

Poverty Reduction Strategy Paper (PRSP) and Bangladesh: An Analysis

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Abstract: Poverty Reduction Strategy Papers (PRSPs) are expected to be prepared by the member countries through a participatory process involving domestic stakeholders as well as external development partners, including the World Bank and the IMF. The development and implementation of poverty reduction strategies should be country-driven, results-oriented, comprehensive, prioritized, partnership-oriented and based on a long-term perspective for poverty reduction. To be updated every three years with annual progress reports, PRSPs describe the country's macroeconomic, structural and social policies and programs over a period of three years or longer horizon to promote broad-based growth and reduce poverty, as well as associated external financing needs and major sources of financing. As a first step before preparation of a PRSP, many countries develop an Interim PRSP (I-PRSP), which is meant to outline a country's existing poverty reduction strategy and to provide a road-map for the development of the full PRSP. In March 2003, Bangladesh produced the National Strategy for Economic growth, Poverty Reduction and Social Development, equivalent to the I-PRSP. This document outlines Bangladesh's strategy to reduce all sorts of poverty and to achieve the Millennium Goals. The strategy was shared with development partners during 2003 and formed the basis for discussions between Government and donors at the Bangladesh Development Forum in May 2003. In late 2003, twelve Thematic groups were established by the Government to facilitate the process of moving towards the PRSP. These groups carried out consultations during 2004 with civil society, donors and others and produced the draft PRSP on 12 January 2005.

Key words: Poverty reduction and growth facility, country assistance strategy, interim prsp, general economics division, bretton woods institutions, comprehensive development framework, etc.

INTRODUCTION

Before the end of the last decade of twentieth century, three factors force the World Bank (WB) and the International Monetary Fund (IMF) to change their attitude and to seek a renewal of their approaches and practices in the developing countries. These were the acute awareness of the increase of the poverty incidence in many parts of the world, the failure in most countries of structural adjustment policies and the questioning of the Washington Consensus on which they are based and the crisis in legitimacy of the Bretton Woods Institutions (BWIs) who had to answer the rising criticisms from civil society and various protest movements. As a result, a joint Initiative launched by the BWIs at the end of 1999 sets the fight against poverty at the heart of development policies. Under this Initiative, low-income countries wishing to apply for financial aid from either of the organizations, or for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, are required to draw up poverty reduction programs known as Poverty Reduction Strategy Papers (PRSPs)^[1].

Poverty Reduction Strategy Papers (PRSP) is

prepared by the member country in collaboration with the staffs of the World Bank and the International Monetary Fund (IMF) as well as civil society and development partners. These documents describe the country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs and major sources of financing. IMF and WB loans to Governments are linked to packages of policy conditions, known as structural adjustment conditions, was previously contained in the Policy Framework Paper (PFP); for the WB it was contained in Country Assistance Strategy (CAS). The Poverty Reduction Strategy Papers (PRSP) will now replace the PFP and the *Poverty Reduction and Growth Facility* (PRGF) will replace the Enhanced Structural Adjustment Facility (ESAF). This document governs the Country's relationship with the IMF and the WB. Any loan operations that the institutions negotiate are to conform to the goals and policies outlined in the PRSP. Former PFP and ESAF have been controversial due to their emphasis on fiscal austerity rather than poverty reduction. But the PRSP will be formulated by the borrowing governments and the WB and IMF want

borrowing governments to feel a sense of ownership over the goals and conditions formulated in the PRSP, requiring substantial consultation and participation with Civil Society Organizations (CSOs). The Category of CSOs means unions, mass movements, professional organizations, intellectual classes, religious organizations, trade unions, peasant organizations, opposition parties etc. In a word, PRSP describe a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as related external financing needs^[2].

According to the Executive Boards of the IMF and the WB approved the new policy instrument, the PRSP to serve as a common context for the Bank and the Fund interventions in low-income countries receiving concessional assistance. Starting with the 41 HIPC, the PRSP will be applied to an additional 30 countries receiving financing from IDA (World Bank's concessional loan window) or the IMF's Poverty Reduction and Growth Facility (PRGF). PRGF (Former ESAF), the latest lending facility, is an IMF program for the poorest countries and will be based on a country's PRSP, determined the framework, terms or conditions, policies and practices for the struggle against poverty. The IMF says that loans under the new PRGF will take place in the context of strategy developed by borrowing governments engaged in a broad consultation with civil society. IMF critics argue that the name change is simply a public relations move and that practice will remain the same. Additionally, this country-owned document seeks to identify policy targets and interventions that would allow a country to make progress towards the agreed 2015 *Millennium Development Goals* (MDGs)^[3].

