

NATIONAL BUDGET 2006-2007: A RAPID ASSESSMENT



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INTRODUCTION

The budget is a political document that provides the fiscal strategy of the party(ies) in power for addressing the prevailing circumstances. The yearly much-publicised exercises by and large have been long on rhetoric, especially for the poor but short on allocating enough money for the important programmes that would affect living conditions of ordinary people, as the rate of reduction in poverty remains meager, while the absolute number of poor continues to rise unabatedly.

The Context

The present exercise of collection and allocation of money is not an exception, but is added with predictable loose cannons. First, the Finance Minister has to call the shots in way that enhances tax sops and fiscal concessions to his collaborators as well as the budget remains delusional and window-dressed to the majority of the electorates, with something for everybody. Second, he has to secure enough money to underwrite such expansion amidst indulgence, while tax-GDP ratio remains problematic as ever, further constrained by the inability to impose higher income and corporate taxes. Third, his neo-liberal indoctrination does not allow him to source in money due to sharp cuts in custom duties as part of trade liberalisation. Fourth, the ever-experienced-much-liked supremo of national accounts has been a recent prey to the international financial institutions such as World Bank and the IMF for not becoming successful in containing budget deficit, especially in the wake of rising oil bills. Fifth, the track-recorded accountant is in doll drum as his books hang in the balance due to mounting borrowing from the banking system including foreign private banks as the concessionary aid flows at a lowest pace. Sixth, the increasing dependency on domestic finance thorough banking and non-banking sector leads to crowd out private investment, which coupled with low public investment could dampen the overall investment scenario of the country, resulting in a negative impact on GDP growth. Seventh, he faces another tug of war with the IMF as regards infusing of investment and enhancement of output expansion; the latter forced pursuance of the contractionary monetary policy, resulting in the recent rise in rate of interest, making the cost of investment into economy higher. Eighth, national output expansion has been constrained by the government expenditure on investment (i.e. expenditure through annual development programme - ADP) as share of ADP of the GDP remains static over the decade. Ninth, he is politically faced with the task of giving strategies a 'nationalistic' flavour, but his regime continues to witness heightened higher growth of import and lower growth of export, resulted in a widening trade deficit and flooding of foreign imports. Last, but most importantly, he has to innovate fiscal measures to keep him afloat, and win an election, as the higher inflated price, especially in the food related items indicate sever negative impacts on the livelihood of the majority of the population, leaving the poor much worse-off, since tightening of the economy through monetary instruments may prove to be more disastrous.

Structure of the Assessment

In such a situation, the rapid assessment provides an analysis of how the Finance Minister has risen on the occasion. The assessment is divided into three parts. The *first* part locates the fiscal measures to understand their implications on the process of national output expansion, which is the necessary condition for an economy to sustain in the coming years, especially in view of reduction of poverty. The *second* section analyses the budgetary allocation in light of the previous trends in order to find out as to where the resource is going. The *final* section attempts to understand the outcome of such exercise, particularly in light of claims in the field of millennium development goals (MDGs) which are prime target of the government, as stated in its poverty reduction strategy paper, which according to the government is her national strategy for development.

PART – I: FISCAL MEASURES AND MACROECONOMIC OUTLOOK

The present government in its last year has proposed to allocate Tk69,740 crore, which is 14.21 per cent higher than the revised budget of the last year and 8.32 per cent higher than the actual budget of the fiscal 2005-06 (the revised estimate is shortfall by Tk3325 crore of the actual budget estimated).

Before going into details of the budget outlay for the fiscal 2006-07, it would be helpful to review the revenue and expenditure status of the revised budget of the fiscal 2005-06. The expenditure part of the budget shows that development expenditure was cut down by 11 per cent to Tk23626 crore while non-development expenditure revised downward by 2.7 per cent to Tk37057 crore. The revenue in the revised budget was set at Tk44868 crore, which is 1.87 per cent from the actual budget set for the fiscal 2005-06, as targets of tax revenue and foreign grants are set lower. The overall budget deficit (excluding grants) was slipped to 3.9 per cent as against the targeted 4.5 per cent of the GDP. This is primarily due to downward revision of the budget expenditure.

Table – 1.1: Budgets of 2005-06 and 2006-07 at a Glance

Description	Budget 2006-07	Percentage change from the revised budget 2005-06	Percentage change from the budget 2005-06	Revised Budget 2005-06	Percentage change of the revised budget from the budget 2005-06	Budget 2005-06
Revenue & Foreign Grants						
Revenue	52542	17.10	14.92	44868	-1.87	45722
Tax Revenue	42915	18.63	15.02	36175	-3.05	37312
Non-tax revenue	9627	10.74	14.47	8693	3.37	8410
Foreign Grants	2508	1.29	-24.11	2476	-25.08	3305
Expenditure						
Non-development Expenditure	42286	14.11	11.04	37057	-2.69	38082
Development Expenditure	28463	20.47	7.19	23626	-11.03	26554
Employment Generation & Development Programmes	1982	45.41	54.72	1363	6.40	1281
ADP	26000	20.93	6.12	21500	-12.24	24500
Total Expenditure	69740	14.22	8.32	61058	-5.16	64383
Over all deficit (including Grants)	-14690	7.09	-4.34	-13717	-10.67	-15356
as % of GDP	-3.2			-3.3		-3.7
Over all deficit (excluding Grants)	-17198	6.23	-7.84	-16190	-13.24	-18661
as % of GDP	-3.7			-3.9		-4.5

Source: Authors' compilation from budget documents.

Of total expenditure, as shown in the above table, *non-development expenditure is set to increase by 14.11 per cent whereas development expenditure by 20.42 per cent*. The high non-

development expenditure i.e. revenue expenditure was mainly due to increased salary of the government officials introduced last year whereas the lofty allocation in the development expenditure, which was drastically reduced by 11 per cent in the revised budget, gives an indication of the election orientation of the budget.

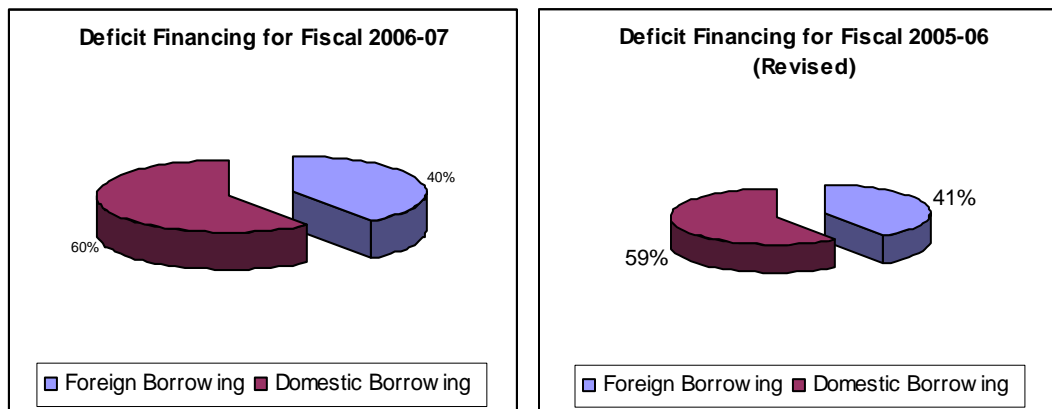
The government has projected an ambitious revenue collection equivalent to Tk52,542 crore for the fiscal 2006-07, which is 17.1 per cent higher than the revised budget of the fiscal 2005-06. Of the total revenue to be received, Tk 42915 crore is from tax revenue while Tk9,627 crore is from non-tax revenue. Total revenue collection is Tk17,198 crore (excluding foreign grants) or 24.67 per cent of the total budget expenditure.

