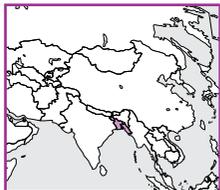


More poverty, vulnerability and food insecurity



Although it is one of the poorest countries in the world, Bangladesh has seen a steady increase in its economy and some success in attaining the Millennium Development Goals (MDGs). However inflation and climate change are becoming major challenges in the fight against poverty. While the country is a minuscule polluter, it is an enormous victim of global warming. Donor countries should take the additional costs of adaptation and mitigation into account during assessments of aid support.

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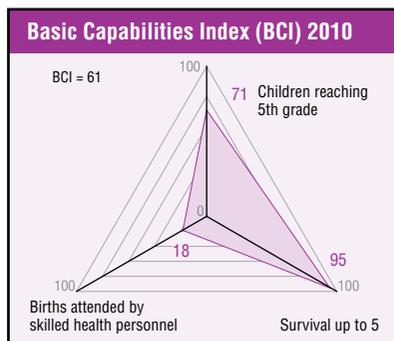
Despite a huge poverty burden, inflationary pressure, natural disasters, political instability and the world financial crisis, Bangladesh has consistently averaged a rate of 5.5% growth in its gross domestic product (GDP) over the last 10 years.² With its small economy and limited budget compared to other countries, it has achieved some remarkable successes in financing and attaining the Millennium Development Goals (MDGs). However it still has a long way to go.³ The time is ripe for Government, along with civil society organizations, national and international non-governmental organizations (NGOs) and donor agencies to rethink finance and development related to the MDGs if its successes are to be sustainable in the long term.

Progress and challenges in meeting the MDGs

While continuous budgetary allocations are made towards achieving the MDGs, Bangladesh has been experiencing tremendous pressure in some sectors including poverty reduction in urban and rural areas, employment, education, health and the environment.

The Government has claimed noticeable success in eradicating poverty and hunger over the last 20 years but the ratio of poverty and people suffering from hunger is still very high. In addition there is currently a stalemate in poverty reduction due to inflationary pressure on the prices of basic commodities and the sudden shock of natural disasters: 41.2% of the population is living below the poverty line – 31.9% in poverty and 9.3% in extreme poverty. Another 34.1% is living in situations of extreme vulnerability and is at risk of falling below the line.⁴

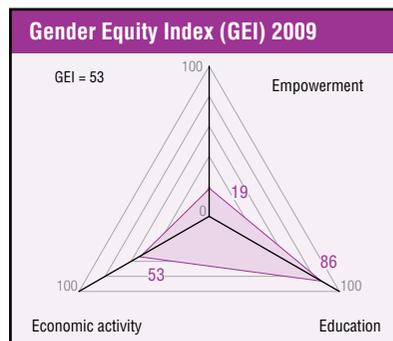
Poor incentives for attending schools combined with acute poverty in Bangladesh contribute to low



attendance and a high drop-out rate as children have to work for a living. The latest statistics indicate that 47% of primary school students do not complete their primary education.⁵ Child malnutrition is among the highest in the world; it remains more severe than in most other developing countries including those in sub-Saharan Africa. One in every three babies is born with low weight and 48.6% of children below the age of five are stunted. Half of all children below the age of five suffer from malnutrition.⁶

Despite slow progress in increasing the number of skilled birth attendants, the maternal mortality rate in Bangladesh more than halved between 1990 and 2008 from 724 to 338 deaths per 100,000 live births.⁷ However many challenges remain: 15% of births took place in a health facility in 2007, which means that 85% of babies were delivered at home.⁸ The negative outcomes in the education and health sectors are a result of inadequate Government finance. Although some NGOs are working in the education and health sectors, poor and inefficient coordination between them and the Government has meant failure to bring about the desired results.

Other major challenges include inflation (especially in food prices), poor revenue collection,



corruption and lack of coordination in development projects, unemployment, income inequality, unplanned urbanization, lack of skills in the agricultural sector, climate change and natural disasters, the need to subsidize food and power, downward flow of foreign direct investment (FDI) and the recent global financial crisis. These impediments should be overcome by increased financing for programs to achieve the MDGs, the initiation of new and effective measures and efficient monitoring. As the Government's resources are inadequate, it has to reach out for external financial support.