Bangladesh first submitted the Interim Poverty Reduction Strategy Paper (I-PRSP) document to the World Bank and International Monetary Fund (IMF) in March 2003. Following the route map submitted in the I-PRSP the government of Bangladesh has submitted a full PRSP (Draft) in December 2004. The civil society in Bangladesh including the economists, professionals, development activists, NGOs and community-based organisations slated the PRSP process in Bangladesh. On the one hand, the PRSP process initiated by the Bank and Fund was termed as a tool to impose further reform agenda on the country in favour of promoting globalisation and privatisation. On the other hand, different groups of the society raised multiple questions with regard to the formulation process and the ownership of the poverty reduction strategy document.

A brief overview of the new initiative: The World Bank Group and the IMF decided in September 1999, that

nationally-owned participatory poverty reduction strategies should provide the basis for all their concessional lending and eligibility for debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. This approach, building on the principles of the Comprehensive Development Framework (CDF), has led to the development of Poverty Reduction Strategy Papers (PRSPs) by country authorities for submission to the World Bank and IMF Boards. CDF is based on the four basic targets:

- Country ownership,
- Country strategy formulation,
- Focus on development results,
- Partnership.

Virtually all of these principles are incongruent with the PRSP. The underlying principles of the PRSPs provide three major innovations that can be denoted as such. First, it is to be welcomed that the BWIs have adopted poverty reduction and not structural adjustment, as their main goal. The propose strategy focuses on ends and no longer only on means: reduction of poverty is an end on which a consensus can be reached, but this is not the case for structural adjustment programs, which are controversial. The fact that this Initiative helps in particular to secure social expenditures is one result that deserves to be emphasised. Second, adopting a participatory process for defining and monitoring the PRSPs certainly has great potential for strengthening democracy in countries where people generally have very few means of making themselves heard. Third, the PRSP/HIPC approach may lead to a better coherence between donors. This is a major change, given that interventions from the different donors were traditionally criticised for their incoherency^[4]. The poverty reduction strategy should reflect a country's individual circumstances and characteristics. It is expected to follow three key steps that typically characterize the development of an effective poverty reduction strategy. These include: i) Developing a comprehensive understanding of poverty and its determinants; ii) Choosing the mix of public actions that have the highest impact on poverty reduction; and iii) Selecting and tracking the outcome indicators. PRSP goes further and introduces the notion of self-conscious development. According to the World Bank armed with poverty reductions strategies, countries will become the masters of their own development. PRSP attempts to integrate macro-economic stabilisation to structural, social and human aspects of development. The idea is to go beyond GDP statistics to address fundamental long-term issues of the structure, scope and substance of societal development. As a consequence, poverty alleviation

should become in itself an overarching framework that aims to restore satisfactory growth with equity, achieving macro-economic stability and adopting environmental principles, all within a comprehensive approach of substantial development. In principle, it is assumed that PRSP provides flexibility to adjust to the varied conditions of each country. Governments should determine their own goals and set-up priorities, phasing actions based on their own financial and human capacities. However, these goals should have a clear link with the agreed international development goals. The goals- as core indicators of individual wellbeing become the principal focus for the design of national poverty reduction strategies. In brief, the PRSP programs should have the following properties:

- Broad participation and greater ownership
- Embedding the PRGF in the overall strategy for growth and the poverty reduction
- Budgets are to be more pro-poor and pro-growth
- Ensuring appropriate flexibility
- More selective structural conditionality
- Measures to improve public resources management/accountability
- Social impact analysis of major macroeconomic adjustments and structural reforms.

The World Bank group feels that currently many countries are not in a position to develop a PRSP fully. In order to shorten delays for countries seeking debt relief under the HIPC Initiative or assistance from the IMF, an Interim PRSP (I-PRSP) can be formulated. I-PRSPs summarize the current knowledge and analysis of a country's poverty situation, describe the existing poverty reduction strategy and lay out the process for producing a fully developed PRSP through a participatory process. This is meant to outline a country's existing poverty reduction strategy and to provide a road-map for the development of a comprehensive PRSP (a timeline for poverty diagnostics, recognition of policy areas that need evaluation and reform, envisaged participatory process, etc). A full PRSP will then follow in due course^[4].