Deficit Financing

The gap of revenue and expenditure shows that the budget deficit which as said above equivalent to Tk17,198 crore in fiscal 2006-07. A part of the deficit will be managed through foreign grants, which is equivalent to Tk2,508 crore, leaving the revenue shortfall equivalent to Tk14,690 crore.

Given the inadequate foreign grants and limited sources of non-tax revenue collection, it seems that *government has kept the budget deficit at artificially lower rate by setting an ambitious target of tax revenue collection, which is 18.62 per cent higher than the revised budget of the fiscal 2005-06.* It is important to note that the low budget deficit in the current fiscal was due to fact that government has to cut the ADP by over 11 per cent on the wake of low inflow of foreign grants as well as downward revision of tax revenue collection.

The budget of the fiscal 2006-07 gives a clear indication that dependence on foreign borrowing for financing the deficit continues to decline as dependence on domestic borrowing increases. Around 40 per cent of the total budget deficit would be financed by the foreign borrowing whereas rest of the amount would be channeled through domestic sources, namely, banking and non-banking sources.



It is envisaged from the Table – 1.2 that due to low inflow of foreign fund the government has revised the foreign borrowing by 20.53 per cent to Tk5574 crore, which is 41 per cent of the total deficit financing in the fiscal 2005-06. On the other hand, though government has revised the domestic borrowing marginally by 2.4per cent, its revised borrowing from the banking sector has increased by over 34 per cent.

The government borrowings from the domestic sources, especially from the banking sources continue to remain high in the fiscal 2006-07, which is 10.65 per cent higher than the revised budget of the fiscal 2005-06.

Table – 1.2- Deficit Financing

Description	Budget 2006-07	percentage change from the revised budget 2005-06	percentage change from the budget 2005-06	Revised Budget 2005-06	Percentage change of the revised budget from the budget 2005-06	Budget 2005-06
Foreign Borrowing	5856	5.06	-16.51	5574	-20.53	7014
Domestic Borrowing	8834	8.53	5.91	8140	-2.41	8341
Borrowing from Banking Source	5434	10.65	49.29	4911	34.92	3640
Non-banking Borrowing	3400	5.30	-27.67	3229	-31.31	4701

Source: Authors' compilation from budget documents.

In sum up, *the growing dependence of the government on banking sector to meet the deficit financing and the contractionary monetary policy pursued by the central bank by raising CRR and SLR would shrink the funds for the private sector.* This is already evident from the current fiscal as liquidity crunch in the banking sector led to unhealthy competition among the private commercial banks to attract depositors by raising the rates up to 13 per cent in some instances. *What is worrying is that low availability of fund and high interest rate would obviously cast a negative impact on investment scenario.*

Revenue arithmetic

The revenue buoyancy projected in 2006-07 relies heavily, as usual, on indirect tax especially on the performance of VAT. The budget assumes 17.1 per cent growth in total revenue receipts in fiscal 2006-07 over the revised budget of the preceding fiscal. *The target is ambitious given the fact that government has to revised the revenue target for the fiscal 2005-06.* The projected tax buoyancy implies that projected revenue/GDP ratio to rise at 11.3 per cent in 2006-07 from the estimated 10.8 per cent in 2005-06. The MTBF explained that tax revenues have been relatively elastic to GDP i.e. a given increase in GDP can be expected to give rise to more than proportionate growth in tax revenues. It means that with strong commitment to the implementation of planned tax policy measures and tax administration reforms there are good prospects for achieving the overall targets for revenue growth.

However, governance in tax administration remains one of the major hurdles in achieving the growth. Though government has widened the tax net, larger tax payers remained untracked aided by the corruption within the administration. *It is remained to be seen that problem in revenue collection would be mitigated once the tax ombudsmen is introduced from July 1, 2006.*

The Table- 1.3 documents the share of major taxes in the gross tax revenues, their performance in 2005-06 and expectation in 2006-07. The government has assumed 17.1 per cent of increase in gross revenue for the fiscal in 2006-07. The distribution of revenue earnings show that 81.61 per cent of the gross revenue to be earned as tax revenue while the remaining to be earned as non-tax revenue. Distribution of tax revenues show that earning is more skewed to VAT as it constitutes 34.32 per cent followed by the import duty which accounts for 22.1 per cent. Taxes on income and corporate profit constitute only 19.81 per cent keeping the slabs of existing personal income tax and corporate profit tax intact for the income year 2007-08 as is the case for the assessment year 2006-07 for the individual assesses. However, government has given an incentive of 10 per cent tax rebates on additional tax to be paid by those individual tax payers paying tax at the

highest rate of 25 per cent disclosing more than 10 per cent higher income in the assessment year 2007-08.

Thus the distribution of government's revenue receipts is same is almost same over the years - dependency on indirect tax is far larger than the direct tax. It means that government's tax structure is regressive in nature as the dependence on direct tax that includes tax on income and corporate profit is lower than the indirect tax i.e. VAT, import duty etc. The problem is that in case of indirect tax both rich and poor bear the same tax burden in which case poor would be more affected than the rich given the distribution of income. On the other hand, the direct tax is imposed according to income in which case rich would pay more tax compared to the poor.

The regressive nature of tax structure is one of the main reasons which contributed to widen income inequality between rich and poor over the years. The unequal distribution of GDP growth is also corroborated from the government assumption that tax is more elastic to GDP growth. As GDP increases the indirect tax grows faster rate than the direct tax due to regressive nature of tax structure. It means that poor pay more tax relative to their income compared to that of rich.

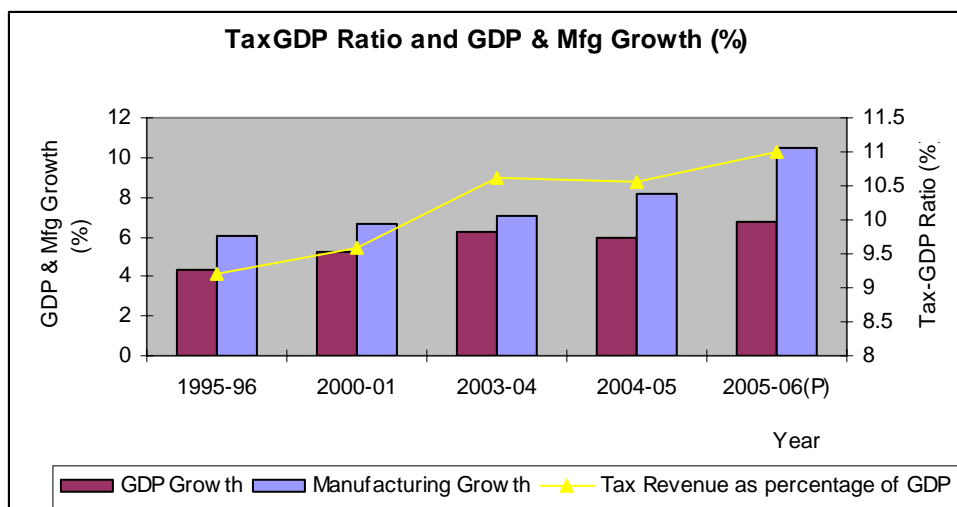
Table – 1.3 : Tax revenues of the government

