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HOW BAD GOVERNANCE IMPEDES
POVERTY ALLEVIATION
IN BANGLADESH

by

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Research programme on:
Good Governance and Poverty Alleviation



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RÉSUMÉ

En 1995/96, 47.5 pour cent de la population du Bangladesh vivait encore en dessous du seuil de pauvreté. Même si la tendance est en baisse par rapport aux années 1983/84 où ce chiffre atteignait 62.6 pour cent, le nombre absolu de pauvres a néanmoins progressé au cours de cette période. Selon ce document, si la pauvreté se maintient au Bangladesh, c'est moins par insuffisance des ressources consacrées à lutter contre elle que du fait de lacunes dans la gestion des affaires publiques.

Celles-ci comptent notamment l'absence d'une vision du développement à long terme et un manque d'engagement pour inscrire cette vision dans des politiques et des programmes d'action, au-delà de la rhétorique. Les capacités administratives, techniques et politiques nécessaires pour mettre en oeuvre ces programmes font également défaut. Conséquence de ces lacunes : les gouvernements successifs ont abandonné aux donateurs internationaux et aux ONG la responsabilité des actions de lutte contre la pauvreté à l'échelle nationale. En outre, plusieurs domaines de décision politique sont dominés par des groupes d'intérêt spécifiques poursuivant des objectifs particuliers aux dépens d'un ensemble d'objectifs nationaux.

Dans ce contexte, les programmes de lutte contre la pauvreté qui ont été mis en place se sont heurtés à des comportements de recherche de rentes à tous les niveaux qui ont réduit leur efficacité et leur efficience, tout en empêchant de nombreux pauvres d'accéder aux services auxquels ils ont droit. Les programmes publics sont réputés pour leur approche descendante dans leur manière d'élaborer les projets et pour leur incapacité à intégrer les pauvres à leur gestion. Les effets négatifs de cette approche ont été renforcés par le fait que les fonctionnaires ne sont pas astreints à rendre des comptes à leurs supérieurs, ni aux usagers qu'ils sont supposés servir. Cette obligation de rendre des comptes à l'amont et à l'aval est pourtant considérée comme un élément décisif du renforcement de la qualité des services offerts aux pauvres. Cette assertion est illustrée par des exemples pris dans les secteurs de la santé et de l'enseignement, et où ONG et services publics travaillent parallèlement. Les premières obtiennent généralement de meilleurs résultats du fait d'un engagement plus fort, d'une gestion participative et de la formation du personnel, ainsi que du fait qu'elles rendent compte de leurs actions (même si elles le font plus souvent à leurs responsables et aux donateurs qu'aux populations).

Il ressort de ce rapport qu'une réorientation des dépenses publiques vers les services sociaux aurait permis d'obtenir de meilleurs résultats, en améliorant parallèlement la gestion des affaires publiques de manière à tirer le meilleur parti possible de ces dépenses. Pour cela, il conviendrait de bâtir une coalition politique rassemblant les éléments de la société civile et du monde politique qui ont le souci de donner la priorité aux pauvres, c'est-à-dire en dépassant les éléments du pouvoir national qui ont empêché le service des pauvres. Au plan de la société, cela implique de créer des coalitions au sein même de la population pauvre, de manière à redéfinir les relations qui lient les pauvres à leurs riches patrons. La gestion des affaires publiques au niveau macro et micro s'en trouverait améliorée, or elle constitue l'élément central de la lutte contre la pauvreté au Bangladesh.

SUMMARY

In 1995/96, 47.5 per cent of the population of Bangladesh were still living below the poverty line. While this represents a decline compared to 62.6 per cent in 1983/84, the absolute number of poor people has in fact increased over the same period. This paper argues that the persistence of poverty in Bangladesh originates less in the lack of resources for its alleviation than in the failures of governance.

These failures consist of a lack of a developmental vision, absence of a commitment that goes beyond rhetoric and that could translate the vision into policies and programmes, and weak capacities at the administrative, technical and political levels to implement such programmes. As a corollary of these failures, successive governments have surrendered ownership over national policy agendas in the field of poverty alleviation to international donors and NGOs. Furthermore, different areas of policy-making have been appropriated by special interest groups pursuing sectional concerns at the expense of a set of national goals.

Under these circumstances, those programmes aiming at poverty reduction that have existed suffered from rent seeking at various levels which reduced efficiency and effectiveness, and deprived many poor of access to the services to which they were entitled. Government programmes have been notorious for their top-down approach to designing projects and their incapacity in involving the poor in the management of such projects. The negative effects of this approach have been compounded by the absence of accountability of public servants either to their superiors or to the community they are meant to serve. Accountability towards above and below is identified as the decisive factor for enhancing the quality of service delivery to the poor. This is illustrated with examples from the health and education sectors where NGOs and government services operate side by side. The former show generally superior performance due to stronger commitment, accountability (though more towards their supervisors and donors than towards the people), participatory management and staff training.

The report concludes that better results could have been achieved through the redirection of public expenditure to social services and improved governance which would ensure better returns from such expenditures. This may be feasible if a political coalition can be built with those segments of political and civil society genuinely committed to “putting the poor first”, i.e. bypassing those elements of state power which have stood in the way of serving the poor. At the societal level, this involves developing lateral coalitions among the poor which could restructure the relations which tie the poor to their rich patrons, thus giving way to good governance at the macro and micro level which remains central to poverty reduction in Bangladesh.

PREFACE

It is increasingly accepted that good governance is among the key ingredients of any successful strategy to reduce poverty although it is also recognised that because of its various dimensions and political implications it is often difficult to ensure. A broadly democratic system based on elections is not sufficient to improve the situation of the poor, particularly in a society with strong clientelist relationships, widespread rent-seeking and weak accountability. The latter are some of the main obstacles to poverty reduction in Bangladesh: the country with the third largest number of poor people in the world.

In a critical review from a perspective within the country, the author links these obstacles to the lack of vision and genuine commitment of government. These are not aspects which are usually addressed in conventional economic analyses of poverty in Bangladesh, but nonetheless are ones which deserve to be put at the centre of attention if decisive progress in poverty reduction is to be made in this country. The author's analysis has important implications for external assistance which has achieved relatively little sustainable development in working with the government but which has enabled major NGOs to play a prominent role in working with the poor and obtaining at times spectacular successes. If the knowledge and experience gained by national NGOs can be harnessed in partnerships with a government supported by pro-poor political coalitions, there is indeed scope for improved governance and poverty reduction in Bangladesh.