Currently, a PRSP, I-PRSP, or annual progress report, supported by the Boards of the World Bank and the IMF within the preceding 12 months, is a condition for: i) HIPC countries to reach a decision or completion point; ii) Approval of the IMF's PRGF arrangements or reviews; and iii) IDA (World Bank) concessional lending. CAS updates should be timed to follow PRSPs and I-PRSPs along with their accompanying Joint Staff Assessments (JSAs). From July 2002, all CASs in IDA countries are based on a PRSP. The Boards of the World Bank and the IMF will consider the overall strategy in the PRSP or I-

PRSP as an integrated whole. However, each institution will focus upon and endorse those policies and programs within its area of responsibility^[4]. As of 14th April 2005, 56 countries of Asia, Africa, Latin America and the Caribbean and Europe participated in this process. Out of these 56 countries, 40 countries have prepared PRSPs and 16 other countries have prepared and going to prepare I-PRSPs. Of them 48 countries have prepared and submitted I-PRSPs also. Among the 40 countries, which prepared PRSPs, seven countries (Uganda, Burkina Faso, Serbia and Montenegro, Mauritania, Nepal, Bhutan and Sri Lanka) have directly submitted PRSPs while others submitted first I-PRSPs and then PRSPs. Twelve countries (Albania, Burkina Faso, Ethiopia, Honduras, Malawi, Mauritania, Mozambique, Nicaragua, Niger, Tanzania, Uganda and Vietnam) have also submitted PRSP progress reports. Out of these 12 countries, two countries (Burkina Faso and Uganda) have submitted three progress reports; three countries (Mauritania, Tanzania and Honduras) have submitted two progress reports; and the rests have submitted one progress report until 14th April, 2005.

Bangladesh has already prepared an I-PRSP document titled Bangladesh: A National Strategy for Economic Growth, Poverty Reduction and Social Development. The I-PRSP was finalised in March 2003. The Bangladesh Development Forum (BDF) reviewed I-PRSP in May 2003 in Dhaka. The joint assessment of I-PRSP by the World Bank and the IMF was completed in May, 2003. The I-PRSP was formally presented to the Boards of Directors of the World Bank and the IMF on 17 June 2003. Currently, Bangladesh has prepared its first Draft PRSP on the basis of the I-PRSP in December, 2004 and submitted it in January, 2005. The title of the document is Unlocking the Potential: National Strategy for Accelerated Poverty Reduction. This study reviews PRSP preparation process in Bangladesh with a special focus on the succession from I-PRSP to PRSP. It also provides an assessment of the implementation status of I-PRSP.

PRSP preparation process in Bangladesh: As required by the donors, the Government of Bangladesh has started to prepare a PRSP. In the Bangladesh Development Forum meeting 2000, Bangladesh first took its decision to prepare the PRSP. The first meeting on the PRSP, drawing upon a paper on the Comprehensive Development Framework (CDF) and the Sector Wide Approach Program (SWAP), was held on November 16, 2000. That time, the time frame for completion of the PRSP was July 2002. In this context, the government has formed an inter-ministerial eleven-member Task Force, headed by the Secretary, Economic Relations Division (ERD), Ministry of Finance in December 2000 to prepare the PRSP. The taskforce

members include the Principal Secretary to the Prime Minister, 10 Secretaries from the Finance Division, Statistics Division, Ministry of Social Welfare, Rural Development and Cooperative Division, Local Government Division, Ministry of Youth and Sports, Ministry of Education, Ministry of Health and Family Welfare, Ministry of Women and Children Affairs and Planning Division, Additional Secretaries and Joint Secretaries of those relevant ministries. Additionally two professional consultants - one from the World Bank office in Bangladesh and the other from Bangladesh Institute of development Studies (BIDS), a government owned autonomous research institute - were hired to lead the drafting of the PRSP. It may be noted that the Task Force constituted by the GOB for overseeing the PRSP process in Bangladesh was essentially an inter-ministerial committee, which did not include any representative from the civil society, the private sector and development NGOs^[4].

Development partners expressed their willingness to fund this activity and expressed interest to be involved in the PRSP development process. Initially UNDP was assigned the task of coordinating the resource support on behalf of the development partners. Unfortunately, there was a mismatch between the development partners and government's expectations of support which led to a decision that the government would prepare the PRSP document through its own funding. The government also realised that they would not be able to submit PRSP and therefore, an I-PRSP would be followed by a PRSP.

Due to lack of in-house capacity to prepare an I-PRSP, the government decided that the I-PRSP document would be prepared through consultants. Considering the limited capacity of the government, it was a pragmatic decision. Until mid-February 2002, six meetings of the Task Force were held to review and guide the progress of the PRSP preparation. In addition, the PRSP Coordinator (Secretary, ERD) organized 15 meetings with different ministries. These initiatives for consultation appear to have been influenced by the IMF/World Bank conditionality that the government will have to prepare the PRSP through a broad-based consultation process, involving discussions and interaction with all stakeholders.