Tax heads	% Share	% Growth			2005-06 (O) /2005-06 (O)
	2006-07	2005-06 (revised)	2005-06 (original)	2006-07/2005-06 (revised)	
Gross revenue	100.00	100.00	100.00	17.10	-1.87
Total Tax Revenue	81.68	80.63	81.61	18.63	-3.05
Non-Tax Revenue	18.32	19.37	18.39	10.74	3.37
Total Tax Revenue	100.00	100.00	100.00	18.63	-3.05
VAT	34.32	34.27	33.97	18.80	-2.19
Import Duty	22.10	22.76	24.39	15.18	-9.51
Taxes on Income & Corporate Profit	19.81	19.24	18.65	22.13	0.00
Supplementary Duty	17.94	17.68	17.15	20.44	-0.09
Excise Duty	0.43	0.45	0.44	13.50	-1.21
Other taxes	5.39	5.60	5.39	14.32	0.65

Source: Authors' calculation from Budget 2006-07

Tax Buoyancy

While reviewing the patterns of tax buoyancy (ratio of growth in tax collection to GDP growth), this section attempts to examine the relationship between the tax buoyancy and GDP growth and manufacturing activities. The following figure charts the changes in tax buoyancy against GDP growth and industrial growth



The overall tax buoyancy moved more or less in tandem with the manufacturing performance. It dipped during the period of downturn and shot up again during the recovery period. However, the overall tax buoyancy expected to hit a high of 10.99 per cent in the fiscal 2005-06. What had contributed to such an improvement in tax collection? The *trend over time reveals that the performance of indirect taxes (consisting of customs and excise, VAT etc) is very closely related to manufacturing performance - buoyancy in manufacturing tends to improve the VAT, customs and excise duty collection.*

Growth Outlook and Inflation

The GDP outlook is expected to be buoyant during fiscal 2005-06 as the official agencies project it at 6.71 per cent. According to such 'estimate' the performance of industry is expected to grow at record level of 9.56 per cent. The growth in agriculture is expected to be at the rate of 4.49 per cent whereas the service sector is expected to continue with their high growth performance of 6.47 per cent.

The average inflation rate based on CPI (base year 1995-96=100) between July-March 2006 was 7.04 per cent. The average food inflation was even higher, which is 7.47 per cent whereas non-food inflation was 6.09 per cent during the period.

On point-to-point basis, the inflation rate was 6.17 per cent during March 2006 compared to the same month of the previous fiscal. The food and non-food items, which came down in February 2006, rose again in March to 6.09 per cent and 6.57 per cent respectively.

As far as growth and inflation are concerned the upcoming fiscal is a critical period for the investors for several reasons in terms of both political and economic perspectives:

Economic Factors: (i) Expansionary budgetary measures would help little in economic growth and employment generation. Though government has undertaken a lofty ADP outlay of Tk26,000 crore, much of the resources likely to outflow into unproductive purposes ahead of the election. (ii) Contractionary monetary policy which further likely to limit the credit growth which in turn would contain the industrial activities; (iii) Power crisis would continue as there would be no major improvement in power sector; (iv) Precarious BoP position may affect the import of raw materials; (v). Inflationary pressure may increase the cost of business, (vi) Cost of fuel price, which unlikely to come down, would take toll on business.

Political Factors: (i) Election could dampen the overall investment climate in the upcoming fiscal as the political unrest continues to prevail across the country. Many political programmes might create an untoward situation for the investors; (ii) Recent unrest at EPZ area has already shook investors confidence. Restoring investors confidence as well as that of foreign buyers would remain a major challenge; (iii) As the election is round the corner the law and order situation has tended to deteriorate in the wake of rising the incident of murders, extortion as many of the underworld gangster, which were remained disguised now set to be freed as the government is losing its grip in controlling law and order situation.

In this circumstances, the election oriented government's ambitious public expenditure, which is less likely to be growth oriented, only could increase unproductive spending spree ahead of the elections, therefore, spur the inflationary pressure despite the central bank's desperate effort to contain inflation by shrinking money supply into the economy. *The contractionary monetary policy would rather be inimical to the local investors, whatsoever, would bulk the economic growth in the fiscal 2006-07 set to come.* Moreover, *given the internal resource constraint coupled with expected low inflow of foreign aid, the biggest ever government expenditure would lead the government to depend more on domestic borrowing both through banking and non-banking sources.* This, if so, could crowd out private investment thus affecting the GDP growth. *This expansionary budget will have negative impact on inflation too if the central bank continues to pursue contractionary monetary policy. The present trend of inflation is not induced by growth. Some non-economic factors for e.g. hoarding by unscrupulous traders and extortion on the roads and economic factors for e.g. frequent oil price hike that raised the transport costs as well as depreciation of taka against dollar that raised the import costs of essential imported food items and input costs are mainly responsible for the recent trend of inflationary pressure.*

The essential food items would likely to see another bout of price hike as is seen in case of raise in oil price immediate after the announcement of the budget. Though government has adopted some precautionary measures by rationalizing the import duties of many of the essential items it would unlikely to contain the price hike especially that of food items. *It is the syndication of hoarding by some of the unscrupulous traders who are responsible for abnormal price hike of the essential food items. However, there is no direction in the budget how to address the syndication problem.*

In sum up, *poor quality of public investment and shrink of private investment opportunity could have a negative impact on economic growth. Therefore, one can find an economy of higher than projected inflation rate and lower GDP growth in fiscal 2006-07.*

Savings and Investment

The projected domestic and national savings are respectively 20.26 per cent and 26.61 per cent of the GDP respectively in fiscal 2005-06 compared to 20.01 per cent and 25.84 of GDP in the preceding fiscal, showing marginal improvement.

On the other hand, the total investment has been projected to be 24.97 per cent of GDP in the current fiscal compared to 24.53 per cent in the previous fiscal. While the private investment scenario has improved marginally the public investment continued to decline.

Both the private and public investment have been projected to be 18.67 per cent and 6.30 per cent of GDP respectively in fiscal 2005-06 compared to 18.58 per cent and 6.52 per cent in the previous fiscal.

The *marginal increment of savings and investment has failed to give a real impetus to GDP growth. Moreover, the process of slow growth of infusing investment and enhancement of output expansion has received further blow by the government acceding to the demand of the International Monetary Fund.* The government, adhering to the IMF prescription, has started pursuing the contractionary monetary policy. This resulted in the recent spate of interest hike as the central bank limits the credit flow into the economy, making the cost of investment into economy higher. Besides, *the growing public expenditure in unproductive activities ahead of the national elections and growing dependence on bank financing as well as the interest rate hike of the government savings instrument likely to crowd out private investment in the near future, which in turn would erode the GDP growth.*

External Sector

Reforms in external sector continue with the government pursuing trade liberalization. Yet again the government has cut down the tax on import duty for 3,346 items. While keeping the existing four tier customs duty (0 per cent and 6 per cent for basic raw materials and capital machinery for industry; 13 per cent for intermediate goods and 25 per cent for finished goods) unchanged, the slabs of 13 per cent and 6 per cent have been reduced by one percentage point each to 12 per cent and 5 per cent respectively. In case of supplementary duty the two rates 35 per cent and 25 per cent have been brought down to 20 per cent and 15 per cent.