This paper, produced as part of the Development Centre's research programme on good governance and poverty alleviation, can also be seen as a contribution to the wider interest in partnership approaches for poverty reduction which call for building national ownership of policies with a view to their sustainability.

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I. INTRODUCTION

Poverty alleviation has been a popular slogan of successive political leaderships in Bangladesh since the country's independence in 1973. However, high levels of poverty have persisted in spite of massive aid. This paper argues that the persistence of poverty originates less in the lack of resources for its alleviation than in the failures of governance. These failures originate in the lack of vision and ownership for guiding the programme. The resultant ascendancy of Bangladesh's aid donors over the poverty agenda has been characterised by the high costs of aid delivery arising from systemic reasons as well as the lack of co-ordination both amongst donors and with the government. This donor-driven process has increasingly led to a lack of domestic ownership over the policy agenda to alleviate poverty in Bangladesh and the absence of a democratic mandate for such an agenda.

The waste, mistargeting, corruption and inefficient delivery of government programmes have contributed to the emergence of non-governmental organisations (NGOs), as alternative development institutions, designed to deliver aid more purposefully and efficiently to the poor. This move by the donors to commit more of their aid through the NGOs has generated its own problems of ownership and sustainability. An institutional anarchy now prevails in the area of poverty alleviation where a multiplicity of donors interact with a variety of governmental and NGO institutions to alleviate poverty. This system of institutional anarchy in programmes of poverty alleviation has been wasteful, conducive to misgovernance at the macro and micro level and is tending to become dysfunctional as well as unsustainable. Moves to make programmes for poverty alleviation more effective as well as sustainable thus need to prioritise governance issues in their design and implementation.

II. CONCEPTUAL ISSUES

The discourse on governance as yet lacks clarity as to its components and its dynamics. This has generated an element of eclecticism in the agendas of aid donors who introduce their own definitions of good governance in their attempts to prioritise its incorporation into their aid strategies (Sobhan, 1998).

In this process of targeting governance a variety of themes have now entered the vocabulary of development. These include such issues as democracy, transparency, accountability, decentralisation, policy ownership and financial integrity, which are defined as key components of the process of good governance. Such itemised concerns have encouraged donors to invest in promoting reforms of the parliamentary system, the judiciary, public administration, the budgetary process, and to promote human rights, public advocacy, capacity building, measures for eliminating corruption, and decentralisation of the administration. Unfortunately no satisfactory attempt has been made to link these concerns with positive development outcomes. It is thus not possible to establish the extent to which improvements, for example, in transparency of the administration or the quality of the judiciary, have contributed to an improvement in development performance.

In the absence of any serviceable analytical link between governance and development, we have taken the *a priori* position in this paper that the persistence of poverty in Bangladesh or indeed in most other countries originates in problems of governance rather than an inadequacy of resources.

The basic argument about the role of governance in development holds that weak governance originates due to a sequential failure of the state to:

- a) project a developmental vision;
- b) demonstrate a commitment to realise this vision, through putting in place policies and programmes, as well as calibrating its allocative priorities to realise this vision.
- c) develop a capacity to fulfil its commitments. This includes administrative and technical capacity as well as political capacity to mobilise necessary support both within civil society as well as in the political arena to translate the vision into reality.

Absence of a vision originating from within the country and projected through its political leadership leads to loss of ownership over the country's development agenda, usually to aid donors. A more serious hazard is that different areas of policy-making are being appropriated by special interest groups pursuing sectional concerns at the expense of a set of national goals (Sobhan, 1984, 1990).

III. OVERVIEW ON CHANGING POVERTY STATUS IN BANGLADESH

There is an ongoing debate on the measurement of poverty in Bangladesh between those who use the standard head count indicators in relation to a predetermined poverty line and those who use Participatory Research Assessment (PRA) methods designed to promote self-assessment by the poor (CPD, 1996, Ch. 12, Rahman *et al.*, 1997). Without entering into this debate we will draw upon the more conventional poverty line measures used by the statistical agencies in Bangladesh and UNDP's *Human Development Indicators* (HDI) to present trends of poverty and human deprivation in Bangladesh.

Poverty Line Indicators

In 1995/96, 47.5 per cent of Bangladesh's population lived in poverty (Table 1), i.e. below a poverty line based on a daily per capita intake of 2122 cal for the rural areas and 2112 cal for the urban areas. By these measures, urban poverty in Bangladesh has risen by a third over the 1988/96 period whilst rural poverty has remained stable. Thus, in 1995/96, 17 per cent of the poor lived in urban areas, compared to 13 per cent in 1988 (BBS, 1997a). It would appear that in Bangladesh rural poverty is spilling over into the urban areas where the concentration of such populations is likely to be more socially disruptive than in scattered rural communities. Some classes of households appear particularly vulnerable to poverty. Thus 70 per cent of wage labourers in the urban areas and rural areas are classified as poor (CIRDAP Newsletter No. 4). In contrast 33 per cent of owner cultivators and 41 per cent of tenant cultivators live in poverty.

Inequality has increased over the years, with the gini-coefficient in 1995–1996 at 0.432 compared to 0.36 in 1983–84 (Table 1). Urban incomes remain most unequal with the lowest 20 per cent of households accounting for 4.2 per cent of urban income whilst the upper 20 per cent appropriated 54.6 per cent of urban income (CIRDAP Newsletter No. 4).

The point to be noted is the persistence of poverty in Bangladesh, during 1983 to 1996, the decade which exposed Bangladesh to the most intensive exposure to economic reforms initiated under the World Bank's structural adjustment programmes (CPD, 1996). The debate over statistical measures of poverty in Bangladesh suggests the need for caution in taking categorical positions over trajectories of poverty reduction. The main point of agreement in Bangladesh is that an unacceptably large number of its citizens remains poor, even today.

Human Development Status

Whilst levels of poverty have shown no significant alleviation some improvements in its human development status has been registered over the last 35 years. Table 2 shows that the HDI for Bangladesh as measured by UNDP's *Human Development Report* (HDR) improved from 0.247 in 1990 to 0.365 in 1996. Notwithstanding such improvements, Bangladesh still ranks at 143 in the UNDP scale out of 173 listed countries. Table 3 indicates that over the years in Bangladesh, progress has been registered in the areas of life expectancy, infant and child mortality, access to primary health care, access to safe drinking water, number of people per doctor, adult literacy rate, primary school enrollment, drop out rate and percentage of GDP spent on education. Only in areas of nutrition are there some signs of slippage.

