	4.3	4.2	6.5	5.3	5.2			
(Other public sector /c)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Interest receipts	3.5	3.0	3.0	3.5	3.5	4.8	4.5	5.3			
Registration fees	0.7	0.7	0.8	1.0	1.2	1.3	1.5	1.7			
Forest	0.2	0.3	0.3	0.4	0.4	-	-	-			
Railways	-1.4	-1.5	-1.3	-1.0	-1.0	-0.9	-1.6	-0.9			
Post Office & T&T (net)	0.5	2.2	2.5	3.0	4.3	6.1	6.2	6.0			
Other /d	-	-	-	-	8.4	12.3	16.2	12.9			
Total Current Revenue	62.4	72.2	89.0	104.0	122.8	142.1	155.1	171.5			

a/ Tax levied on land holdings. It was virtually abolished in FY74 together with the imposition of the Agriculture income tax but reinstated in 1976/77.

b/ Includes electricity duties, estate duty on agricultural land, taxes on immovable property, gift taxes, capital gains tax, toll taxes, betterment tax on commercial establishments and other levies.

c/ Includes receipts from nationalized insurance, other industrial operations and disinvestment of industrial units.

d/ Receipts of various government departments, especially under general administration, social economic agriculture and other services etc.

Source: Ministry of Finance.
1997 Update Table 4

Table 4.3

Composition of NBR Tax Revenues

Revenues Categories	1992/93	1993/94	1994/95	1995-96	1996-97
	In billion taka				
<u>Import Based Taxes</u>	<u>46.4</u>	<u>47.7</u>	<u>60.8</u>	<u>66.9</u>	<u>72.5</u>
Customs Duty	28.8	29.8	36.8	37.73	40.07
VAT (import)	17.3	17.1	22.2	25.56	27.89
Supp. (import)	0.3	0.7	1.9	3.59	4.52
<u>Domestic Activity Based Taxes</u>	<u>38.0</u>	<u>42.3</u>	<u>44.4</u>	<u>46.8</u>	<u>51.9</u>
Excise Duty	3.3	1.6	1.8	1.83	2.00
VAT (Domestic)	8.3	10.3	12.5	13.05	15.18
Supp. Duty (Domestic)	9.8	11.8	13.4	14.64	16.19
Income Tax	16.1	17.0	14.9	15.33	16.41
Other Tax and Duty	0.4	1.5	1.8	1.97	2.14
Grand Total	84.38	89.96	105.22	113.70	124.41
	Percent of Total				
<u>Import Based Taxes</u>	<u>55.0</u>	<u>53.0</u>	<u>57.8</u>	<u>58.8</u>	<u>58.3</u>
Customs Duty	34.1	33.2	34.9	33.2	32.2
VAT (import)	20.5	19.0	21.1	22.5	22.4
Supp. (import)	0.4	0.8	1.8	3.2	3.6
<u>Domestic Activity Based Taxes</u>	<u>45.0</u>	<u>47.0</u>	<u>42.2</u>	<u>41.2</u>	<u>41.7</u>
Excise Duty	3.9	1.8	1.7	1.6	1.6
VAT (Domestic)	9.9	11.5	11.9	11.5	12.2
Supp. Duty (Domestic)	11.6	13.1	12.8	12.9	13.0
Income Tax	19.1	19.0	14.2	13.5	13.2
Other Tax and Duty	0.5	1.7	1.7	1.7	1.7
Grand Total	100	100	100	100	100

Source: National Board of Revenue

Table 4.4:

Current Expenditure - Revised Budget Estimates.