The consultation process of preparing the PRSP was supported by selected analytical building blocks comprising of in-depth analyses of policy issues in key areas. The government appointed two senior staff members of the Bangladesh Institute of Development Studies (BIDS) as lead consultants, in their individual rather than institutional capacity, for preparing the PRSP. The consultants prepared analytical reports on three

areas, namely: i) Poverty assessment: trends, profiles and determinants ii) Macro-economic overview: policies, economic reforms and performance and iii) Poverty Monitoring and Assessment. Eleven other short-term consultants were engaged to prepare analytical reports on key sectors/sub sectors of the economy. These include: Growth Performance of Agriculture and Industry; analysis of Public Expenditure on Education and Health; Physical Infrastructures Development and Poverty (Roads and Other Related Infrastructures; Electricity, Energy, Ports and Related Sectors; Telecommunications and New Technologies); Public Expenditure on Targeted and Safety Net Programs; Risks, Vulnerability and Poverty Reduction; NGO Sector Review: Economic and Social Impacts and Issues; and Governance and Poverty Reduction. These analytical reports were completed by the respective consultants but are not available for public scrutiny. The first draft of the I-PRSP was completed by April 2002 and distributed among different individuals and institutions for comments^[4]. Till then up to March 2003 the government has prepared several drafts and organised some consultation meetings with different relevant stakeholders to prepare the final version of I-PRSP. It is stated in the I-PRSP that the document was finalised by the government through a participatory consultative process where cross section of with the people from government departments, civil society participated.

The I-PRSP team held consultation meetings with various stakeholders at two phases. The first phase of consultations was held prior to the preparation of the draft while the second phase consultations were held after the completion of the draft I-PRSP document. These consultation meetings were with different professional groups, environmental activists, health professional, trade union leaders, business bodies and members of the civil society and NGOs, academicians, researchers and development partners. It may be noted that the draft was not discussed in the parliament.

Meanwhile, Government has formulated a 'Medium-Term Macroeconomic Framework for 2004-2007 fiscal periods with a view to implementing the poverty reduction strategy. Under the poverty reduction strategy, the government has fixed a four-fold policy matrix which includes macroeconomic stability, improving governance, investing in human developments and social protection.

The I-PRSP which has been approved by the government recently identified 3 issues as the immediate tasks. These are consolidating past successes in the socio-economic sector; correcting the earlier mistakes identified from the previous development experience and thirdly taking preparation to face the challenge of globalisation.

The I-PRSP portrays an overall perspective of the country's poverty trends in terms of income-poverty and human poverty. The income poverty between 1991/92 and 2000 [on Household Income and Expenditure Survey (HIES) unit-record data] shows a modest reduction one percentage point per year (from 58.8 to 49.8 percent). There exists noticeable urban and rural variation in poverty. The pace of poverty reduction in nineties can't step up the overall poverty reduction of the country. The government supported programs such as old age pension schemes; vulnerable group development (VGD), food for education (FFE) and food for works (FFW) reveal favourable effects^[2,3].

However, the grassroots consultation reveals several key concerns relating to law and order situation, extortion and economic violence, ineffective local government and decentralisation, poor quality of education, health and other social services, lack of infrastructure, lack of social capital at the community level resulting in low-level of collective action and lack of democratisation of political process.

The study proposes the five measures for long-term poverty reduction and social development. These are:

- The first set is pro-poor economic growth for increasing income and employment of the poor;
- The second set for human development of the poor for raising their capability through education, health, nutrition, employment oriented skill and social interventions;
- Woman's advancement and closing of gender gaps in development;
- Social safety nets for the poor against anticipated and unanticipated income/consumption shocks through targeted and other efforts; and
- Participatory governance for enhancing voice of the poor and improve well-being of the poor in areas including security, power and social inclusion and removing institutional hurdles to social mobility.

The study sets a medium-term macro-economic framework that is supported by financing pattern and public resource provision to achieve the desired growth targets. The highlighted areas are macroeconomic stability, macro and trade reforms, governance and sectoral reforms. The proposed paper presents the national directions and priorities for achieving the poverty reduction goals. The policy matrix outlined the operational monitoring and evaluation methods of the specific poverty alleviating programs and projects^[2,3].

From I-PRSP to PRSP: Preparation process and status: Bangladesh's I-PRSP was considered by the Board of Directors of the World Bank and IMF on June 19, 2003.

