Considerable progress in social and economic fields, on the one hand, and abject poverty, on the other, are co-existing in Bangladesh. Official statistics suggest that per capita GNP has risen to $280, a growth rate of 4-5% was sustained in the 1980s and 1990s compared to rather negative growth of GDP in the 1970s; population growth rate has been contained and near self-sufficiency in food production has been attained. Bangladesh is emerging as a fast growing export sector, comparable in terms of growth to Thailand and Korea during the period 1990-95. Measured in Purchasing Power Parity (PPP) terms, Bangladesh belongs to the upper echelon of the low income countries, and is at the same level as India. While the macro socio-economic indicators show

improvement, poverty in Bangladesh is still pervasive and endemic. Household expenditure survey of the Bangladesh Bureau of Statistics (BBS), using the most common definition, indicates that about half of the population could be considered as poor in the mid-1990s, while a quarter of the population could be considered as extreme poor. Of course, one may explain this contradictory trends in terms of the pervasiveness of poverty compared to the marginal nature of the positive indicators. But if one considers the number of agencies involved and amount of efforts and resources put in poverty alleviation in the country, one is perhaps tempted to conclude if poverty is an industry and if these efforts end up perpetuating poverty rather than alleviating it.

It is in this context that the aim of the paper is to review donor policies toward poverty alleviation in Bangladesh. Apparently, the focus could have been on the numerous NGOs which are in operation in Bangladesh rather than the donors. The reason is practical. With expanded operation of the market mechanism, much of the resources emanating from traditional philanthropy have shrunken. For all practical purposes, the donors, major donors in particular, will remain the lender of the last resort for the NGOs as source of funding. That means, the development partners of Bangladesh are assuming increasingly important role in poverty alleviation in the country. The purpose of the paper is to examine the poverty situation in the country vis-à-vis donor policy towards poverty alleviation and suggest some policy directions from which a breakthrough may be expected in the rather stalemated poverty alleviation programme in the country.

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Poverty Trends in Bangladesh

There are disagreements between economists and concerned quarters about the extent and trend of poverty in Bangladesh. Basically, the disagreements stem from methodological differences. The calorie intake method of the Bangladesh Bureau of Statistics (BBS) suggested that overall poverty has been decreasing in the 1980s and extent of poverty was similar in the urban and rural areas. However, BIDS followed cost of living approach and BBS later began to follow BIDS methodology.

Table 1: Percentage of Population Below Poverty Line

<table>
<thead>
<tr>
<th>Sector</th>
<th>Very Poor (Lower Poverty Line)</th>
<th>Poor (Upper Poverty Line)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>83-84</td>
<td>85-86</td>
</tr>
<tr>
<td>Rural</td>
<td>42.6</td>
<td>36.0</td>
</tr>
<tr>
<td>Urban</td>
<td>28.0</td>
<td>19.9</td>
</tr>
<tr>
<td>National</td>
<td>40.9</td>
<td>33.8</td>
</tr>
</tbody>
</table>


Table 1 suggests that poverty reduction has been rather slow. It remained stagnant from 1983-84 to 1991-92. Indeed, poverty incidence has been higher in 1991-92 than in 1983-84. However, it declined to 53.1 percent in 1995-96 from 58.5 percent in 1983-84. On the basis of the assumption that growth reduces poverty but inequality increases it, it may be argued that stagnation in the 1980s was because of the fact that growth in GDP was accompanied by higher rate of inequality than in the 1990s. 4 While sound macro-economic management, higher growth and improvements in social

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indicators like health, nutrition and education, may have contributed to fall in the level of poverty, it has been argued that rising inequality has reduced the impact of higher growth on poverty by a quarter, according to World Bank data.

A second finding of the BBS study is that poverty declined more in the urban areas than in rural areas, and throughout the period rural poverty in terms of very poor was twice as high as urban poverty. In terms of the upper poverty line, the gap, however, is a little bit lowered.

• Higher rural poverty indicates inadequacy of the targeted poverty alleviation programmes for those who cannot participate in the growth process.

• Alongside it, child malnutrition and maternal mortality is very high in the rural areas.

• Landless farm workers the percentage of whom is increasing, are among the poorest in the rural areas.

This is despite the fact that:

• NGOs with their micro credit programmes are mostly concentrated in the rural areas;

• a number of food safety net programmes, namely, food for works programmes (FWP), vulnerable group development (VGD) programme, test relief, food for education programmes, are operative in the rural areas.

The changes in rural poverty has been subject of debate. The BIDS study suggests that there has been a decline in rural poverty from 59% in 1987 to 52% in 1994. Similarly, a Nutrition Surveillance project argues that the degree of chronic
malnutrition among the children had declined from 70% in 1990 to 62% in 1996. On the contrary, other studies tend to suggest that there has deterioration in rural poverty during the 1990s. A tentative estimate suggests that between mid-1970s and mid-1990s, the number of rural poor has increased from 44 million to 51 million.