These improvements are partly associated with a rise in the share of public expenditure on human development. Public expenditure on the social sector has increased from 10.5 per cent of the development budget in 1989–90 to 23.3 per cent in 1995–96 (CPD, 1997, Ch. 4). Higher expenditure on the social sector is however not always favouring the rural poor. Thus in the case of education, Table 6 shows that 14 per cent of public expenditure accrued to the lowest quintile compared to 29 per cent accruing to the upper quintile of households.

However Table 5 indicates that the incidence of public expenditure as a percentage of household income is much higher in the lower than the upper quintile of households whilst the share of public expenditure in relation to total household expenditure on health and education covering both public and private expenditure, is also much higher. This points to the fact that for the poorest quintile of the population, health and education public expenditure plays a more critical role for meeting the basic needs of the poor in Bangladesh than it does for better off income groups. Thus, public expenditure in the social sector in Bangladesh has a modest redistributive impact. The higher incidence of consumption of health and education services by the upper quintile of the rural population derives from their financing ability to procure services in the private sector and their superior access to higher education which is provided by the state.

If we look at the total public expenditure profile covering all households, the incidence of benefits of such expenditure remains more skewed than the case for public expenditure in the social sector. Thus, Table 4 shows that the poorest quintile of households account for 9.15 per cent of total public expenditure compared to 31.7 per cent being appropriated by the upper quintile. However the relative contribution of public expenditure to total household income is higher for the poorest quintiles than for the better off segment of the population.

Dynamics of Poverty in Bangladesh

In a social order where access to income and work originates largely from command over private assets, much depends on how access to such assets is determined. In Bangladesh access to land is very important since 81.4 per cent of the population lives in the rural areas and 32 per cent of the GDP derives from agriculture. Thus, 69 per cent of agricultural labourers, the hardcore landless, are classified as poor and 80 per cent of the functionally landless (those with land insufficient to provide their subsistence needs, are classified as poor (BBS 1997a). For the landless or functionally landless, livelihood depends

on access to work in the rural economy. Their fortunes tend to be sensitive to the state of agriculture and the price of basic staples. For this class of the poor, life is unstable and uncertain. Bad harvests, compounded by natural disaster or ill health of the provider, make life insecure for not just the poor but also for those on the borderlines of the poverty threshold. Thus, people who have moved out of poverty could easily regress through an episode of severe illness which either erodes household savings and/or reduces the earning capacity of the principal earner of the household (Rahman and Hossain).

Public interventions in the form of safety nets for the poor through seasonal public works employment or supplementing employment for victims of natural disaster play some role in alleviating poverty without actually arresting its growth. The limited incidence of such programmes leaves large segments of Bangladesh's poor, particularly its hard core poor, vulnerable to exogenous shocks.

Growth of GDP which might reduce poverty has not been impressive for Bangladesh, averaging 4–5 per cent over the 15 years from 1990 (CPD, 1996). Investment rates have not exceeded 20 per cent of GDP so that scope for diversifying and deepening the economy with the prospects of generating new areas of opportunity have been limited. The one dynamic area of opportunity has been the export of embodied labour, either in the form of migrant labour seeking work opportunities abroad or working in the labour-intensive 100 per cent export-oriented ready made garments (RMG) industry. These two sectors have together generated close to \$4 billion of export earnings for Bangladesh in the fiscal year 1996/97 (CPD, 1997).

IV. BANGLADESH'S APPROACH TO POVERTY ALLEVIATION: THE ROLE OF THE STATE

Is There a Vision?

Successive governments in Bangladesh have made commitments to eliminate poverty. In practice, however, no government has translated its declaration of the objective to eliminate poverty into a coherent programme. This is not to say that there are no programmes at work in Bangladesh for poverty alleviation. Bangladesh has for many years been awash with programmes and projects designed to eliminate poverty. Public sector initiatives were reinforced by donor initiatives to channel resources to the NGOs which were involved in implementing a variety of schemes targeted at the poorer households. Bangladesh's micro-credit programmes, spearheaded by the Grameen Bank, lead the world. Five major non-government organisations, including the Grameen Bank, distributed \$550 million in 1993-94 to around 3.1 million borrowers (CPD, 1996, Ch. 12). These five organisations provided 65 per cent of institutional credit in the rural sector, exceeding the lending operations of the commercial banks as well as the specialised lending organisations of the government.

Delivery and Transactions Costs

Unfortunately this not insignificant disbursement of funds through Government of Bangladesh (GOB) and NGO programmes has not been able to make a sizeable dent on Bangladesh's poverty as we have indicated in Table 1. Part of the explanation for this lack of a strong correlation between aid-driven expenditures on poverty alleviation originates in the high delivery costs involved in reaching the poor. A variety of donors, operating through a multiplicity of public and NGO institutions, have contributed to a rise in delivery costs. One such review of aid-funded poverty related projects implemented by various agencies of the GOB indicated that close to 50 per cent of the expenditure was diverted away from the target group into overhead costs, hardware, and foreign and local consultancies.

This high delivery cost of aid projects represents not only leakages to the non-poor which are built into the design of poverty alleviation projects but also include the "transaction costs" paid by the poor to access these resources. Such transaction costs include commissions and other "cuts" appropriated by the political intermediaries as well as officials as "rents" for enabling the poor to access what is theirs by right. These costs are compounded by outright theft of funds by public functionaries along the way. It is argued here that the nature of Bangladesh's aid relationship encourages the growth of such transaction costs.

Sustainability of Government Anti-poverty Programmes?

The heavy dependence on aid financing to underwrite most poverty alleviation programmes makes it very difficult for the GOB to wean itself away from aid either at the micro or macro-level. Most such projects tend to be conceived by donors and prepared by consultants, usually expatriate, brought in by the donors. GOB ownership over such projects remains weak. The lure of a share of the delivery costs associated with a project, in the form of local consultancies, foreign travel, office equipment, imported vehicles and an independent project office serves as its own attraction to officials negotiating the project. Most projects are eventually expected to generate their own resources whilst the operational costs of such projects are supposed to be incorporated into the national budget (Sobhan, 1990). Many projects are renewed to ensure continuity of employment of those originally hired for the project who might otherwise lose their jobs due to the lack of matching budgetary resources provided by the GOB. Failure to renew or extend the project by the donor could lead to the project closing down or underperforming because of the lack of matching investments to provide its operating costs.