(In billion taka)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
EXPENDITURES											
General Services	25.9	25.8	29.4	35.5	38.4	43.4	47.5	51.0			
- General administration	8.3	9.1	10.8	12.6	13.8	17.8	19.6	20.5			
- Justice and police	4.5	4.5	5.1	7.4	7.8	6.1	6.5	7.2			
- Defense	12.8	11.8	13.0	14.9	16.3	18.9	20.7	22.7			
- Scientific departments	0.4	0.4	0.4	0.5	0.5	0.6	0.7	0.6			
Social Services	20.8	22.4	23.9	28.3	30.4	34.4	38.0	40.4			
- Education	10.9	11.8	13.8	16.7	17.6	20.1	21.5	23.0	27.0	29.6	32
- Health & population planning	3.7	3.9	4.3	5.2	6.1	6.9	7.3	7.7	8.1	8.4	
- Social welfare	6.2	6.7	5.8	6.4	6.7	7.4	9.2	9.7			
Economic Services	4.6	4.9	5.7	6.7	7.7	8.4	10.3	9.7			
- Agriculture	2.6	2.8	3.0	3.5	3.9	4.5	5.7	5.3			
- Manufacturing & construction	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4			
- Transport & communication	1.1	1.2	1.7	2.1	2.4	2.5	3.0	2.8			
- Others	0.6	0.7	0.7	0.9	1.0	1.0	1.2	1.2			
Debt Service	6.6	8.5	11.1	10.3	10.7	12.1	17.4	17.6	23.2	29.5	28.1
- Domestic		4.2	6.3	5.5	5.2	6.1	10.4	10.8			
- External		4.4	4.7	4.8	5.5	6.0	7.0	6.8			
Food Subsidy /e	6.3	3.7	3.4	1.5	1.5	2.7	3.0	3.5			
Other Subsidy /e	3.1	4.0	2.5	1.3	0.9	1.8	1.6	3.0			
Contingency	0.0	3.7	3.1	1.5	1.9	0.2	0.4	0.3			
Total Current Expenditures f/	67.4	73.1	79.0	85.1	91.5	103.0	118.1	125.4	145.1	167.7	178

d/ Receipts of various government departments, especially under general administration, social economic agriculture and other services etc.

e/ There has been a change in the definition of subsidy, especially during FY93. FY93 figures therefore, are not fully comparable to the previous years' figures.

f/ Government's budgetary definition. This is different from the definition used in Table 3, which is based on IMF definition.

Source: Ministry of Finance. Adapted from Economic Update 1997. Table 4

Current Expenditure - Revised Budget Estimates.

(In percentage)

	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97			
EXPENDITURES											
General Services	38.5	35.3	37.2	41.7	42.0	42.2	40.2	40.7			
- General administration	12.3	12.5	13.7	14.8	15.1	17.3	16.6	16.4			
- Justice and police	6.7	6.2	6.4	8.7	8.5	6.0	5.5	5.7			
- Defense	19.0	16.1	16.5	17.6	17.9	18.3	17.5	18.1			
- Scientific departments	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.5			
Social Services	30.9	30.7	30.3	33.3	33.2	33.4	32.2	32.2			
- Education	16.2	16.2	17.5	19.7	19.2	19.5	18.2	18.3	18.6	17.7	18.0
- Health & population planning	5.4	5.3	5.5	6.1	6.6	6.7	6.2	6.1	5.6	5.0	
- Social welfare	9.2	9.2	7.3	7.5	7.4	7.2	7.8	7.8			
Economic Services	6.8	6.7	7.2	7.9	8.4	8.2	8.7	7.7			
- Agriculture	3.8	3.9	3.8	4.1	4.3	4.4	4.8	4.2			
- Manufacturing & construction	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3			
- Transport & communication	1.7	1.6	2.1	2.5	2.6	2.4	2.5	2.2			
- Others	0.9	0.9	0.9	1.0	1.1	1.0	1.0	1.0			
Debt Service	9.8	11.7	14.0	12.0	11.7	11.7	14.7	14.0			
- Domestic	0.0	5.7	8.0	6.5	5.7	5.9	8.8	8.6			
- External	0.0	6.0	6.0	5.6	6.0	5.8	5.9	5.4			
Food Subsidy /e	9.4	5.1	4.4	1.8	1.6	2.7	2.5	2.8			
Other Subsidy /e	4.6	5.4	3.1	1.6	1.0	1.8	1.4	2.4			
Contingency	0.0	5.1	3.9	1.7	2.1	0.2	0.3	0.2			
Total Current Expenditures f/	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			

a/ Tax levied on land holdings. It was virtually abolished in FY74 together with the imposition of the Agriculture income tax but reinstated in 1976/77.

b/ Includes electricity duties, estate duty on agricultural land, taxes on immovable property, gift taxes, capital gains tax, toll taxes, betterment tax on commercial establishments and other levies.

c/ Includes receipts from nationalized insurance, other industrial operations and disinvestment of industrial units.

d/ Receipts of various government departments, especially under general administration, social economic agriculture and other services etc.

e/ There has been a change in the definition of subsidy, especially during FY93. FY93 figures therefore, are not fully comparable to the previous years' figures.

f/ Government's budgetary definition. This is different from the definition used in Table 3, which is based on IMF definition.