Joint Assessment of the I-PRSP by the World Bank and IMF noted, The staffs of the Fund and the Bank consider that this I-PRSP provides a satisfactory basis for the development of a fully participatory PRSP and for Bank-Fund assistance (IDA and IMF 2003). The next step was for the government to implement the I-PRSP and follow the road map for preparation of the full PRSP. A comprehensive poverty monitoring system was adopted for monitoring and evaluating the progress in implementing the strategy. Institutional Mechanism as well as Monitoring Indicators for this purpose was identified. Towards this, the government constituted National Poverty Reduction Council (NPRC) as the apex body to be supported by the National Steering Committee (NSC) and National Poverty Focal Point (NPPF). It may be noted that NPRC is headed by the Prime Minister and acts as the highest body which guides the process of PRSP preparation. NPPF was identified by the General Economics Division (GED) of the Planning Commission in July 2003 for the purpose of monitoring the task of implementation of I-PRSP, preparing a full PRSP and providing secretarial support to the NSC and NPRC. Regular monitoring of poverty trends by the Poverty Monitoring Unit would be done Using Participatory Poverty Assessment (PPA) methods. In addition, civic initiatives for monitoring poverty would be supported for poverty monitoring and also to function as an advocacy group for influencing policy^[4].

A National Steering Committee (NSC) which was formed on 18th September, 2003 to guide the NPPF, chaired by the Principal Secretary to the Prime Minister. General Economic Division of the Planning Commission is the Member-Secretary of the NSC while Secretaries of different ministries are the members. No representatives from civil society, NGOs and private sector are included in the NSC. Thus, essentially this is an inter-ministerial committee. Terms of reference of national steering committee are as follows:

- to provide guidelines/advice in monitoring the implementation of I-PRSP,
- to provide guidelines/advice in formulating a workplan for preparing a full-blown PRSP,
- to implement the strategies/policies of I-PRSP, provide guidance/advice in forming working groups composed of different Ministries/Departments, civil society, private sector and the development partners and suggest coordination mechanism among the working groups (thematic Groups),
- to devise mechanism of holding regular consultations with the stakeholders in order to receive inputs for preparation of PRSP,
- to suggest workable and best strategies for poverty reduction,

- to initiate the process of reconstituting the National Poverty Reduction Council,
- to discharge other relevant functions deemed to be necessary by the Steering Committee.

NSC has held 6 regular and one special meeting by the April 2004 and has been decided that the main task of PRSP preparation was to be funded by the Government of Bangladesh (GOB) and development partners may assist in capacity building of NPPF and provide support to the Thematic Groups. As per the decision of the NSC, responsibilities were delineated amongst Ministries in the Medium-term Policy Matrix of I-PRSP. Twelve Thematic Groups (TGs) were formed in late 2003, by the government to facilitate the process of moving towards the PRSP. These groups carried out consultations during 2004 with civil society, donors and others. These are: 1) Macroeconomic Stability and Pro-poor Growth; 2) Financial Sector Reforms (including banking, trade and globalisation); 3) Infrastructural Development and Reforms including Power, Energy and Communications (Roads, Railways, Inland Water Transport, Air Transport, Port and Shipping); 4) Domestic Resources Mobilization; 5) Reforms in Governance including civil service reforms, judicial reforms and law and order; 6) Health including Population Planning, Nutrition and Sanitation; 7) Education including primary and mass education, female education, vocational and technical education; 8) Women and Children Advancement and Rights; 9) Rural Development including Food Security, Disaster Management, Safety-net Programs, Micro-credit and Rural Non-farm Activities; 10) Agriculture (Crops, Fisheries, Livestock) and Environment including Forestry, Land Reforms, Land use, Safe Water Supply and Water Resources Management; 11) Private Sector Development with SMEs; and 12) Information and Communication Technology and Technology Policy. Lead Ministries and associates were identified for these 12 thematic groups. It was decided that Thematic Groups (TGs) would be formed comprising of the government sector, private sector, civil society and NGOs^[4].

The GED has finalised the road map for preparation of PRSP. It was envisioned that relevant activities would be completed during July 2003-September 2004. Ahmed^[4] reported about the institutional arrangements and the process to be followed in preparing the PRSP. It was planned that GED would compile information from three sources: i) implementation report on the I-PRSP policy matrix, ii) twelve thematic groups and iii) regional consultations. All these compiled information would be considered for incorporation in the PRSP. I-PRSP policy matrix implementation status would be submitted by the concerned ministries/offices to the GED. Based on these inputs, NPPF with support from the lead consultants has