V. THE ROLE OF THE DONORS

Donors in Bangladesh do not co-ordinate their micro-projects. There is co-ordination amongst the donors in imposing macro-policy conditionalities on the GOB or, occasionally, in some sectors such as health and family planning. This is mostly due to the lead role played by the World Bank in designing policy reforms for Bangladesh for which they invoke support from other donors. However, most donors prefer to control their own projects from conception to post-completion evaluation. Each GOB agency and each donor prefers to establish its own autonomy over a project, and donors or recipients make little effort to ascertain whether a particular GOB project is being replicated in another ministry or by an NGO. There is some element of GOB-NGO co-ordination in the health and education sector, but in most cases, absence of transparency in negotiating and implementing projects ensures that other similar projects remain outside the attention span of the user and are kept concealed from the attention of the donor when aid for such a project is being negotiated. .

Throughout the 1980s Bangladesh's development agenda remained heavily influenced by the World Bank's structural adjustment reforms (SAR). The SAR design for Bangladesh never attempted to take into account the impact of the reforms on poverty. The prevalence of high levels of poverty has led to a new generation of micro-project interventions in the lending agenda of the World Bank and other donors to build safety nets for the poor who may fall victim to particular reforms and to support projects targeted to groups of the poor.

This particular approach to poverty alleviation has served to segmentise the poverty programmes and has tended to discourage the design of a more holistic agenda for eliminating poverty. The disaggregation of Bangladesh's anti-poverty programme into a large number of aid funded micro-projects dispersed between various ministries of the GOB and some 986 NGOs registered to receive foreign donations has served both to weaken the cumulative impact of the programme for reducing poverty and to raise its delivery costs. Thus, poverty alleviation programmes in Bangladesh — and, indeed, in many developing countries — have been more costly and less productive than they might have been.

How Serious Are Donors About Governance?

The proliferation of aid projects delivered through diverse delivery agents in Bangladesh raises questions about the seriousness of donors in prioritising issues of governance in their aid agendas. Donors are jealous of their sovereignty over their micro-projects. Much of this desire to retain control over their aid derives from a bureaucratic imperative of keeping a hand on the project and ensuring that it conforms to the donor's policy priorities, whilst also meeting their accounting standards. There may also be some commercial benefit to be derived through "tying" of their aid (Sobhan, 1990), though the extent of this

practice varies amongst donors. Multilateral donors who have less of a stake in such aid tying still tend to use aid, no doubt with the best of intentions, to retain as much control as possible over its end use, since they may retain limited faith in the governance capacity of the aid recipient in Bangladesh.

Whatever the motivation of donors, their approach to aid delivery promotes inefficiency as well as some element of corruption in the aid delivery system and is thus hardly conducive to good governance over poverty alleviation programmes. More seriously, this high profile role by donors in the poverty alleviation process disempowers the government which abdicates control and even oversight over these projects to the point where signing an aid agreement becomes more important for the GOB than its end result (Sobhan, 1990). The government tends to disconnect itself from the end result of many such projects. It is thus arguable that the donors' commitment to prioritise governance among their policy goals in Bangladesh is already failing the first test of good governance, i.e. promoting national ownership over domestic policy agendas. This suggests that donors may be less serious about promoting good governance in Bangladesh than may be apparent from their public positions.

VI. THE ROLE OF NGOS

NGOs have played a high profile role in promoting poverty alleviation. Bangladesh is known as one of the leaders of the developing world in the number, scope of work and impact of its NGOs. As of 1994/95 there were 986 NGOs registered with the NGO Affairs Bureau, an office attached to the Prime Minister's Secretariat (World Bank, 1996a). Such registered NGOs are eligible to receive foreign grants. However, it is reported (but unconfirmed) that around 7 000 small non-registered NGOs are in business, sustained by local funds or indirect funding from foreign NGOs or official sources such as the PKSF, an autonomous funding agency set up by the GOB specifically to channel aid funds to local NGOs. Foreign funding was approved by the NGO Bureau for 2 598 projects between 1990-95 involving funding of around \$1.1 billion (World Bank, 1996a). In 1994 disbursements to NGOs of \$170 million came to 11 per cent of total aid disbursements and 24 per cent of all grant aid to Bangladesh.

NGOs have tended to focus on poverty alleviation through programmes and projects in the following areas:

- i)* group-based mobilisation of the poor and beneficiary participation;
- ii)* micro-credit;
- iii)* targeting resources to women;
- iv)* developing access to common property resources;
- v)* health care and health education;
- vi)* non-formal primary education;
- vii)* non-traditional agricultural extension;
- viii)* development of appropriate irrigation technologies;
- ix)* promotion of non-crop agriculture through investment in poultry, livestock and fisheries;
- x)* promotion of small and rural industries; and
- xi)* social forestry.

In some areas such as non-formal and health education and, particularly, micro-credit, Bangladesh is a world leader. Visitors come from around the world to study the Grameen Bank and BRAC's programmes which are being replicated in many developing countries. There is no doubt that NGOs are today a major force in the rural economy in attempting to target the poor, and enhance their earning opportunities.

NGOs and the Empowerment of the Poor

NGOs have been moderately effective in their efforts to empower the poor. This has been particularly important in Bangladesh where the rural poor tend to lead a marginal economic existence with access to the markets for capital, labour and goods mediated by a hierarchy of patron — client relationships. These same critical social linkages mediate access to public resources and programmes, whereby the better-off social groups use their mediatory authority to develop networks of political clientalism needed to reinforce their proximity to state power. Within such a social perspective official aid programmes directed to the poor tend to strengthen the ties of domination and dependence which bind the poor into a subordinate relation to the rural elites.

The NGOs, by reaching out directly to the poor and mobilising them for group action, not only loosen their ties of vertical dependency, but promote horizontal linkages amongst the poor to develop their sense of self worth and social solidarity. The NGOs' focus on women has been particularly influential in promoting economic autonomy, gender solidarity and ultimately individual empowerment amongst poor women who have traditionally been the most underprivileged members of Bangladesh society.

The problem with such NGO driven initiatives lies in the very nature of their funding. Most NGOs are heavily dependent on aid funds mediated through the NGO Bureau. In such a situation, attempts to translate social solidarity and individual empowerment amongst the poor into political mobilisation brings NGOs into conflict with the existing socio-political hierarchies of power in rural Bangladesh. Attempts by a few NGOs to use the sense of group solidarity developed amongst their "poor" clients into political power has met with strong resistance by the local elite who have not hesitated to use their symbiotic power links with the local machinery of the state to frustrate attempts at political mobilisation. NGO attempts to pursue the path of political empowerment have been threatened with loss of their registration with the NGO Bureau.