Source: Ministry of Finance.

Table-4.5

Annual Development Program- Size and Sectoral Allocation

(In billion taka)

Sector	FY90	FY91	FY92	FY93	FY94	FY95	FY96	Revised		FY00	
								FY97	FY98		FY99	FY00
Agriculture	3.3	3.1	4.2	3.7	5.2	5.4	4.5	6.4	6.0	4.5	5.2
Rural Development	1.8	2.2	3.2	3.7	4.8	6.8	6.8	10.3	9.0	1.3	1.8
Water Resources	9.8	6.8	5.4	6.2	5.7	6.5	5.6	10.6	10.4	11.8	10.9
Industry	4.3	1.0	1.2	0.7	1.6	1.3	1.5	1.9	1.2	0.4	0.7
Energy:	10.0	7.5	10.6	14.8	15.4	17.7	17.7	18.9	18.5	19.2	24.4
Power	6.5	3.7	7.4	10.1	12.1	15.3	13.7	14.1	12.8	13.6	17.7
Oil, Gas & NR	3.5	3.8	3.2	4.8	3.2	2.4	4.1	4.9	5.7	5.6	6.7
Infrastructure:	12.1	9.7	13.2	13.5	24.0	28.8	27.4	32.4	26.0	34.5	34.2
Transport	7.6	6.3	8.4	9.7	15.4	19.5	19.9	23.3	16.9	20.6	18.9
of which Jamuna bridge				0.1	4.4	4.2	10.0		5.7	3.3	3.0
Communications	1.7	1.1	1.6	1.5	5.4	4.5	2.9	2.2	3.0	3.9	4.0
Physical Planning	2.9	2.3	3.1	2.4	3.2	4.8	4.6	6.8	6.0	10.0	11.3
Social Sectors:	5.7	6.6	7.3	10.5	16.5	24.1	20.9	28.5	28.2	30.1	34.6
Education	2.3	1.7	3.0	5.3	9.2	14.7	13.0	15.8	14.9	17.5	19.3
Health and Family Planning	3.2	4.5	4.1	4.9	6.9	8.4	6.9	10.8	11.7	11.9	14.5
Social Welfare	0.3	0.3	0.3	0.3	0.4	1.0	0.9	1.9	1.6	0.7	0.8
Local Government 1/	3.5	1.6	3.2	5.5	6.9	4.3	5.2	5.0	4.8	22.8	25.9
Others 2/	1.6	25.7	17.9	11.6	10.3	8.0	10.5	3.0	17.8	15.4	17.3
Total ADP	51.9	64.1	66.2	70.2	90.4	103.0	100.2	117.0	122	140.0	155.0
Food For Work (FFW) 3/									5.7		
ADP net of FFW 3/											
Self Financing	4.7	12.1	9.2	2.7	3.3	2.2	4.1	1.6	1.7	1.8	2.5
ADP excluding self financing	47.2	52.0	57.0	67.5	87.1	100.9	96.0	115.5	120.3	138.2	152.5

1/ Local Government includes block allocation for District Councils, District and Thana infrastructure, and local government bodies in Chittagong Hill-Tracts, development assistance to Municipal Corporations and Pourashavas, and development assistance to Thana and Union Parishad.

2/ Include ADP spending on Science and Technology Research, Sports and Culture, Mass Media, Labour and Manpower Self Financing Program, Dhaka City Flood Protection, CDVAT, Canal Digging and Unallocated Bloc.

3/ A portion of Food For Work (FFW) is included in the FY98 ADP, but not in previous years. This makes intertemporal comparison of FY98 ADP size difficult. Thus in order to compare FY98 ADP size with previous years the portion of FFW included in the ADP is netted out.