prepared the draft PRSP. Participatory consultations for PRSP were planned. As planned, two lead consultants have been recruited by the GED for preparation of the PRSP. BIDS was providing consultancy services to eight Thematic Groups while other national consultants were contributing to the rest of the TGs. National level consultation was held at the Planning Commission and Regional level consultations were completed by 29th April 2004. At the national level consultation, GED invited organisations representing asset-less people, human rights organizations, environmental organizations, representatives from the civil society, women's forum and those involved in women's development, cooperatives, journalists, research institutes, professional groups, distinguished individuals, locally- funded NGOs, private investors and government agencies. National level consultation had three sessions: inaugural, group discussions and plenary. Minister for Finance and Planning inaugurated the meeting where the importance of the consultation process was highlighted. At the Regional level consultations were organized by NPPF in each of the six Divisional towns. Divisional Commissioners convened and Chair the meetings. According to GED sources, about 150-200 persons participated in the Divisional level consultation meetings. Similar to the national level meetings, discussions were held in different groups. In addition to the national issues, discussions on regional issues were also held in Divisional Meetings. Participants of each Discussion Group formulated their recommendations and these were presented at the Plenary^[4].

The government's plan for poverty monitoring system built upon existing institutions of Bangladesh Bureau of Statistics (BBS), Implementation, Monitoring and Evaluation Division (IMED) and General Economics Division (GED). The government of Bangladesh recognises that monitoring and evaluation (M&E) needs to be an integral part of the PRSP process so that this can be a basis for the next strategy and possible policy redirections.

Critiques of PRSP Bangladesh: The civil society and other stakeholders criticised the I-PRSP preparation process and expressed their concerns about the process. These were related to the focal point of the I-PRSP consultation and documentation procedure, allocation of the responsibilities, etc. The following are the criticisms against the I-PRSP preparation process:

- The ERD does not have any comparative advantage amongst the public agencies in preparing the PRSP. The Planning Commission, the strategic think-agency of the government, should have led the exercise rather than the ERD.

- Representatives of the civil society were not involved in the designing stage of the exercise.
- Without an I-PRSP, the rate of poverty reduction has been 1.1 percent per year during the nineties. Therefore I-PRSP's target of 1.6 percent poverty reduction per year is not as high as expected. Moreover, no target for the reduction of extreme poverty has been specified in the document.
- Preparation of the PRSP through the local consultants indicates a positive signal that the government is willing to draw upon expertise from outside the government. At the same time this approach raises concerns about the inadequacy of the in-house capacity within the government to discharge its responsibilities as a policy designer.
- If the government is constrained in building up its in-house capacity for the PRSP, it could contract this responsibility to an established research institution such as BIDS rather than to individual consultants.
- The draft I-PRSP was not discussed and endorsed by the parliament. Therefore, the document is not yet accepted by all.
- The government may incorporate the IMF reform agenda into the PRSP, even if this is not in line with the outcome of the public consultations on the PRSP.

Besides, there are two broad groups among the critics of PRSP process in Bangladesh. One outright rejects the whole process because it is donor driven and the other is critical about the process and contents of PRSP which is again not, according to them, country owned and based on the needs of the country and its people particularly the poor.

A civil society coalition formed to challenge the PRSP process has rejected the PRSP process in the country. They complain about faulty participation and persistent IMF and World Bank influence on the content of the documents. They termed the I-PRSP a document developed by a bureaucratic taskforce and the consultations carried out by corporate NGOs were rushed and partial, ignoring for example landless people who represent more than 50% of the population. Promoting good governance has been identified as one of the routes to poverty reduction but ways of improving accountability of service providers at all levels, especially at local levels where it is most lacking, have not been considered. The World Bank and the IMF have identified some weaknesses in the I-PRSP for Bangladesh. The weaknesses identified by the Joint Assessment Team (JAT), were mainly in the areas relating to issues like governance, law and order, health and education. The targets of poverty reduction have been conservative because these are based on existing elasticity of poverty reduction with respect to GDP growth and the associated

GDP growth requirement. The assumption of unchanged elasticity of poverty reduction may not be appropriate. If the pace of poverty reduction is to be increased, the country must choose to adopt such GDP growth strategy that the elasticity of poverty reduction increases. This will be possible through increased employment elasticity of the rapidly growing sectors and through the growth of labour intensive sectors^[2,3].

I-PRSP has rightly emphasized the human development targets along with income poverty alleviation. However, this is a necessary input for income poverty alleviation and not a sufficient element. The link between human capital development through education and the alleviation of poverty has been observed to be weak and in some situations absent. This has been, to some extent due to an increase in educated unemployment and the deficiencies in the quality of education. The strategy for social protection appears detached from reality because it fails to take into account livelihood insecurity faced by people, which is much greater for poor women and for female headed household. It does not deal with the absence of strong political commitment, essential in reforming non-performing and predatory state agencies, like the police, or the fact that safety nets fail to reach the poorest groups.