In the 1990s, NGOs, or at least a bloc amongst them, working through the Association for Development Agencies in Bangladesh (ADAB), an apex body for NGOs, have attempted to exercise political leverage on the GOB through cultivating close political links with the ruling party. These links have given them some scope for advocating policy changes favourable to the poor at the national policy-making level and has given them some influence in protecting NGOs operating at the local level engaged in political mobilisation of the poor.

An ADAB press release reports that in local elections to the union parishad (UP), the first tier of local government in Bangladesh, a large number of members from various NGO-funded programmes were elected to these local bodies. Many women who were elected to the 3 seats reserved exclusively for contestation by women in elections to the 12 member UP councils, were also associated with NGO programmes. These are impressive numbers but their socio-political significance can only be gauged through the working of the newly elected councils and the capacity of the elected NGO members to influence the social balance of power in their respective areas, both in the market place and in local institutions.

It is, thus, too early to know whether the representation of NGO members in the local councils will generate enough pressure on local hierarchies and impact on the operational role of the UPs. Nor is it clear whether this new electoral configuration will break the nexus between the local elites and the administration. A few members from the lower income

groups in a council still dominated by the rural elite could end up being co-opted as agents of the elite. Such co-opted members may be thereby encouraged to use their positions of access to the machinery of state, provided by membership of the UP, in order to improve their personal circumstances. To generate synergy from these electoral gains would require social mobilisation, which can enable the NGO members to develop leverage at the national level on the administration and to use their collective weight at the local level to influence decisions in favour of the poor. A review of the workings of these councils, perhaps in the course of 1999, would provide some answers to these queries. During 1998, however, both at the national as well as at the local level, NGOs are likely to come into conflict with both the political leaders and administration as they try to assert their influence through their members elected to the local councils.

Impact of NGO Interventions On Poverty Alleviation

The macro-picture on trends in poverty, reported in Table I does not suggest that Bangladesh has made noticeable headway in arresting the growth of poverty. A more focused study on this issue, carried out by the Bangladesh Institute for Development Studies (BIDS) in collaboration with the World Bank, reports that in selected villages where micro-credit has been extensively disbursed, levels of poverty have been reduced but poverty in these villages remains above the national average (Latif, *et al.*). These are disturbing conclusions for rural areas exposed to long term lending activities of Grameen Bank and BRAC, the largest purveyors of micro-credit in Bangladesh. The available evidence on national trends in poverty alongside the local level evidence suggests that NGO programmes are quite successful in raising household incomes of credit recipients but this has failed to generate enough critical mass at the national or even local level to make a dent on poverty or sufficiently to empower the poor to impact on the social balance of power.

Sustainability of NGO Interventions in Poverty Alleviation

NGOs in Bangladesh continue to remain heavily dependent on donors, even after 20–25 years of their existence. Donor funding covers NGO overheads, capital costs, and programme interventions. Very few NGOs have developed indigenous sources of financing or generated sufficient incomes from commercial enterprises to establish any degree of financial self-reliance. The exception to this remains the Grameen Bank which initially drew upon some aid funds to sustain its operations. However, the bulk of the Grameen Bank's capital is now derived from term loans offered by the local commercial banks and on-lent at a profit to its clients from the poor. The Grameen Bank's loan financing spreads are now wide enough for it to become commercially self-sufficient. However its lending operations are very management-intensive because of the wide reach of the programme and its commitment to ensure a near 100 per cent recovery rate. Grameen Bank once needed donor support to underwrite its large administrative apparatus, but now its financial spread can also accommodate its administrative overheads. In the 1997 financial year Grameen Bank earned a profit on its lending operations. Grameen Bank has now generated enough market credibility to expand into rural telecommunications, housing for the poor, fisheries, handloom production and exports. Its rural telecom project has attracted

\$100 million in equity investment from NORSKTELEKOM, a world leader in the telecommunications sector, which will enable Grameen to introduce cellular telephones into the villages of rural Bangladesh, commercialising the service through poor rural women.

BRAC is also now financing close to 50 per cent of its operations from income generated from a variety of commercial ventures tied to some of its major areas of intervention for alleviating poverty. These range from retailing and exporting handicrafts originating from BRAC's own programmes, to investments in a printing press which was a spin-off from its education programme.

Most of the other NGOs have remained dependent on donors, both to sustain themselves and to grow. One study of NGOs reported that in 1990–91, 94 per cent of the NGOs' budget was underwritten by donors from abroad. Another study of 11 big NGOs in 1993–94 showed that 69 per cent of their budget came from abroad. This dependence has influenced the NGOs' areas of intervention, as donors increasingly seek to franchise poverty-alleviating programmes to NGOs who are now well established as more effective delivery agents for aid funds targeted to the poor than most official agencies (Sobhan, 1998). It is thus not surprising that 24 per cent of grant funds went to NGOs in 1994 compared to 14 per cent in 1990 (World Bank, 1996a).

This dependence on donors has led to some loss of ownership, with NGOs moving into areas in which they think donors are interested. Some big NGOs such as BRAC generate their own agendas and virtually every donor feels honoured to be invited to finance them. However, for less well known NGOs their activities tend to remain driven by donor fashions. This approach leads to a proliferation and geographical dispersal of projects, as NGOs move amongst different donors "selling projects" in different areas. In order to sustain their overheads, certain NGOs need to keep moving from donor to donor, from one sector to another and from one area to another. This inevitably leads to an absence of co-ordination amongst NGOs, to duplication and to increases in the delivery costs of the aid.

Most NGO operations remain disconnected from market forces. This not only makes it difficult for them to generate self-financing but threatens the sustainability of their poverty alleviation programmes. The cumulative impact of micro-credit operations should generate sufficient savings and investments in an area serviced by NGO programmes. This demands that micro-credit packages should relate to areas of economic activity which demonstrate market promise, where entry to these markets for NGO credit users is relatively easy and where scope for productivity improvements exists. NGO programmes should therefore phase into commercial ventures to cover their own establishment costs. Very little evidence of such graduation exists for most NGOs. This means that for years to come NGOs will continue to serve as franchise agents of particular aid donors, using their aid to deliver particular resources to target groups of the poor.

VII. GOVERNANCE AND POLICY

Who Owns The Policy–Making Process in Bangladesh?

Aid donors have established a high degree of ascendancy over policy–making in Bangladesh due to the country’s heavy dependence on aid to underwrite its development budget. However, in the 1990s, this dependence has been substantially reduced, partially because of a growing capacity of the GOB to generate revenue surpluses in excess of its current expenditures (CPD, 1997). Furthermore a deceleration in implementing aid–funded development projects has tended to reduce the pace of draw down from the aid pipeline, which, as a result, has nearly doubled from \$3.9 billion in 1984 to \$6.3 billion in June 1997 (CPD, 1997).