Source: IMED

Table-4.6
Sectoral Allocation of ADP (PERCENT)

Sector	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	
											R	B
Agriculture	6.3	4.8	6.4	5.3	5.8	5.3	4.5	5.5	4.9	3.2	3.4	
Rural Development	3.4	3.5	4.8	5.2	5.3	6.6	6.8	8.8	7.4	0.9	1.2	
Water Resources	18.8	10.6	8.1	8.8	6.3	6.3	5.6	9.0	8.5	8.4	7.0	
Industry	8.2	1.5	1.8	1.0	1.7	1.3	1.5	1.6	1.0	0.3	0.5	
Energy:	19.2	11.6	16.1	21.1	17.0	17.2	17.7	16.2	15.2	13.7	15.7	
Power	12.4	5.7	11.2	14.3	13.4	14.8	13.6	12.0	10.5	9.7	11.4	
Oil, Gas & NR	6.8	5.9	4.9	6.8	3.6	2.4	4.1	4.2	4.7	4.0	4.3	
Infrastructure:	23.3	15.2	19.9	19.2	26.5	28.0	27.4	27.7	21.3	24.6	22.1	
Transport	14.6	9.8	12.6	13.8	17.1	18.9	19.9	19.9	13.9	14.7	12.2	
of which Jamuna bridge	0.0	0.0	0.0	0.2	4.9	4.1	10.0	0.0	4.7	2.4	1.9	
Communications	3.2	1.8	2.5	2.1	5.9	4.4	2.9	1.9	2.5	2.8	2.6	
Physical Planning	5.5	3.6	4.8	3.4	3.5	4.7	4.6	5.8	5.0	7.1	7.3	
Social Sectors:	11.0	10.2	11.1	14.9	18.3	23.3	20.8	24.4	23.1	21.5	22.3	
Education	4.3	2.7	4.5	7.5	10.2	14.2	13.0	13.5	12.2	12.5	12.5	
Health and Family Planning	6.1	7.0	6.2	7.0	7.6	8.2	6.9	9.2	9.6	8.5	9.4	
Social Welfare	0.5	0.5	0.4	0.4	0.5	1.0	0.9	1.6	1.3	0.5	0.5	
Local Government 1/	6.8	2.5	4.8	7.9	7.7	4.2	5.2	4.3	4.0	16.3	16.7	
Others 2/	3.0	40.0	27.0	16.5	11.4	7.8	10.5	2.6	14.6	11.0	11.2	
Total ADP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

1/ Local Government includes block allocation for District Councils, District and Thana infrastructure, development assistance to Thana and Union Parishad, development assistance to Municipal Corporations and Pourashavas, and local government bodies in Chittagong Hill-Tracts.

2/ Include ADP spending on Science and Technology Research, Sports and Culture, Mass Media, Labour and Manpower Self Financing Program, Dhaka City Flood Protection, CDVAT, Canal Digging and Unallocated Bloc.

3/ A portion of Food For Work (FFW) is included in the FY98 ADP, but not in previous years. This makes intertemporal comparison of FY98 ADP size difficult. Thus in order to compare FY98 ADP size with previous years the portion of FFW included in the ADP is netted out.