A point about hard core poor. Available estimates suggests that the hard core poor will account for a quarter of the rural population and their number is certainly not declining. It is now well recognized that the hard core poor remain mainly outside the remit of most of the NGOs. A pertinent question is: when will the hard core poor be bankable?

Poverty Alleviation in Development Strategy of Bangladesh

The Government’s vision of growth, equity and social justice include rapid growth with macro-economic stability; an enabling environment for faster, private-sector-led and export-led growth; a re-oriented public sector, including improvement in public administration and local government; and human development programme focusing on the poor, women and children in particular.

The government’s estimate is that a growth rate of 6 to 7 percent is needed in order to make a dent in the country’s poverty situation. Such a high growth rate is contingent on high level of investment and continued political stability. Both are problematic assumptions.

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6 Ibid., p.9.
Apart from the avowed policy of poverty eradication as may be seen in all planning and development documents, the Government has also formed a National Task Force on Poverty Alleviation.\(^7\)

**Poverty Alleviation in Donor Development Policy**

While talking of donor policy toward poverty alleviation, one is reminded of the abortive 20-20 anti-poverty plan of the Social Summit in Copenhagen in 1995 where the developing countries wanted a firm pledge from the developed countries for spending 20% social spending on the part of the aid donors.\(^8\)

Coming to the Bangladesh context, the World Bank group defines its mission as:

To help Bangladesh reduce poverty by promoting rapid, job-creating economic growth and interventions that directly assist the poor.\(^9\)

The World Bank country assistance strategy involves: improving macro-economic management as a precondition for achieving rapid, sustainable economic growth; promoting a competitive private sector as the engine of growth; promoting better public sector management and improved public services for private sector and civil society; accelerating agricultural growth and rural development.

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The World Bank is committed to contribute to human development endeavours of Bangladesh by supporting:

- 3 million additional contraceptive users, leading to a total of 16 million users;
- immunization for 8.4 million new borns and a similar number of pregnant women, basic health services for 1 million women and children per month at satellite clinics and 50 million outpatient visits per year at thana health complexes;
- community-based nutrition projects to improve the nutrition status of over 3 million pre-school children, adolescent girls and lactating mothers;
- primary, secondary and non-formal education projects to bring quality education to more than 24 million children and adults;
- micro-credit, micro-enterprise credit and local community based social development loans to provide capital to 2 million women borrowers.¹⁰

UNICEF takes a more focused approach to poverty alleviation. It believes that eradication of poverty can only be effective through programmes aimed at child survival.¹¹ In view of this, the World Bank with technical assistance of the UNICEF, has embarked upon the Bangladesh Integrated Nutrition Project (BINP) in 1995. A survey report suggested

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¹⁰ Ibid.
that child malnutrition declined from 20 percent to 3 percent in the programme areas in two years.\textsuperscript{12}

A critique of the anti-poverty programmes of the donor is in order concerning effectiveness of the so much resources given in aid for reducing poverty. While it has been claimed that about US $2 trillion has come to the developing countries from the rich ones, a study in Bangladesh found that three-fourths of the foreign aid received since independence went back to donor to pay for experts, consultants and equipment.\textsuperscript{13}

Asian Development Bank seems to have taken up a pro-poor poverty alleviation strategy. It has recently approved a micro-finance development strategy aimed at ensuring permanent access to institutional finances on the part of the poor for their small business.\textsuperscript{14} The programme includes a broad range of services such as deposits, loans/money transfer and insurance to the poor for their micro-enterprises. The basic assumption on which microfinance is based is that providing the poor with an improved ability to save, better access to credit and insurance would help them manage risks, build assets and increase their incomes. Chairman of ADB’s Taskforce on Microfinance said in this context:

Microfinance used to be the domain of the donors and experimental credit projects — but it has evolved into an

\textsuperscript{12} World Bank, \textit{op. cit.}
\textsuperscript{13} Kunda Dixit, "The Poverty Summit", \textit{The Bangladesh Observer}, March 17, 1999.
industry. This strategy will help up the more effective and consistent in meeting the diverse requirement of this sector.\textsuperscript{15}

A key feature of the ADB programme is its emphasis on reforms in interest rates and broadening the institutions including private sector ones to extend microfinance. Another feature is the introduction of commercial principles and competitiveness in service delivery. No doubt, as a member of the ADB, Bangladesh, a pioneer in the region in microfinance, will be beneficiary of the ADB facilities. Question is: what would be the response and reactions of the gurus in microfinance in Bangladesh to the proposed reforms in microfinance, particularly reforms in interests and circulation of deposits?

Excessive donor dependency for poverty alleviation has led to predominance of donor preferences in poverty alleviation so that what Bangladesh has at the moment is not one or a narrow range of poverty alleviation programmes but a number of eclectic ones resulting in huge overlappings. Efforts are spent more on chasing donors rather than consolidation of experiences. There are a number of areas where, of course, there is consensus among the donors. First, government’s poverty alleviation programmes should be channeled through the NGOs. Second, the NGOs, in turn, should attain a high rate of repayment, a standard set by the Grameen Bank. Third, the NGOs should strive for self-sufficiency. These have a number of implications. First, there is a greater degree of homogenization in the role of the NGOs towards banking model rather than the traditional motivational, mobilizational and conscienciatational role played by many NGOs earlier.