Nevertheless, and despite improved self–financing and the accumulation of foreign exchange reserves, most major policy agendas at the macro and micro level remain heavily influenced by donor policy advice, usually attached as conditionalities to a variety of aid programmes. We enumerate below, by way of illustration, policy reforms under implementation in Bangladesh which originate from donor initiatives (Sobhan, 1993).

- financial sector reform;
- privatisation of public enterprises;
- import liberalisation;
- discontinuation of agricultural inputs subsidies;
- sale of irrigation equipment;
- jute sector reform;
- railway reform;
- reforming the capital market;
- reforming the system of budgetary management;
- reforming the management of the health sector;
- reforming the agricultural extension system.

This list could be extended.

Most of the reform proposals have been prepared by expatriate consultants. However, local consultants are being increasingly associated, in a junior capacity, as partners to most such studies. In recent years civil servants have been used as consultants by most donors, but particularly by the World Bank, on formulating reform proposals, which they have to consider as policy advisors to the GOB. This generates some conflict of interest.

GOB initiative for policy reform has for many years tended to be absent. The regime elected to office in June 1996 has taken some initiative in setting up national commissions/committees to formulate policy alternatives. Such committees have submitted reports on:

- i)* institutions of local government;
- ii)* independence of the media;
- iii)* a policy for primary education; and
- iv)* pay policy for government employees.

Commissions on industrial and on agricultural policy, debt default to the commercial banks and on a national education policy were preparing reports at the time of writing. The most important reform, to re-energise the administration, still remains at an early stage of its life. It will be interesting to see what happens if the national reform proposals come into conflict with donor policy advice. Furthermore reports of national commissions have to be legislated into enforceable reforms and then have to be implemented. This is a long route which will test the political skills of the government.

The GOB is induced to back donor-driven reforms largely because of the aid package attached to it (Sobhan, 1984, 1990, 1993). Consequently, the GOB rarely attempts to sell the reform to parliament or the public to build up a constituency supportive of the reform process. It is hardly surprising that such a shallow commitment to any externally driven reform agenda will put in place negligible capacity to implement such reforms.

Poverty Alleviation and Policy Disownership

Agendas for alleviating poverty suffer from the same lack of a defining vision. Poverty alleviation in Bangladesh has not really graduated beyond an aggregation of donor-funded projects driven by a multiplicity of donors motivated by a variety of motives. There is no agenda in place so far for setting base lines, proclaiming targets for poverty alleviation and incorporating these into a strategy for eliminating poverty within a specific period of time. Resolutions of the UN and SAARC (South Asian Association for Regional Co-operation) to eliminate poverty receive due genuflection from the GOB but little is done to put together a coherent agenda. This failure of vision is compounded by a lack of commitment to eradicate poverty. It is hardly surprising that no effort has actually been made to put in place identifiable chains of command whereby specific people could be held responsible for implementing certain components of this agenda.

If one is to assess the status of poverty alleviation programmes in Bangladesh there is no single point of reference for such an exercise. The outcomes of 200, or more, ongoing projects of the GOB and the innumerable projects implemented by NGOs will each have to be investigated. No attempt has been made to mobilise support in parliament or within civil society to put in place a national effort to eradicate poverty or to mobilise support behind such an agenda. A poll carried out at CPD indicated that all members from the ruling and principal opposition party placed poverty eradication as the top priority for national policy. Poverty alleviation in Bangladesh has thus become a project-based, unsupervised effort, where whatever positive outcomes emerge from the process are due to the leadership of some NGO or some GOB official or even some agency in the government such as the Local Government Engineering Bureau (LGEB) which has been designing and implementing a variety of infrastructure development projects in the rural areas of Bangladesh.

VIII. GOVERNANCE AND INSTITUTIONS

Governance of Government Programmes

At the macro level, poverty alleviation fails the first test of good governance — the need for vision, commitment and capacity, all of which remain conspicuous by their absence. In place of such a vision are rhetorical commitments to eradicate poverty written into the Five-Year Plans. Unfortunately the philosophical commitment to eradicate poverty is limited to the first section of any five-year plan document in Bangladesh. No macro-model is available to at least establish some quantitative link between the plan philosophy to reduce poverty and the volume and structure of investment to be put in place during the plan. Most of the plan's expenditure is made up of an aggregation of inherited uncompleted projects carried over from the previous five-year plan, and a further set of projects under negotiation for aid financing over the next 5 years. These projects are unrelated to the macro-philosophical goals guiding the plan and, particularly, to its poverty eradication component. Thus, both the five-year plan document and the annual budget do not carry within their allocative frames any programme which could be used categorically to spell out the extent to which poverty will be reduced during the respective period.

In this context, the extent to which poverty related expenditures will be made in the five-year plan depends on how far donors are willing to link their financing to projects targeted to the poor. Such projects will survive as long as the donors underwrite them. Donors such as USAID and the World Food Programme have provided Bangladesh with food aid since the early 1960s when USAID began funding the Public Works Programme, through provision of US PL-480 foodgrain. This programme has evolved into a Food for Work Programme (FFW) and more recently a Food for Education Programme (FFE). In 1995/96, 1.1 million tons of foodgrain were distributed under such programmes targeted to the poor, compared to 604 000 tons in 1990/91. In recent years food aid is being shifted from the FFW to the FFE programme. There is research evidence to prove that, in spite of a leakage in the form of transaction costs of 25–30 per cent of this aid, the remainder does largely serve the rural poor, including poor rural women who are offered food for work under the Vulnerable Group Development (VGD) programme.

However effective such programmes may be in reaching the poor, they have remained dependent on food aid for over 30 years even though foodgrain production rose from 9 million tons in 1962 to over 20 million tons in 1997. Population growth has ensured that Bangladesh needs some imports to feed itself, however the fiscal effort to generate revenue to procure food produced at home for distribution in the FFW/WFP programmes has not been there. The GOB has thus been reluctant to build into its FFW ventures a commitment of budgetary resources targeted at poverty alleviation. Rather, the size of the programme and its coverage has remained sensitive to the volume of food aid on offer to Bangladesh.

This is clear evidence that projects such as the FFW, the VGD and the FFE originate less in the allocative choices of the government but depend on the goodwill of donors to sustain their commitments of food aid.