Apparently the government has kept two things in mind while reducing the import duties. First, *the government has cut the import duty further to please the donors namely the World Bank and the IMF.* Second, *the government has cut the duties on some of the essential items to contain the unabated increase of food items ahead of the election.* Besides, the cut in duty on basic raw materials and capital machinery would work as an incentive for the industrial sector.

The policy of import liberalisation and some recent external shocks like sky rocketing oil price in the international market put the country's external sector at stake, as it was reflected from the frequent depreciation of taka against dollar in last couple of years. The present crisis in the *external sector is perpetuating growing trade deficit for years*, which is rustled from opening up the economy at faster rate. This coupled with oil price turbulence in the international market has aggravated the external sector.

Table – 1.4 : Tariff Rates

Year	Unweighted Average	Weighted Average
1996-97	21.5	18
1997-98	20.7	16
1998-99	20.3	14.1
1999-00	19.5	13.8
2000-01	18.6	15.1
2001-02	17.13	9.73
2002-03	16.51	12.45
2003-04	15.62	11.48
2004-05	13.54	9.59
2005-06 (jul-feb)	12.51	8.09

The Table – 1.4 shows that both unweighted and weighted average import duties were reduced at faster rate over the years to 12.51 per cent and 8.09 per cent respectively at the end of February 2006. Though the rapid trade liberalisation has made domestic production cost effective, as the

producers have availed the raw materials at international competitive price, at the same time import grew at fastest rate during the period putting the trade balance at precarious state. This has been corroborated in the following data on export and import.

Table – 1.5: External Sector Transaction

	Export (Us \$ in mn)	Growth Rate (%)	Import Us \$ in mn)	Growth Rate (%)	Trade Deficit Us \$ in mn)	Remittance Us \$ in mn)	Growth Rate (%)	Current Account balance Us \$ in mn)
1996-97	4418.28	13.80	7152	3.19	-2733.72	1475	21.20	-865
1997-98	5161.2	16.81	7520	5.15	-2358.80	1525	3.39	-463
1998-99	5312.86	2.94	8006	6.46	-2693.14	1706	11.87	-477
1999-00	5752.2	8.27	8374	4.60	-2621.80	1949	14.24	-418
2000-01	6467.3	12.43	9335	11.48	-2867.70	1882	-3.44	-1098
2001-02	5986.09	-7.44	8540	-8.52	-2553.91	2501.13	32.90	157
2002-03	6548.44	9.39	9658	13.09	-3109.56	3061.97	22.42	176
2003-04	7602.99	16.10	10903	12.89	-3300.01	3371.97	10.12	176
2004-05	8654.52	13.83	13146	20.57	-4491.48	3848.29	14.13	-268
July-March 2004-05	6318.28		9689		-3370.72	3190		-612
July-March 2005-06	7517.4	18.98	10612	9.53	-3094.60	3889.74	21.94	231

As the economy has become more liberalised through cut in import duty the import growth has been accelerated at faster rate in the later years. In fiscal 2004-05, the import growth peaked at 20.57 per cent as the central bank bowed by the donor agencies has withdrawn LC margin. The growth in the fiscal, however, has been contained in current fiscal. Between July-March 2005-06, the import grew by 9.53 per cent.

Overall export growth through out the decade was modest in fiscal 2005-06 as up to March the export registered at 18.98 per cent growth.

Despite the oil price shocks the current account remains favourable with a positive balance of US\$231 million till March 2006. This is mainly due to the inflow of workers remittances from abroad, which grew by 21.94 per cent during the first nine months of the current fiscal, compared to the same period of the previous fiscal.

PART – II SECTORAL ALLOCATION

A sound budgetary allocation complies with three principles that foster growth and ensure better livelihood of the people contributing to substantive reduction of poverty. The allocation is expected to (a) induce investment to create new jobs, (b) remove barriers to entry into gainful employment through increased allocation in social sectors and (c) to contain deprivation and help disadvantaged such as old population, disabled etc.

Such measures can be better indicators for measuring allocative efficiency the following section makes a clear look at allocation plan. The rapid assessment investigate the abovementioned criteria by looking into allocation suggested in agriculture infrastructure, and social sector.

Agriculture

Agriculture is the highest employer: More than half (51.69%) the total employed population is engaged in the sector, with accounting for high imbalance in terms of share into national output or GDP. About 70% people of the country are directly or indirectly dependent on agriculture: the share of the sector declining at fast pace, but dependence on the sector remains permanent, makes poverty situation highly precarious. The finance minister claimed that the budget follows fundamental objective to eradicate poverty, but such reduction would not be fruitful unless the majority is supported with increased income, with adequate production to feed the nation as well as to maintain the livelihood of the majority.

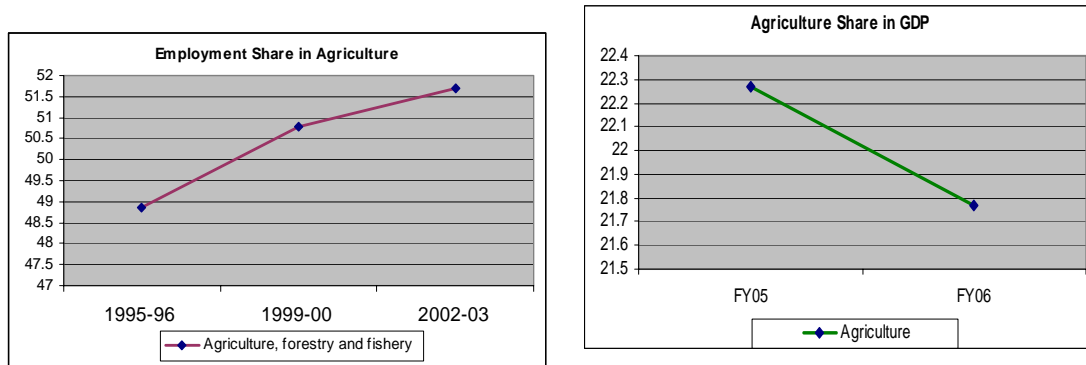


Figure 1: Employment and GDP share of agriculture

While looking into the allocation pattern the agriculture has a meager share (4.61%) in the ADP as well as revenue budget (3.31%).

At an aggregate level, the share of agriculture shows a very impressive increase in terms of allocation, as percentage of GDP but the increase is mainly in non-development expenditure. The ADP allocation has increased by a meager amount (11%) while the Non-ADP allocation has increased by 6.5 times of ADP increment.