\textsuperscript{15}ibid.
Secondly, because of focus on self-financing and cost-covering, the cost of credit is bound to go up raising a huge question mark on poverty alleviation role of the credit programmes of the NGOs.

Conclusions

A very pertinent question: whose anti-poverty programmes carries more weight, Government’s or NGOs? Such a debate was raised following a World Bank report which claimed that Government’s anti-poverty programmes failed while those of the NGOs were more successful.\(^{16}\)

A number of observations may be made in this context. First, while micro credit has made significant progress, micro credit alone cannot eradicate poverty. The most formidable challenge to ongoing micro credit programme is limitation of scale, what Binayak Sen has termed as first generation effect.\(^{17}\) Indeed, micro credit projects should graduate into larger projects where people find employment. This will lead to increased wages and productivity. Prof. Whahiddin Mahmud has stressed the need for development of other sectors including agriculture. The present author would argue that the greatest limitation of the ongoing poverty alleviation programmes operated by both GoB and NGOs is their failure to address the question of agricultural development. A switch over to non-agricultural sector is talked about. While no one will dispute that, switching over to non-agricultural sectors, leaving behind where agricultural sector is at the moment, will only drag the economy from behind. Agriculture must sustain

\(^{16}\) The Bangladesh Observer, March 20, 1999.

\(^{17}\) The Daily Star, June 26, 1998.
the economy, the largest chunk of the poverty stricken population who live in the rural areas.

Secondly, one needs to address the cost of delivery. This applies to both GoB and NGO programme. While Government's budget shows high figures for poverty alleviation, a major portion of the budgeted money is used as delivery cost. Serious attention should be given to this aspect. Thirdly, human development, development of social sectors like education, health, receive only marginal and haphazard attention. Software attention like raising awareness is necessary but tangible assistance in these areas is needed to make a dent into malnourishment, school drop outs etc. The role of donors come in this context because there is a need for greater coordination at their end because a big push is needed to make a dent in the iceberg of poverty. There has been much talk about poverty alleviation, resources have been mobilized and allocated but what we have lacked so far is a frontal attack on poverty. A comprehensive study by the Bangladesh Centre for Advanced Studies (BCAS), titled, *Bangladesh 2020* said, Bangladesh can totally eliminate poverty, attain an annual eight percent growth rate, provide universal literacy and basic health care to its population by 2020. But unless we make a frontal attack on poverty with the necessary reforms within the rubric of good governance, we are bound to slide to the bottom of the latter.

Fourthly, a vibrant effective local government system is a *sine qua non* for participatory and democratic poverty alleviation programme. This is an element that is much talked

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18 Ibid.
about, yet a functioning local government system is not in place. Perhaps, a combination of effective local government, on the one hand, and a network of NGOs, on the other, may contribute to what one may call democratic development.

Finally, an attempt is made to break some new grounds in poverty alleviation as such, as well as in donor policy towards poverty alleviation. One wonders if two vital areas of national development – poverty alleviation and sustainable development through checking environmental degradation, could be pursued in isolation. Indeed there are economic reasons that this cannot be done so. It is now well-recognized that environmental degradation affects the growth of GDP. Thus, even if growth of GDP alleviates poverty, environmental degradation worsens poverty and gains from growth are offset. Thus, poverty alleviation and sustainable management of environment has to be linked.

The recent Bangladesh Government and UNDP joint initiatives beginning in National Environmental Management Action Plan (NEMAP) and its transition to Sustainable Environmental Management Programme (SEMP) have gone a long way in participatory environmental management, it is not clear to what extent poverty alleviation is in-built into the programme.

It is in this context that the present author argues that micro-credit will dissipate and the poor will continue to remain

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21 This point finds some resonance in Salehuddin Ahmed, "Rural Development and Poverty Alleviation" in Mohiuddin Ahmad (ed.) *Bangladesh in the New Millennium*, Dhaka: Community Development Library, 2000 p. 204 but the point is not pursued further.
poor even if NGOs operate another 50 years in the country unless micro-credit is invested in creating common property resources for the poor. Since donors play a big role in both environmental management and poverty alleviation, they may make sure these policies are not pursued in isolation. Moreover, at the individual household level, the amount of credit is so small that there is every likelihood that desperate poor will damage environment to eke out a living. On the other hand, if common property regimes are created with micro-credit, collectivity will lend scale factor to resources and their sustainable use. In a sense, the poor are made bankable through a kind of common property, that is mutual security. What is proposed here is extending this common property concept to all spheres – credit taking to credit use. The donors perhaps will take this point seriously if they mean poverty alleviation in Bangladesh.