Estimated costs of achieving the MDGs

It has been estimated that achieving the MDGs around the world by 2015 would require about USD 100-120 billion a year, less than 0.5% of global GDP.⁹ In a recent Government report, the General Economics Division of the Planning Commission estimated the annual costs for achieving the MDGs in Bangladesh at USD 14.88 billion.¹⁰ Another study, by Jubilee Netherlands, showed that according to a UN Millennium Project calculation Bangladesh would require USD 7.5 billion of annual assistance – five times the amount the country is getting at present (an annual average of USD 1.5 billion).¹¹

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2 European Commission, *Country Strategy Paper: Bangladesh 2002–2006*. Available from: <eas.europa.eu/bangladesh/csp/02_06_en.pdf>.

3 Government of Bangladesh, *Millennium Development Goals Needs Assessment and Costing 2009–2015: Bangladesh*. Available from: <www.undp.org.bd/info/pub/MDG%20Needs%20Assessment%20&%20Costing%202009–2015%20small.pdf>.

4 Bangladesh Bureau of Statistics, *Report on Welfare Monitoring Survey 2009*. Available from: <www.bbs.gov.bd/project/welfareurvey_09.pdf>.

5 IRIN, "Bangladesh: Primary-school dropout rate rises to 47 percent," 4 November 2007. Available from: <www.irinnews.org/Report.aspx?ReportId=75139>.

6 UNICEF, "Child malnutrition and household food insecurity remain major concerns for Bangladesh," press release, 29 March 2009. Available from: <www.unicef.org/media/media_48981.html>.

7 IRIN, "Bangladesh: Educating girls lowers maternal death rate," 11 June 2010. Available from: <www.alertnet.org/thenews/newsdesk/IRIN/04181198dcd1312fa570557b0d076d8.htm>.

8 *Ibid.*

9 Selim Jahan, *Financing Millennium Development Goals: An Issues Note*, prepared for an International Seminar on Staying Poor: Chronic Poverty and Development Policy, Manchester, UK, 7–9 April 2003. Available from: <www.undg.org/archive_docs/5634-Financing_MDGs_An_Issues_Note.pdf>.

10 Government of Bangladesh, *op. cit.*

11 UN Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, 2005. Available from: <www.unmillenniumproject.org/reports/fullreport.htm>.

The Government has also indicated the necessary average yearly investment in a number of areas: agricultural and rural development, including employment generation and road infrastructure (USD 4.83 billion); education, including pre-primary, primary, secondary and non-formal education (USD 2.27 billion); gender equality (USD 0.59 billion); health system, including health infrastructure and human resources (USD 1.63 billion); child health excluding health systems (USD 0.67 billion); maternal health excluding health systems (USD 0.26 billion); HIV/AIDS, malaria and tuberculosis (USD 0.48 billion); the environment (USD 0.26 billion); energy (USD 1.88 billion); and water and sanitation (USD 2.02 billion).¹²

Debt repayment is hindering the MDGs

For the first decade after independence from Pakistan in 1971, Bangladesh was heavily dependent on overseas development assistance (ODA), especially food aid. Although this dependency has been reduced over time the impact remains. Debt repayment is one of the crucial economic problems the country is facing. Data shows that in 2009 the outstanding external debt for Bangladesh stood at USD 20.25 million and annual debt servicing was around USD 1.4 million, equal to 14% of export earnings.¹³ For every dollar in foreign grant aid received the Government has to pay USD 1.5 in debt services to foreign creditors, money lost from MDG budget requirements. Meanwhile the annual health budget has averaged about USD 500–700 million over the last few years.

The targets for debt relief are based on arbitrary indicators (debt-to-export ratios) rather than MDG-based needs, making Bangladesh ineligible for the Heavily Indebted Poor Countries (HIPC) initiative or the Multilateral Debt Relief Initiative. According to World Bank and IMF calculations, the debt-to-export ratio for Bangladesh stands at 146%, which is below the official threshold of 150%. As Dr Debapriya Bhattacharya, Executive Director of Centre for Policy Dialogue (CPD) stresses, “Bangladesh has regularly paid its debts, expanded exports and is now being punished for its success.”¹⁴ Since the pace of MDGs attainment is largely dependent on its financing, developed countries should approve the full or at least partial cancellation of the country’s debt.

Climate financing: pay attention

The Intergovernmental Panel on Climate Change (IPCC) predicts that global temperatures will have risen between 1.8°C and 4.0°C by the last decade of the 21st century. The impacts of global warming on the climate, however, will vary in different regions of the world. Bangladesh is widely recognized to be one of the most vulnerable countries in terms of climate. The frequent natural disasters already cause loss of life, damage to infrastructure and economic assets and have adverse impacts on lives and livelihoods, especially among the poor.