Table – 2.1: Budgetary allocation for agriculture (in thousand taka)

Sector	FY06	% Of Total Allocation	FY07	% of Total Allocation	% Change
Development	10994000		12210900		11%
Non-development	11137661		19343039		73.67%
Total	22131661	3.44	31553939	4.90	

Source: Budget Statement, Finance division

This is a regular practice in Bangladesh to propose a higher allocation and to cut a substantiate amount. If this play of proposed outlay and actual expenditure is simulated for the current proposal, *about 42.53 percent ADP allocation will remain unimplemented and will be reduced to 7017608 thousand taka only. On the contrary, non-development budget allocation and projected expenditure shows that it will increase to 58.67 percent than the allocation actually made in the budget.*

Table – 2.2: Projected Revised Budget of FY07 in Agriculture (in thousand taka)

Sector		Allocation FY06	Revised FY06	Allocation FY07	To be implemented (Projected) for FY07	% Change between Budgetary Allocations
Agriculture	Development	10994000	6318700	12210900	7017604	-42.53
	Non-development	11137661	17672363	19343039	30691600	58.67
	Total	22131661	23991063	31553939	37709204	16.14

Source: Authors Estimate

Another way of looking into the allocative reality is by the adjusting allocation to inflation. As there is a sharp increase in the inflation rate it is expected that the proposed price increase in allocation may not really go up in terms of real allocation in the sector compared to that of the previous year. Our *inflation-adjusted estimate shows that the real increase in the development allocation is only 3.78 percent compared to non-adjusted figure of increase by 11%.*

Table – 2.3: Inflation Adjusted Allocation in Agriculture (in thousand taka)

Sector		Allocation FY06	Inflation Adjusted with FY06	Allocation FY07	% Change
Agriculture	Development	10994000	11765521	12210900	3.78
	Non-development	11137661	11919264	19343039	62.28
	Total	22131661	23684786	31553939	66.06

Source: Authors Estimate

In his budget speech the finance minister claimed that the economists and civil society are all in favour of upward price adjustment of fuel. If the price of fuel especially the diesel rises, the pressure would be immense on the input costs of the farmers as 80% of total irrigation is dependent on diesel.

Table – 2.4: Irrigation charges

	Irrigation Charges (\$/ha)
Punjab	31.04
West Bengal	18.82
Bangladesh	52.95
Thailand Wet Season	1.45
Thailand Dry	17.95
Vietnam Wet Season	6.98
Vietnam Dry Season	17.98

This is much more conspicuous, if one compares the irrigation charges to those of agriculture producing countries. This would further weaken the competitiveness of Bangladesh on the one hand and more importantly will have decisive impact on the farming households which by gustinate are incurring negative profitability.

For this fiscal, the government allocated 1200 crore subsidy for agriculture which was 1100 crore in the last fiscal. The concern of subsidy does not rest upon the amount rather on the efficacy of its use as it is often claimed that the subsidy does not benefit the real producers. The prevailing subsidy structure is power centric. The two major windows of provision of subsidy are casue of concern.

1. Subsidy on imported fertilizers- importers get the 25%subsidy on invoice that is appropriated by hoarders and other syndicates.
2. Subsidy on diesel is appropriated by the owners of the means of irrigation as they sell water at a fixed price.

The budget avoids guidelines to restructure the present subsidy mechanism. One reason might be to please party loyalists at the rural areas who have secured dealership of distribution.

Infrastructure: allocation to Power

There is no denying the fact that dynamics of investment climate is, amongst other, determined by access to, and use of energy. The consumption of energy has been seen, by a good many analysis, as a proxy of structural transformation. The availability of power has been a prime concern raised by business houses in pre-budget consultations.

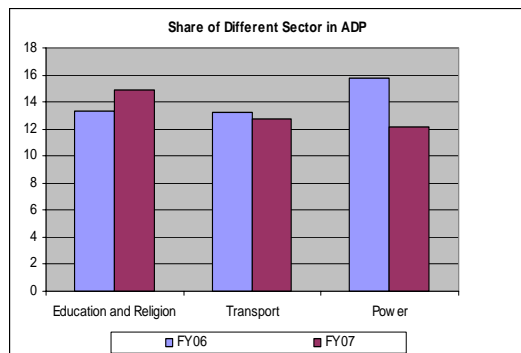
The country is running a load shedding of more than 1000 MW in peak hours. The huge load shedding takes away productive hours from the industries ultimately working as a major disincentive to the investors.

Though power sector investment is very capital incentive in nature, the ADP allocation in this sector is meager and the growth from the preceding year is negative in current price. If the allocation were adjusted to inflation the growth rate would be more negative, meaning that the power shortage in the national grid will continue and the situation would like to be more acute in the coming years as energy demand is increasing day by day.

While looking into the allocation for the major sectors from ADP of FY07 *the only sector shows a negative growth both in terms of ADP share and allocation in absolute amount is the power sector.* It was 15.73% of ADP in the revised budget of FY06 and further decreased to 12.16% in the proposed allocation of FY07. The allocation in absolute amount also decreased to 6.53% in FY07. *The reduction is sharper than any other sector of the economy.*

Table – 2.5 : Share of Major Sector in ADP (*In crore taka*)

Sector	% ADP in FY06 (Revised)	% ADP in FY07	Growth rate in FY07
Education and Religion	2863 (13.31)	3861 (14.85)	34.85
Transport	2855 (13.27)	3309 (12.73)	15.90
Power	3382 (15.73)	3161 (12.16)	-6.53



Although our projected revised ADP for the sector, measured in terms of trend of actual implementation, shows that there would be some increase in the actual allocation in the power sector the total amount still remains same as that of the previous fiscal.

Table – 2.6: Projected Revised ADP in Different Sector (In crore taka)

Sector	ADP Allocated	Revised	ADP Allocated	To be implemented (Projected) for FY07
Education and Religion	3297	2863	3861	3353
Transport	3039	2855	3309	3109
Power	3119	3382	3161	3427

Source: Authors estimate

The allocation for power makes the situation more acute while the inflation-adjusted allocation is calculated. It shows more than 12% decrease in allocation undermining the urgent need of resolving the power crisis.

Table – 2.7: Inflation Adjusted Sectoral ADP Allocation (In crore taka)

Sector	ADP in FY06	Inflation Adjusted with FY06	ADP in FY07	% Change
Education and Religion	2863	3064	3861	26.01
Transport	2855	3055	3309	8.31
Power	3382	3619	3161	-12.66

Source: Authors estimate

The finance minister hailed the participation of the private sectors in the power production in his speech; it will have a ripple off effects in the face of increasing exchange rate of dollar against taka as the private sector sells power in US dollars. Almost 50 percent devaluation of the taka against dollar over the past eight years has translated into more than TK 2800 crore in losses for the Power Development Board in its transactions with six independent power plants. The Board purchased around 33,361 million kilowatt-hour of electricity from the plants till December 2005 with taka 9,162.62 crore. The board estimates that it will have to dispense an additional Tk 2,813.49 crore because of a sustained depreciation of taka.

Social Sector Investment

The budgetary allocation in social sectors i.e. education and health seems to suggest an increase than those of the preceding years. Allocation for education in FY07 is 8.87% of the total

allocation from 8.79% for FY06 and health sector follows the same trend amounting to 6.88% while it was 6.59% in FY06.