Misgovernance of Programmes

GOB programmes remain notorious for their top–down approach to designing projects and their incapacity in involving the poor in the management of them. In some areas, a dedicated project manager may be more participative in formulating a proposal but, in general, the GOB has made little attempt to promote participation, accountability or transparency in the administration of projects. This has affected efficiency and enhanced opportunities for leakage. As a result, at the local level, accessing services or resources from a government poverty alleviation programme carries its own transaction costs. Who works or does not work in a FFW project still depends on political patronage of the project officials and locally influential people. There are no attempts to list by social consensus the most vulnerable households of the village and to make them beneficiaries by design, rather than on influence. Most other services to the poor — such as micro–credit from public institutions, incorporation in an irrigation project, accessing health care, obtaining school books — all require some element of intermediation by people of influence. The quality of service rendered by a doctor or agricultural extension agent remains sensitive to the standing and connections of the beneficiary.

The importance of status and connections for access to public services reflects the nature of governance in Bangladesh. The absence of accountability of public officials, either to their superiors or to the community they serve, remains a universal phenomenon in Bangladesh. At the top no attempt is made to ensure the quality of public service and to enforce discipline on those who do not meet their responsibilities. This process operates from the top down to each tier of the system to its base. There is no system in place for stakeholders or a community to act collectively to extract accountability from the service providers. There are few Parent–Teacher Associations (PTAs) to monitor schools at the village level or service users to monitor health care centres. Whatever accountability is established derives from the response of influential people who are aggrieved by the poor service on the rare occasions they use such facilities. Occasionally one may read of mob action against a local power distribution centre or public deep tubewell facility, where suspension or unreliability of service crosses the limits of tolerance of a local community.

Surprisingly for a society where electoral democracy is quite robust, political leaders rarely take public officials to task for service failure to their constituents. Questions in parliament occasionally address such matters but MPs mostly tend to use their floor space in parliament to solicit resources from the national exchequer to fund infrastructure projects in their constituency. Local officials who have more of a stake in the operational efficiency of public services in their area are again more likely to pursue personal grievances rather than commit themselves to social mobilisation on behalf of the local stakeholders.

Here again there are structural problems. Service providers at the local level are at the bottom end of the service hierarchy and their career prospects are determined by a parent ministry situated in Dhaka. These state functionaries are largely unaccountable to locally elected representatives, though local MPs have to be taken more seriously because they can register complaints in parliament or through calls to the minister’s office. Until a system of decentralised administration is in place which makes service providers

accountable both to citizens and to their elected representatives, governance will remain weak. Even within an electoral system, the poor may not have enough voice to be heard unless they can act together. In such a situation collective action by the poor can at least compel local elected representatives as well as MPs to be more active and articulate in pressuring service providers and policy-makers to attend to the concerns of the poor.

In the absence of any working system of accountability, the quality of service depends on spontaneous demonstrations of public service on the part of individual service providers. There are any number of case histories of dedicated primary school teachers, of doctors, working long hours in a hostile environment to do their duty to their local constituents. Civil action can thus serve an added purpose of recognising and even rewarding such demonstrations of public service.

Governance of NGO Programmes

NGOs originated in many cases from the commitment of dedicated leaders and workers motivated by a sense of service to the poor. Such NGOs were usually informed by a sense of vision of their leaders to transform the lives of the poor. These NGOs began their programmes with small scale but concrete programmes targeted at the poor. As such programmes came to enjoy local success and accumulated managerial and social capacities, it became possible to expand their scale of operations.

Initially, the founding leaders attracted like-minded people to work for their NGOs. Today, with the proliferation of NGOs, and the large number of people working for them, employment in an NGO is viewed as less of a vocation and more of a reasonably secure job, where employment, wages and career prospects are important sources of motivation.

In smaller NGOs the founder may use his/her own charisma or authority to keep a tight watch on staff and to monitor their quality of service to the poor. Larger NGOs have now substituted some of the founders' charisma with management systems of some proficiency. However such leader-driven organisations rarely dispense with the pro-active role of the founder, even when new managerial software is in place, run by trained MBAs.

The culture of the more successful NGOs is thus built on more coherent management structures where much stronger emphasis is placed on top-down accountability than may be found in any government office. The founders, even when supported by modern managerial trappings, maintain a watchful interest in performance at all levels of the organisation. They are well aware that poorly run NGOs can be cut off from their source of funding.

This points to the role of the donors in ensuring a system of accountability in the NGOs. External sponsors insist on not just auditing expenditure of the funds placed by any one of them with a local NGO but at the end of the project cycle the donors, acting alone or collectively, demand a professional review of the performance of a particular NGO. Such audit reports and peer reviews keep NGOs alert to the quality of their service delivery.

NGOs may not, however, remain accountable either to the communities where they work or even to their clients. NGOs may encourage community participation in the oversight of their projects, but this is an exercise in voluntarism where the community is consulted according to the preference of the NGO concerned rather than as a right. NGOs do not depend on a community for their livelihood and can move elsewhere, since they operate

national multi-enterprises which enable them easily to diversify their operational base. A system is yet to emerge whereby community participation and accountability is established for each NGO through in-built institutional arrangements. To enforce a system of accountability on NGOs through state structures risks extending the regulatory influence of the state.

NGOs, or at least those registered with the NGO Bureau, do have to keep the Bureau informed of their activities. Project duplication is theoretically discouraged by the NGO Bureau, through its withholding of approval for funding of an inappropriate project. The NGO Bureau, however, lacks the professional capacity to evaluate NGO performance or even to evaluate the merits of their funding requests. The office functions in the same way as any other regulatory body in Bangladesh, where the potential for corruption is high and where influence is a significant factor in decision making.

The weakness of civil society to hold service providers accountable implies that donors emerge as the main agents for establishing accountability in the system. This can be more easily enforced on NGOs, rather than on the state, because the entire future of an NGO can be put at stake if it cannot satisfy its donors. In contrast, whilst the GOB is made accountable to its donors in the annual aid consortium meeting, there is little historic evidence that the government will be sanctioned by its donors for misgovernance to the point where all aid could be cut off.

Do Institutions Make a Difference?

Institutional mechanisms to enforce accountability upwards and downwards, whether in NGOs or with state agencies, are crucial. The dividing line is not between the state and NGOs, but between those who are made accountable and those who are not. However, the main difference lies in the fact that individuals can rarely transcend their institutional environment through voluntary action. An efficient and honest leader of a poverty alleviation programme could achieve more than a person who was less so. However, sooner or later, such a person would need to deal with the restrictions inherent in the posts of state officials. The density of linkages with the local elite, the claims of political parties and their workers for special consideration, the claims of special interest groups, the collective strength of the subordinate officials, the lack of recognition and reward for dedicated public service or protection from above against the adverse reaction of disaffected interest groups, continue to constrain the quality of governance.