Climate change will relentlessly challenge the ability of Bangladesh to achieve higher economic growth and eradicate poverty at the expected pace. In the coming years it is predicted that there will be progressively more frequent and severe tropical cyclones, heavier and more erratic rainfall, higher river flows, river bank erosion, increased sedimentation, melting of the Himalayan glaciers, sea level rises and warmer and more humid weather among other phenomena. These changes will cause reduced agricultural production, increased salinity in the coastal belt, a shortage of safe drinking water and severe drought.

In the worst case scenario, unless existing coastal polders are strengthened and new ones built, the sea level rise could result in the displacement of millions of people – “environmental refugees” – from coastal regions and have huge adverse impacts on the livelihoods and long-term health of a large proportion of the population. It is essential that Bangladesh prepares for this challenge and defends its future economic well-being and the livelihoods of its people.

A recent study in India found that farmers would experience around a 9% loss in annual farm-level revenue as a result of climate change.¹⁵ Being a small country compared to India and with a huge agriculture dependent population, Bangladesh is under threat of a more loss in farm-level revenue due to climate change. Over the last three decades the Government has invested over USD 10 billion to make the country more climate resilient and less vulnerable to natural disasters.¹⁶ From 1984 to 2007, the estimated damage to property amounted to USD 7.4 billion while the tropical cyclones in 1970 and 1991 are estimated to have killed 500,000 and 140,000 people respectively.

The Government has recently established the Bangladesh Climate Change Resilience Fund (BCCRF) with an initial capitalization of USD 110 million and a Multi-Donor Climate Change Trust Fund of USD 150 million with the support of the United Kingdom, Sweden, Denmark and the European Union. These funds will be used for climate change purposes only and should result in better analyses of climate impacts on traditional (agriculture) and non-traditional (telecommunications) sectors. The current stumbling block is that it has not yet been decided which institution or ministry will be in charge of the funds.

Financing climate change is very challenging for Bangladesh due to its poor economic base. Since the Government has established the BCCRF, it has had to sacrifice the same amount of investment from other important sectors such as health, sanitation, education and poverty. The Ministry of Environment and Forests is currently working out the cost of implementing the ten-year Action Plan (2009-2018) in consultation with line ministries. It is estimated that a USD 500 million program needs to be initiated in the first two years for immediate actions such as strengthening disaster management, research and knowledge management, capacity building and public awareness programs as well as urgent investments such as cyclone shelters and selected drainage programs. The total cost of programs commencing in the first five years could reach USD 5 billion.

Moving forward

Since Bangladesh is a major victim of global warming, it needs a huge aid investment in mitigation measures for the increasing incidences of natural disasters. The country’s contribution to the emission of greenhouse gases (GHG) is miniscule: less than one-fifth of 1% of world total, which reflects its extremely low consumption of energy. It is the duty of those countries that are responsible for the higher rate of emissions to finance the adaptation and mitigation strategies of climate change.

Civil society organizations, national and international NGOs and various donor agencies should also initiate some coordinated movement to restructuring the financial instruments of the IMF and the World Bank and bring all stakeholders under a single umbrella to accelerate the achievement of the MDGs in Bangladesh and the world. ■

12 Government of Bangladesh, *op. cit.*

13 Ahmed Sadek Yousuf and Mohiuddin Alamgir, “Foreign aid: help or debt entrapment,” *The Daily New Age, XTRA*, 15–21 May 2009. Available from: <prodip.wordpress.com/2009/05/15/foreign-aid-help-or-debt-entrapment/>.

14 Jubilee Debt Campaign UK, “Country Information: Bangladesh.” See: <www.jubileedebtcampaign.org.uk/Bangladesh+3478.tlw>.

15 Kavi Kumar, “Climate Sensitivity of Indian Agriculture: Do Spatial Effects Matter?” *SANDEE Working Paper*, November 2009. Available from: <www.sandeeonline.com/uploads/documents/publication/868_PUB_Working_Paper_45.pdf>.

16 Ministry of Environment and Forests, *Bangladesh Climate Change Strategy and Action Plan 2009*, Government of the People’s Republic of Bangladesh, September 2009. Available from: <www.moef.gov.bd/climate_change_strategy2009.pdf>.