Table – 2.8: Budgetary allocation for education and health sector (in thousand taka)

Sector		Allocation for FY06	% Of total allocation	Allocation for FY07	% Of total allocation
Education					
	Development Expenditure	14994400		15246000	
	Non-Development Expenditure	41599294		46581888	
	Total	56593694	8.79	61827888	8.87
Health					
	Development Expenditure	21768800		23753400	
	Non-Development Expenditure	20632817		24215851	
	Total	42401617	6.59	47969251	6.88

The projected implementation of budgetary outlay for FY07 shows that the education sector will not appropriate 6.1 percent of the total allocation. *The development expenditure will face a reduction of 29.29% of the total allocation meaning that the budget allocation can seldom be effective to the expansion of the educational service in this fiscal.* Health sector also will face the same. On the contrary, non-development expenditure implementation will continue to rise, questioning the effectiveness of such vaunted increase in the sector. This intensifies the nature of political expediency; the sector is grasped over with.

Table – 2.9: Projected implementation of allocation (In thousand taka)

Sector		Allocation for FY06	Revised FY06	Allocation FY07	To be implemented (Projected) for FY07	% Change from budgetary allocation
Education						
	Development Expenditure	14994400	10603800	15246000	10780447	-29.29
	Non-Development Expenditure	41599294	42228390	46581888	47285275	1.51
	Total	56593694	52832190	61827888	58065721	-6.1
Health						
	Development Expenditure	21768800	20471500	23753400	22337697	-6
	Non-Development Expenditure	20632817	20642634	24215851	24225537	0.04
	Total	42401617	41114134	47969251	46563235	-3

Source: Authors Estimate

If the allocation of the education and health sectors is adjusted with the pace of the inflation shows a very meager increase of the allocation in both sectors. *Education shows a minimal increase of 2% from the preceding year where development expenditure is reduced by 5%.* So, it can be said that the real allocation for the development of education service will decrease from that of FY06. Health sector allocation also shows a moderate rise in inflation-adjusted

calculation. But here also the increase in non-development allocation is much greater (9%) than that of the development allocation (1%).

Table -2.10: Inflation adjusted allocation in Social sectors

Sector		Allocation FY06	Inflation adjusted FY07	with Allocation FY07	% Change
Education					
	Development Expenditure	14994400	16046656	15246000	-5
	Non-Development Expenditure	41599294	44518591	46581888	4.63
	Total	56593694	60565246	61827888	2
Health					
	Development Expenditure	21768800	23296460	23753400	1
	Non-Development Expenditure	20632817	22080758	24215851	9.6
	Total	42401617	45377218	47969251	5.7

Source: Authors Estimate

The share of public health expenditure as percentage of GDP is historically lower in Bangladesh than that of the South Asian average. The South Asian average health expenditure (% of GDP) was 3.1 in 2002 while for Bangladesh it was only 0.8%. Considering the total health expenditure it is observed that public sector expenditure is 25.2 % while the private sector expenditure accounted 74.8 % of total health expenditure in 2002 provides the picture that the government is forcing the people to use private services. More over, the per capita health expenditure is also least in Bangladesh accounting only \$11 where it is \$25.8 for South Asian countries and \$29.4 for Low-income countries in 2002. Public health expenditure as percentage of GDP was 0.98 for FY06 in Bangladesh.

Table – 2.11: Comparison of health expenditure with South Asia and other LDCs

	Bangladesh				South Asia		Low income	
	1980	1990	1995	2002	1980	2002	1980	2002
Health expenditure, total (% of GDP)	3.1	..	5.5	..	5.5
Health expenditure, public (% of GDP)	0.8	..	1.3	..	1.5
Health expenditure, private (% of GDP)	2.3	..	4.2	..	4
Health expenditure, public (% of total health expenditure)	25.2	..	24	..	27.5
Health expenditure, private (% of total health expenditure)	74.8	..	76	..	72.5
Health expenditure per capita (\$)	11	..	25.8	..	29.4

Social Safety Net

Listening to the budget speech of the finance minister one can be jubilant that finance minister cares a lot about social safety net as he allocates a significant time to address the issue. The reality is not that. The allocation for social safety net is more talked one than allocated. *The allocation is only 0.42 (without VGF, TR etc) percent of total allocation while it was 0.51(without VGF, TR etc) in FY06.*

Table – 2.12: Allocation - Social Safety nets

Item	Fiscal Year 06				Fiscal Year 07				Growth Rate
	Per Person Amount in (Tk)	Total Receipt (Lakh)	Total Amount (Tk in Crore)	% Share of Total Allocation	Per Person Amount in (Tk)	Total Receipt	Total Amount (Tk in Crore)	% Share of Total Allocation	
Senior Citizen Allowance	180	1500000	27	0.04	200	1600000	32	0.05	18.52
Destitute, Widowed Women	180	625000	11.25	0.02	200	650000	13	0.02	15.56
Fund of Rehabilitation of the Acid Brunt and Physically Handicapped			45	0.07			10	0.01	-77.78
Fund for Mitigating Risk due to Natural Disasters			150	0.23			30	0.04	-80.00
Honorarium Programme for Insolvent Freedom Fighter		70000	42	0.07		100000	50	0.07	19.05
Programme for the Assistance to the Fully Retarded	200	104000	2.08	0.00	200	164000	3.28	0.00	57.69
Seasonal Unemployment Reduction Fund			50	0.08			55	0.08	10.00
Retraining and Employment of Voluntarily Retired/Retrenched Employees/Labourers		
Skill Development Fund for the Readymade Garments Workers							50	0.07	
Fund for Housing Homeless				.			50	0.07	
Total			327.33	0.51			293.28	0.42	

Source: Authors Estimate

The inflation-adjusted allocation for social safety net measures shows further decline than that of the preceding year. The percentage decline in terms of total allocation between FY06 and FY07 is 16.

Table – 2.13: Allocation of Social Safety nets (Inflation Adjusted)

Item	Fiscal Year 06		Fiscal Year 07	
	Total Amount (Tk in Crore)	Inflation Adjusted with FY06	Total Amount (Tk in Crore)	Growth Rate
Senior Citizen Allowance	27	28.89477	32	10.75
Destitute, Widowed Women	11.25	12.03949	13	7.98
Fund of Rehabilitation of the Acid Brunt and Physically Handicapped	45	48.15795	10	-79.23
Fund for Mitigating Risk due to Natural Disasters	150	160.5265	30	-81.31
Honorarium Programme for Insolvent Freedom Fighter	42	44.94742	50	11.24
Programme for the Assistance to the Fully Retarded	2.08	2.225967	3.28	47.35
Seasonal Unemployment Reduction Fund	50	53.50883	55	2.79
Retraining and Employment of Voluntarily Retired/Retrenched Employees/Labourers
Skill Development Fund for the Readymade Garments Workers			50	.
Fund for Housing Homeless			50	.
% Change between FY06 and FY07 in terms of total allocation		-16.28		

Source: Authors Estimate

PART III: MILLENNIUM DEVELOPMENT GOALS: PROCLAIMED ACHIEVEMENTS AND REALITIES

The Finance Minister in his 12th budget speech touches on a number of indicators of the Millennium Development Goals (MDGs) and claimed to have achieved remarkable success. He asserts that two targets of MDGs – removal of gender disparity in primary and secondary education and access to drinking water - have already been achieved. The speech also contains claims about remarkable success in primary education enrolment, reduction of child mortality, maternal mortality and malnutrition. All these claims are based on a set of indicators - a total of forty-eight indicators within eighteen specific targets under eight goals. These set of numerical and time-bound targets relate to halving income-poverty and hunger, achieving universal primary education and gender equality, reducing infant and child mortality by two-thirds and maternal mortality by three-quarters, reversing the spread of HIV/AIDS and other communicable diseases, and halving the proportion of people without access to safe water.