PRSP preparation process has followed some steps which need to be recognised and duly appreciated. These include shifting of National Poverty Focal Point (NPF) from ERD of the Finance Ministry to the GED of the Planning Commission, formation of the NSC and the NPRC. However, the NSC is comprised of secretaries of different ministries only. No representatives from civil society including private sector and development NGOs have been included in this Committee. Thus, it is essentially an inter-ministerial committee and therefore, it missed the opportunity to take input from a wider section of the society in the design phase of the PRSP. It seems that the PRSP preparation has not been able to overcome some of the same limitations which constrained the I-PRSP preparation.

Monitoring and coordination in implementation of PRSP would be another challenging task. Hopefully, PRSP would be able to formulate a feasible monitoring mechanism and pave the way for monitoring by the civil society and other stakeholders. Unless PRSP is discussed and endorsed by the parliament, a credible PRSP with national ownership is not possible. Therefore, the PRSP document ought to be passed by the parliament to ensure national ownership over the PRSP.

PRSP and concessional assistance: Bangladesh has already received commitment from the Bank and the Fund to get loan under PRGF as it has always used the IMF as lender of first resort. IMF has approved a \$490 million

concessionary loan to be disbursed under its three-year PRGF. The approval was given at the IMF Executive Board meeting held in Washington on June 20, 2003 to support Bangladesh's economic reform programme for 2003-06. Table 1 shows Bangladesh's borrowing arrangement with IMF under various facilities up to the present day.

World Bank also approved an interest-free loan of \$536 million in its Board meeting on June 19 to support Bangladesh's efforts to reduce poverty and facilitate three reform programs. Of the total loan, \$300 million has been approved for implementing the first phase of poverty reduction strategy and \$236 million for improving rural roads, telecommunications and for strengthening the central bank. Both approval came after the WB-IMF board meeting formally endorsed Bangladesh's I-PRSP which was acclaimed in the Bangladesh Development Forum (BDF) in Dhaka on May 17-18, 2003^[2,3].

IMF officials commented that Bangladesh's economic performance strengthened over the last year due to prudent macroeconomic management and renewal of structural reforms. The IMF appreciated the I-PRSP as, they pointed out the document has been prepared through a broad consultative process and provides a coherent and comprehensive policy framework for halving poverty by the year 2015.

Reportedly, the authorities have adopted a three-year program under PRGF designed to maintain macroeconomic stability, accelerate structural reforms that are critical for poverty reduction and growth and improve the investment climate. The program comprises fiscal reforms, reforms of the nationalised commercial banks and State-owned Enterprises (SoEs), introduction of more liberal exchange and trade regimes and ensuring improved economic governance.

According to the country assistance-strategy progress report published recently, the World Bank will provide the loan in the fiscal year 2004-05 depending on the government's performance. The report emphasised continued structural reforms, improved economic governance, law and order improvement and fiscal management as preconditions for the loans. The WB offered more incentives to the government to perform even better. If the government performs way above average, the loans for the two fiscal years could shoot up to \$1.65 billion. But the credit line will drop to \$620 million, if the government fails to live up to expectations. The bank identified several risk factors for implementation of the country assistance strategy for FY2004-05: law and order nosedive, confrontational politics, pervasive governance problems, sagging policymaking and implementation capacity within the government, lack of private sector confidence and vulnerability to economic

Table 1: Bangladesh's borrowing arrangements with the IMF since the 1980s

Facility	Approval Date	Expiration Date
Poverty Reduction and Growth Facility	July 2003	June 2006
Enhanced Structural Adjustment Facility	10-8-90	13-9-93
Structural Adjustment Facility	6-2-87	5-2-90
Stand By (ordinary)	2-12-85	30-6-87

Source: IMF^[6] Bhattacharya and Titumir^[7]

external shocks and natural disasters^[2,3].

Recently the government of Bangladesh introduced the floating exchange rate. Necessary reform measures in the banking sector as per donors prescription has already been initiated through amending the country's banking rules. The next step in the banking sector reform would be to disinvest a nationalised commercial bank by offering its shares to the public. The government had already formed an Independent Anti-Corruption Commission to woo the donors. In its assessment paper prepared recently, the World Bank appreciated government steps in bringing about macro-economic stability in the country but it felt that the government should prepare a roadmap to project its strategy in establishing good governance^[2,3].