Source: IMED

ANNEX 2. Bangladesh: Summary Education Profile

Unweighted group average, 1996

	1980	1985	1990	1995	1996	South Asia	Low-income
Socio-economic context							
Per capita GNP (US\$)	210	200	280	330	340	..	..
Adult illiteracy rate (%), (age 15 +)	..	68.0	65.3	62.3	<i>61.1</i>	54	47.6
Average years of schooling of adults	1.9	2.1	2.2	..	..	..	..
Structure and coverage of the system							
<i>Duration of education (years)</i>							
Primary level	5	5	5	5	5	5	6
Secondary level	7	7	7	7	7	7	6
Compulsory schooling	..	..	..	5	..	..	..
<i>Gross enrollment ratio (%)</i>							
Primary level	61.0	62.0	72.0	..	..	87.3	80.8
Secondary level	18.0	19.0	19.0	..	..	48.7	30.1
Tertiary level	2.8	4.8	4.4	6.1	6.2	..	5.1
Population aged 6-23	30.0	..	32.0	..	..	..	..
<i>Net enrollment ratio (%)</i>							
Primary level	58.6	56.1	64.0	..	..	..	..
Secondary level	14.5	17.5	20.0	..	..	..	..
Student flow: primary level							
Pupils reaching grade 5 (% of cohort)	20.5	..	46.7	..	..	..	..
Repetition rate (%)	17.8	..	6.8	..	..	..	..
School life expectancy (years)	4	5	5	..	..	..	..
Student flow: secondary level							
Progression to secondary level (%)	..	..	56.0	..	..	..	..
Repetition rate (%)	..	..	..	..	..	..	..
Public expenditure on education							
Total spending as a percentage of GNP	1.5	1.9	2.0	..	2.9	..	..
<i>Current spending per student (% of per capita GNP)</i>							
Primary level	4.8	7.5	6.8	..	..	..	..
Secondary level	14.1	16.1	20.8	..	..	..	..
Tertiary level	46.7	32.8	40.5	..	..	..	..
<i>Current spending on teaching materials</i>							
Primary level (%)	..	0.0	..	..	..	..	..
Secondary level (%)	0.2	0.1	0.3	..	..	..	..
Ratio of pupils to teachers							
Primary level	53.6	47.0	63.0	..	..	..	41.9
Secondary level	23.9	28.0	27.7	..	..	25.1	..
Girls' enrollment share							
Primary level (%)	37.0	40.0	44.8	..	..	..	44.5
Secondary level (%)	24.1	28.0	33.0	..	..	..	..
Private sector enrollment share							
Primary level (%)	14.6	11.0	15.2	..	..	..	..
Secondary level (%)	..	92.2	88.8	..	..	..	..

Note: .. means that data are not available or that aggregates cannot be calculated because of missing data in the years shown. 0 or 0.0 means zero or less than half the unit shown. Figures in italics refer to the most recent year available within two years of the year indicated. Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data.

**NORAD**DIREKTORATET FOR
UTVIKLINGSSAMARBEID
NORWEGIAN AGENCY FOR
DEVELOPMENT COOPERATION

ANNEX 3

Arne Wiig
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5892 Bergen

Innkommene:	13 AUG. 1999
Journalnr.:	234
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Arkivnr: 842.3 GLO 0403-156

File no.:

Deres ref.:

Your ref.:

Vår ref.: 97/7016-52

Our ref.:

Vår saksbehandler: Ragna Fidjestøl

Enquiries to:

Dato: 10.08.99

Date:

**"TERMS OF REFERENCE" FOR UTARBEIDELSE AV LANDRAPPORT –
BANGLADESH**

Vi viser til tidligere samtaler og til ditt brev av 15. juli 1999 hvor du presenterer et opplegg og budsjett for landrapporten for Bangladesh. I det store og hele synes opplegget å være greit, vi har imidlertid forsøkt å inkorporere kommentarer fra Ambassaden som vi mottok 1. august (kopi vedlagt).

Vi har utarbeidet en oppdragsbeskrivelse som omfatter både del 1 og del 2 av rapporten, basert på standard oppdragsbeskrivelsen for del 1 og våre diskusjoner vedrørende del 2. Sammen med kontrakten av 24.03.1999 utgjør "terms of reference" rammene for oppdraget.

Vi gjør oppmerksom på at i følge kontrakten skal bruk av eksterne konsulenter godkjennes av NORAD og kontrakten inngått med dem oversendes NORAD til orientering. Vi ber derfor om å få tilsendt kopi av kontrakten du måtte inngå med den lokale forskningsassistenten som skal hjelpe til med å tolke og oversette budsjettet.

Vi foreslår at du selv kontakter Ambassaden i Dhaka for eventuell assistanse til å gjøre avtaler eller for annen bistand du måtte trenge fra Ambassaden.

Med vennlig hilsen

Mona Gleditsch

Fungerende Underdirektør

Ragna FidjestølKopi: Ambassaden i Dhaka
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TERMS OF REFERENCE

"Country Report" Bangladesh

Background

NORAD and the Ministry of Foreign Affairs acknowledge the need for assistance from external resources in the form of reviews of economic, social, political and cultural conditions in selected countries of principal co-operation to augment Norwegian country specific knowledge. This country report is intended to be one such device for increased knowledge.

The present terms of reference are linked to the contract of 24.03.1999 between NORAD and NCG/CMI concerning external country expertise ("ekstern landkompetanse"). Where nothing else is specified in the terms of reference, the conditions spelled out in the contract will prevail.