Gender parity in education

The Finance Minister claims that the gender gap in enrolment at primary and secondary level has been removed. Official statistics (GoB 2006)¹ suggests the ratio of girls to boys in primary and secondary schools are 50:50 and 47:53 respectively, achieving the target of 50:50 by 2015. However, confusing claims are found in other official documents. In MDG progress report (GoB and UN 2005)² the target ratio of female to male was set at 48:52 for primary and at 50:50 for secondary education by 2015. It was claimed that by 2002, more girls were enrolled than boys (52:48) in secondary level and the target ratio in primary level had already been achieved.

Interestingly, there has been a trend of juggling with statistics in order to proclaim success in the sector, boys-girls ratio in primary school enrolment in different years cited in two official documents do not match, thus questions the validity of the claims that the gender disparity in education enrolment has virtually been eliminated.

Table – 3.1 Gender Share in Primary Education

Year	1992		1995		1998		2001		2004	
	1	2	1	2	1	2	1	2	1	2
Boys	58.73	54.2	53.09	52.6	56.53	52.2	51.87	51.0	51.24	50.4
Girls	41.26	45.8	46.9	47.4	43.46	47.8	48.12	49.0	48.75	49.6

Note: Source 1: GoB and UN, 2005, MDG Progress Report 2005, and Source 2: GoB 2006, Bangladesh Economic Review 2006

The increasing numerical gender parity and the attendant claims are part of Bangladesh’s target of eliminating gender disparity in primary and secondary education in all levels of education. Mere gender parity in terms of educational access in only primary and secondary levels does not necessarily resolve gender disparities. Even when women have access to education and literacy, the access fails to equalise the balance of power between genders. This is evident from other indicators relevant to achieving the more encompassing goal of MDG 3. The current budget talks about widening of social safety nets through allowance for senior citizens, destitute, widowed women and fund for rehabilitation of acid burnt and physically handicapped, the required allocation to equalise the balance of power between genders has not also been visible in the budget. The current female drop out rates of 72.2% in junior secondary, 54.8% in secondary level

¹ Government of Bangladesh, Bangladesh Economic Review 2006, Ministry of Finance, June 2006

² Government of Bangladesh and United Nations Country Team (2005), Millennium Development Goals: Bangladesh Progress Report, February 2005

and 41.5% in higher secondary level are higher than the total drop out rate in respective levels. Gender disparity is higher in case of youth literacy. 44% female are literate compared to 62.1% of males in the age group of 20-24 years. The share of women in wage employment in whole of the manufacturing sector is hardly 7.36% of that aggregate.

Primary education enrolment

The budget document claims that Bangladesh has achieved remarkable success in terms of net enrolment rate in primary education. This claim is part of three indicators including net primary education enrolment and completion rate, adult literacy rate (age 15+ years) of MDG2 to achieving universal primary education. In terms of net enrolment rate, Bangladesh's target is to increase the net enrollment rate from 73.7% in 1992 to 100% by 2015 and to reduce primary school dropout rates from 38% in 1994 to 0% by 2015.

While the *Bangladesh Economic Review 2006* states that the current enrolment in primary level has exceeded 97 percent, the other official document clearly indicates the same rate has progressed from 73.7 percent in 1992 to 82.7 percent in 2002 and the primary education completion rate increased from 42.5 percent in 1992 to 80.6 percent in 2002 (GoB and UN 2005). The claims also defy the earlier projection of a World Bank (2005a) study asserting that even with intervention mechanisms like reduction of student teacher ratio and increased coverage of the primary education stipend programme, net primary enrolment would not be able to cross the 90 percent benchmark and completion rate would stay below 85 percent by 2015.

The statistics on educational enrolment for 6-10 years old children is a matter of serious debate: a number of sources providing conflicting number. There has been some progress in enrolment, but the official claim of 97 percent has been marred by challenges from the GoB and UN (2005) figure (82.7 percent), BBS/ UNICEF (2003)³ estimate (80.9 percent) and nation-wide survey conducted by CAMPE (2002)⁴ put it at 80 percent. And according to various data sources, the range of enrolment have been slightly higher for females (83-84%) compared to males (81-82%). This improvement was due to several income assistance programmes like government's budgetary allocation for girls' education, free primary education, massive stipend programmes at the primary level, and Food for Education programme. However, official sources also tells us that still 3.5 million 6-10 year old children are not enrolled in primary education (GoB and UN 2005).

The rate of enrolment has faded by the higher rate of dropouts (33 percent in 2004) though fallen from 38 percent in 1994 (GoB and UN 2005). But this progress rate does not support that the MDG target on tract. Contrary to the existing progress rate, drop out rate must be decreased at 3 percent per year achieving the target. The net primary enrolment and the completion rates are only 54% and 55% respectively at the bottom consumption quintiles (as measured by household consumption expenditure per capita), while the rates are 78% and 77% for top quintiles in 2000 (World bank 2005a)⁵. Though there is some evidence that government's income assistance programmes especially the Food- for-Education, Vulnerable Group Feeding (VGF) and Vulnerable Group Development (VGD) are associated with higher net primary enrolment rates, there is no such evidence with respect to the primary completion rate.

³ BBS/UNICEF (2003), Preliminary Results of the Multiple Indicator Cluster Survey (MICS), cited in GoB and UN (2005)

⁴ Campaign for Popular Education (2002), Renewed Hope Daunting Challenges – State of Primary Education in Bangladesh, Education Watch 2001, Dhaka: CAMPE

⁵ World Bank (2005), Attaining the Millennium Development Goals in Bangladesh, Dhaka: World Bank

Access to safe drinking water

The target to increase proportion of population with sustainable access to safe drinking water is one of the seven indicators of three targets encompassing goals of reversing loss of environmental resources, ensuring access to drinking water and sanitation and improving living conditions of slum dwellers, all for ensuring environmental sustainability. The budget claims achievement of one of the targets of MDG 7 - to halve by 2015 the proportion of people without sustainable access to safe water and basic sanitation. While the current status of safe drinking water coverage in 2002 as proclaimed by the MDG progress report was 82 and 72 percent respectively in urban and rural areas, the budget claims that Bangladesh has already achieved this target by ensuring access to safe drinking water i.e. 100 percent of urban and 96.5 percent of rural population have access to safe water, the target originally set to be achieved by 2015.