CONCLUSIONS

Bangladesh has made important gains in the fight against poverty. Derided as a basket-case only three decades ago, Bangladesh today is definitively out of the shadow of famine. Uniquely for a country facing an extremely vulnerable ecology, Bangladesh has established a credible record of sustained growth within a stable macroeconomic framework. At a comparatively low level of development, it has also earned the distinctions of a major decline in population growth rate and of graduating to the medium human development group of countries by UNDP's ranking. Child mortality was halved during the 1990s, life expectancy has increased to 61 years, net primary enrolment went up significantly as did women's economic participation and gender parity has been achieved in primary and secondary education. Anti-poverty innovations such as micro-credit have gone on to win world renown. Vibrant non-government sectors as well as private sector bodies have worked side by side with the government to achieve the above.

World Bank together with IMF and ADB has succeeded in compelling the governments of the low income countries like Bangladesh to go for indiscriminate privatisation of the public sector industrial units, without taking into consideration the fate of the thousands of retrenched workers and their families. The government has so far decided to divest over a hundred SoEs, clearly to the benefit of potential foreign investors and a small group of rich local individuals close to the power centre.

A large number of such SoEs, especially the Adamjee Jute Mills has already been closed down. This poses a threat of along with many other adverse consequences, retrenchment of around 75,500 workers without proper rehabilitation measures. The IMF imposed conditions are similar to those of the WB. They include fiscal reforms that means reduction of import duties and imposition of fresh taxes, reforms of SoEs meaning selling of the public sector industrial units at throw-away prices, phasing out export subsidies in due course, etc^[2,3].

The Medium Term Macroeconomic Framework (MTMF) specified for facilitation of the implementation of the poverty reduction strategy was worked out on the basis of the estimated values of FY03 as benchmark. The framework integrated the national accounts, balance of payments and monetary and fiscal accounts. It also provided a detailed budgetary expenditure framework indicating the public resource envelope and expenditure pattern required to achieve the desired growth and poverty reduction targets. Main features and expectation of the MTMF are: i) a stable macroeconomic environment; ii) achieve an accelerated growth rate of GDP in real terms rising from 5.5 percent in FY05 to 6.5 percent in FY07; iii) low and stable rate of inflation: 4.0 percent in FY05 and remain stable afterwards;(rate of inflation in FY05 will 7.5% because of increased food prices and higher commodity prices in world market.) iv) continuation of moderate savings and investment ratios; v) increase revenue/GDP ratio and tax/GDP ratio; vi) significant increase in public expenditure; vii) keeping budget deficit under control in the neighbourhood of 3.8 to 4.0 percent (4.5 to 4.7% excluding grants) of GDP in FY05 and decrease by 0.1 percentage point afterwards and finance the deficit by both domestic and foreign resources; viii) improve the Balance Of Payments (BOP) situation during the program period; and ix) increase exports and imports.

The preparation of a PRSP is an inherently complex and inter-linked process. The government of Bangladesh has, over the years, prepared many perspective plans, five-year plans and specific policies for different sectors of the economy. A series of long-term policies for development of different sectors such as agriculture, fisheries, industry and other sectors have been designed in recent years. The I-PRSP has cited relevant documents and mentioned that the implementation plan of the I-PRSP will be in harmony with the policies mentioned in these documents. The I-PRSP document also mentioned that the government will formulate a Three Year Rolling Plan (TYRP) in light of the PRSP.

A Road Map to Full PRSP, as outlined in the I-PRSP Draft, indicated that Full PRSP would be completed by December 2004. But it was submitted at the IMF headquarter in January, 2005. For this purpose,

consultations with stakeholders and adjustments in the framework has been completed by October 2003 while specification of disaggregated targets, programs/projects and detailed costing and financing has been completed by January 2004. In particular, the government of Bangladesh provides emphasis on economic growth for poverty reduction, highlighting the need for private sector development (PSD) and foreign direct investment (FDI) to prepare that comprehensive poverty reduction strategy. In this draft PRSP the GOB gives commitment to achieving the Millennium Development Goals (MDGs), social developments and governance reform etc. Also Commitment to and emphasis on promoting employment through economic growth and PSD, improving quality of education, ensuring effective maternal health, commitment to local governance are all welcomed by the Lending authority.

The PRSP process implemented so far is not sufficiently responsive to the uniqueness of Bangladesh. In order to prepare a genuine strategy document for the core of government's mainstream five-year planning process it needs to be locally conceived rather than formulated under the guidance of the Bank and the Fund. The voice of grassroots people is so crucial for devising responsive and pragmatic programs is noticeably missing.

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