Purpose

The objective of this report is to complement NORAD's and the Embassy's knowledge of Bangladesh by increasing the understanding of economic and social conditions in Bangladesh and thereby increasing the competence to deal with economic, institutional and social problems.

As the amount of information and documentation from competent local and international organisations and agencies are huge, the need for external topical competence is to synthesise, analyse and evaluate the available information, to analyse general development trends, and possibly to participate in planning processes. Furthermore, in order to acquire an overall perspective of the present situation in Bangladesh, it is also important to address other issues such as historical, cultural, sociological and political aspects.

This report will more specifically be used as input into the annual country programme negotiations with the authorities in Bangladesh and to prepare the Ministers visit to Bangladesh.

Scope of Work

The report will consist of two parts: one part examining recent macroeconomic development, and a second part analysing the government's budget from a poverty alleviation perspective.

PART I:

Part one of the report will give a brief presentation of the macroeconomic framework and how it has developed over the last years. The analysis shall include, but not necessarily be limited to:

1. Economic and institutional indicators:

- 1.1. Bangladesh's present economic performance by looking at macroeconomic trends, strengths and weaknesses (- which includes indicators like GDP, trade balance, inflation, exchange rate, budget deficit, foreign and domestic debt, investment and inflow of foreign capital;)
- 1.2. Possible bottlenecks to development of the economic sector;
- 1.3. Current trends in national plans, policies and strategies to improve economic performance;
- 1.4. Ongoing administrative reforms (Civil Service Reforms, Public Expenditure Reforms) and assessment of the domestic capacity, the resources available and the political will to undertake administrative reforms;
- 1.5. Trends in public expenditure and income;
- 1.6. Trends in bilateral and international agencies on-going and planned assistance to Bangladesh.

2. Social, political and cultural indicators;

- 2.1. The development in social indicators;
- 2.2. To briefly describe obstacles to an effective implementation of development programmes;
- 2.3. Political will to reform the political system and to consolidate democracy, human rights and equality and to alleviate poverty.

The government's overall development policy will also be briefly presented as well as how different stakeholders, like the World Bank and IMF, view it. As part of this first report on Bangladesh, the consultant will create a database in Excel keeping track of social and economic indicators over time, for monitoring purposes.

PART II

Part two shall focus on the government's budget (both recurrent and ADP) and analyse its possibly effects on poverty alleviation.

The relationship between shifts in expenditures in the 90-ies and the development of selected poverty indicators, including indicators for health and education, will be studied. The four following aspects will be discussed:

- level of public expenditure and sources of funding;
- composition of public expenditure on sectors like education, health and family planning;
- existence of security nets (e.g. "Food for Education" and "Food for Work")
- quality of public services

Implementation

The work shall be carried out through desk study and field research.

The desk study implies a review of relevant literature, including:

- Public Expenditure Review. 1997 Update. Making the Best Use of Public Resources. (World Bank)
- Bangladesh: From Counting the Poor to Making the Poor Count, World Bank 1998.
- Bangladesh: Economic Trends and the Policy Agenda, World Bank / ADB 1998.
- Bangladesh Key Challenges for the Next Millenium, World Bank 1999.
- Government that works, World Bank 1996.
- Flow of External Resources into Bangladesh, Ministry of Finance 1999.
- Bangladesh Economic Review 1998, Ministry of Finance December 1998.
- Revenue Budget 1988/99
- Budget Speech 1999/2000.
- ADP 1998/99 and 1999/2000
- Annual Development Programme 1997-98.
- The Fifth Five Year Plan (1997-2002)

A field study to Bangladesh will be undertaken from August 27 to September 10. During the field study the consultant will have discussions with the authorities, local NGOs and researches, as well as bilateral and international development agencies. The consultant should also visit relevant business communities, libraries, universities and research communities.

Persons / institutions to contact (not exclusive):

- ERD
- Ministry of Planning: Planning Commission; Implementation, Monitoring and Evaluation Division (IMED)
- Bangladesh Bureau of Statistics (BBS)
- World Bank
- Resident representative David Lockwood, UNDP
- Bangladesh Institute of Development Studies (BIDS)
- Prof. Rehman Sobhan, Centre for Policy Dialogue
- Bangladesh Centre for Advanced Studies

The timeframe for making the country report is a total of 5 weeks (2 weeks in the field and 3 weeks at home).