The proportion of people with access to piped water supply, public tap, borehole or pump, protected well, protected spring or rainwater is considered to have access to drinking water. Though by this definition nearly 100% of the population has access to drinking water, only 45% population in urban areas enjoys the access to safe drinking water in 1999 (GoB and UN 2005). On average, more than half the urban population has access to water supply. The four largest cities, Dhaka, Chittagong, Khulna, and Rajshahi, have piped water systems that serve 70%, 33%, 51%, and 40% of the population respectively.. In addition, only 100 of the over 250 municipal towns have piped water systems, and these primarily serve urban core populations (World Bank 2005b). The urban population in the slums and fringes of medium and small towns rely on hand tubewells, squatters and those living in urban slums are without easy access to water or sanitation. According to the HIES 2000, majority of households in the country (about 90%) obtains drinking water from tube-wells. Nearly 97% of the rural population is served by over 10 million hand tubewells; however, arsenic contamination of groundwater above the permissible limit of 50 µg/L (micrograms per liter) in Bangladesh has affected an estimated 25% of the shallow tubewells, reducing safe water coverage in rural areas to around 76% (World bank 2005b)⁶. Sixty-one districts out of 64 have been affected by this problem.

Despite relative improvements in coverage over the past two decades, the absolute number of people without water and sanitation coverage has increased. Almost 40% of the total population in four large cities is low income and this group is largely unserved in terms of access to drinking water. Squatters and people in slums have limited access to piped water supply (30%). The urban unserved pay high prices for water of minimal amounts and also of dubious quality. Adults and children in both urban and rural areas expend significant amounts of time and energy – which are thereby not available for work, study, and other beneficial and productive activities – collecting and carrying water, suffering themselves and caring for other family members with water-related, mostly diarrheal, diseases.

Child Mortality, Maternal Mortality and Malnutrition

Touching on the three indicators within a total of nine specific indicators of Bangladesh target of MDG 4 and 5 respectively to reduce child mortality and improve maternal health, the Finance Minister in his budget speech claims that remarkable success in reduction of child mortality, maternal mortality and malnutrition.

In case of child mortality, Bangladesh target has been to reduce under-five mortality rate from 151 deaths per thousand live births in 1990 to 50 by 2015. Official statistics suggest an appreciable drop in under-five death rates from 151 deaths per thousand live births in 1990 to 82

⁶ World Bank (2005b), Bangladesh Country Water Resources Assistance Strategy, Bangladesh Development Series – paper no 3, Dhaka: World Bank

deaths per thousand in 2001, in an annual reducing rate of 2.5 deaths per thousand live births. The rate of decline however slowed considerably, since 1990 from a figure of 87 to 82 per thousand deaths in 2001. The budget speech also evidence the validity of data - all from different official sources – claiming that in 2000 the child mortality rate was 66.3 per thousand while the rate currently stands at 65.

The infant mortality rate in Bangladesh has fallen from 125 per thousand births in 1984-85 to 80 per thousand live births in 1994-95, and 56 currently (2001-2002) (GoB and UN 2005). The slowing trend of decline similar to child mortality rate is found in case of infant mortality. The rate declined from 59 per thousand live births in 1999 to 56 in 2001 showed that slower declining rate compare to the rate declined from 1992 to 1999. According to Sample Vital Registration System of Bangladesh Bureau of Statistics 2004, the rate was 53 per thousand in 2002. Though government has not targeted any level for infant mortality, it is estimated that, to reduce under-five mortality rate by two-thirds, 32 deaths per thousand for infant have to be attained. But declining rate from 1999 does not suggest achieving the targeted death rate by 2015, rather it demands, infant death rates must be reduced annually by at least 2 deaths per thousand live births between 2003 to 2015.

There are also wide variations in infant mortality across divisions, with the division of Sylhet having an infant mortality rate that is nearly two times as high as that in Khulna. The division having the highest level of infant mortality in 1993-94 – Dhaka – experienced the slowest rate of infant mortality decline (14%) over the following six years. In contrast, Khulna, which enjoyed the lowest level of infant mortality in 1993-94, experienced a rate of infant mortality decline that was two times as much as that experienced by Dhaka. Along with the regional variations in infant mortality, there has been a pronounced variation in rural-urban divide- the mortality rate is around 8 percent higher in rural areas.

A reduction of maternal mortality ratio by three quarters, one of the six targets of MDG 5 to improve maternal health has been claimed to have achieved impressive success. Although the budget claims that the rate has declined from 320 to 310 per hundred thousand life births, the other official document's (GoB 2006) shows the same rate as 391 per hundred thousand in 2002. The maternal mortality rate is claimed to have declined from 570 to 320-400 deaths per hundred thousand life births from 1990 to 2002 (GoB and UN 2005). Bangladesh's estimated maternal mortality rate between 320 and 400 per 100,000 live births in 2002 is among the highest in the world and is still high relative to many developing countries.

The official MDG status report claims improvements in health outcomes, particularly in reduction in maternal mortality rates. The child and infant mortality rates remain high and are unlikely to reach the MDG targets in 2015 unless progress is accelerated. The report recognises that one of the major issues that may stumble the progress in reduction of poverty relates to non-achievement of growth in real per capita and plateau of decline in population growth. Growth in real per capita at a rate of 4 to 5 percent per annum is required to achieve the income poverty target. An overall real income growth rate of 6 to 7 percent per annum on a sustained basis along with population growth of around 1.5 percent is needed to attain the target per capita income growth and hence reduction in income poverty. The official status report even considers that the recent trend in plateau of TFR is a cause of concern which may not only hamper the progress in reduction of income poverty but may also acts as an stumbling block towards attainment of other MDGs inducing program coverage variations. Some other targets of the goal is also beyond reach by 2015. The trend of births attended by skilled health personnel shows that Bangladesh is not on the way to achieve the target by 2010. The trend of reducing malnourishment of mothers averaging one percentage point per year shows that about 25 to 30 percent mothers will still remain malnourished by 2015.

Concluding Remarks

Extending full supports to the Millennium Declaration and consistent with the Millennium Development Goals, the government has already finalized a full blown poverty reduction strategy titled “Unlocking Potential – National Strategy for Accelerated Poverty Reduction.” The budget speech by the Finance Minister acknowledges that the PRSP is the basis for Bangladesh’s development plan, thus the strategy to realise MDGs is heavily intertwined to the overarching targets set out in the national strategy for poverty reduction. The vision of which centres on “enhancing pro poor growth, boosting critical sector for pro poor economic growth, devising effective safety nets and targeted programs, and ensuring social development.” The problems with the PRSP have been highlighted by our numerous publications.

To use the few indicators of MDGs as a measure of the success of “poverty reduction” is flawed by the implicit assumption that the 18 targets indicate deeper structural change rather than mere statistics. What’s more, their very simplicity disguises the complexity of poverty and the reality of power. Again, the official claims of remarkable success are not backed by evidence. The claims, reduced to a numerical target achieved by a certain date and by technical fixes, flaws country’s effort to achieve development goals, let alone poverty reduction. The government so far appears to have been less committed to realizing the goals by the stipulated time. No specific crash programmes and subsequent budgetary allocation are visible.

The MDGs, as byproducts of PRSP, undertaken under the current dominant development framework cannot go beyond maintaining the status quo. As long as the poverty goal remains faithful to the neo-liberal reform agenda, poverty and inequality will remain and indeed only increase. Successive attempts to tackle poverty through interventions largely as an exercise in delivering resources to the poor either by the trickle-down route or through the conventional approach of targeted development, was grounded in the compulsion to bypass the issue of power and justice by treating poverty eradication as positive-sum game. Poverty originates in structural inequality and injustice rather than only in the poverty of resources.