NGOs are no more able to escape these societal pressures than are government officers, but at least they do not depend on the state for their livelihood or funding, and so remain insulated from state pressure to some extent. However, the price most NGOs pay for this insulation is to limit their interventions on behalf of the poor to the point where they do not come into sharp conflict with the prevalent institutional parameters constraining individual organisational operations in Bangladesh. To carve out institutions which transcend these parametric constraints can only be possible if the institution is small enough to operate within the interstices of the system. Alternatively, the institution has to reach the size and status of the Grameen Bank or BRAC, which buys such institutions some immunity from local pressures.

Institutional Collaboration for Proclaiming a National Vision

Within the conceptualisation of good governance used in this paper, institutional collaboration remains an inescapable instrument for improving the quality of governance to serve the cause of poverty alleviation. At the core of the problem lies the absence of a national vision to govern the agenda for eliminating poverty. This failure of the state has made it impossible to develop a national capacity to translate any vision into reality and has encouraged both donors and NGOs to stake out their own territory through a proliferation of projects designed to improve the lives of the poor. As a result, there is waste of resources, and a lack of transparency and accountability in managing poverty alleviation programmes.

There is a clear need for a national vision to commit the GOB to eliminate poverty within a specific framework. Such a vision would need to be spelt out after a process of consultation within the political process, and with civil society, NGOs and, above all, with the stakeholders themselves. A national programme would need to be prepared. This programme would need to be quite specific and time-bound as to targets, allocative decisions, sources of funding, programmes, policies, and institutional arrangements, including the division of labour between government, political parties, NGOs, the private sector and other elements of civil society. The role of aid and donors must derive from this plan which should spell out to what extent and on what terms external resources will be required.

Such a plan would require a major investment in capacity building to ensure its viability. The costs and benefits of the programme would need to be assessed, not just in economic but also in political terms, and strategies would have to be devised to motivate stakeholders to support the programme and to disarm or even compensate potential losers. Mechanisms for building a political consensus which can draw on the support of the political opposition would be needed. In this context, the state and NGOs will need to institutionalise their relationship whereby the NGOs will need to be given a clearly defined stake in the process of poverty alleviation. Provisions for regular funding of NGOs from the national budget to carry out specific tasks associated with poverty alleviation could even be devised. In return for this institutional recognition, NGOs will also need to be made more accountable and transparent in their transactions, before parliament, the public and their stakeholders.

The empowerment and social mobilisation of the poor has remained the unaddressed component of most agendas of poverty elimination. This process will have to be institutionalised and the necessary political capacity will have to be developed if talks of empowerment are to evolve into political reality.

IX. EMPIRICAL EVIDENCE ON GOVERNANCE AND POVERTY ALLEVIATION

The Health Care Sector

Primary health care in Bangladesh has largely been the responsibility of the GOB which has set up 3400 primary health care centres (PHC) at the Union level. These centres feed 360 Upazila Health Complexes (UHC) and hospitals at the district level through a referral system, but the UHC and hospitals also have their own primary intake. The performance in such hospitals leaves much to be desired in relation to quality of care. Studies of the system report on the lack of cleanliness and maintenance of equipment, irregularity of attendance by the doctors, nurses and hospital attendants, the cursory treatment and above all the corruption where rents are extracted for everything from a place in the queue to see the doctor, to provision of medicine, access to hospital beds, cleanliness of the sheets, provision and quality of diet. Many of these facilities are supposed to be provided free or at nominal costs. Rent seeking is largely exercised by the lower level health care staff, though doctors and nurses are not immune from this process. Many doctors and nurses do, however, work long hours, often over and above the call of duty out of a sense of vocation, receiving undoubtedly very low salaries.

Such public health services provide 15 per cent of the rural population with rudimentary health care, but the quality of service in public health care facilities does not encourage confidence in the system. Those in positions of influence or with money to spend may expect some privileged service from the public providers, but this same class of the elite prefers to use private facilities. The principal users of these public health care facilities remain the poorer classes. However, even if we look at the lowest 3 income deciles of the households (Table 7), 78–86 per cent of a household's expenditure on health care is spent on private service providers. Apprehensive of the poor quality of the public system, even the poor opt for private services often, at least in rural areas, administered by traditional doctors, underqualified practitioners and charlatans. Public services emerge as institutions of last resort, even though both PHCs and UHCs are undoubtedly the best equipped and staffed medical facilities on offer in the rural community.

The low confidence in the public system derives from the weak administration, poor accountability and lack of oversight of these facilities. It is also due to the peculiar manifestation of power where unions of doctors, nurses and non-medical subordinate employees each exercise collective power to extract rents from the system and the patient whilst keeping themselves immune from disciplinary action. No government has been able to establish authority over these unions in order to reduce corruption and improve performance. Indeed, successive governments are more inclined to use the collective power of these people as a political resource.

In contrast to the public health care system BRAC provides a more effective but less comprehensive Health and Population Programme to its target groups of the poor. BRAC today provides maternal care, family planning services, health and nutrition education, to poor households primarily through community-based health workers. BRAC's clinics and ante natal care centres backstop their health workers. Great effort, resources and skills are invested in training the BRAC staff and in supervising their performance so that accountability to their supervisors at least is a strong point of the system.

BRAC recruits, trains and promotes its health workers on the basis of performance. The health workers focus on preventive health care through generating awareness about health issues. To deliver such awareness messages BRAC trains 25 disadvantaged women in each of its target areas and also trains such women as health workers and birth attendants. Community participation is encouraged in order to educate people about the importance of preventative health care. It is not surprising that in BRAC's target areas 73 per cent of those registered in their programme regularly use BRAC facilities compared to the 15–25 per cent who use public facilities.

The BRAC system focuses on skilled targeting of users, supervision, and accountability of staff members as well as community participation. Similar systems of health care have been developed by the Gono Shasto Kendro (GSK) which has provided a universal health care and insurance facility to an entire *upazila*, Savar, and has extended this to North Bengal and to the slums of Dhaka. GSK runs its own modern 300 bed hospital in Savar and has branched into pharmaceutical manufacturing, running one of the biggest and more profitable enterprises of the sector in the country. It is now investing in setting up a private university, also in Savar. Many smaller NGOs provide varieties of medicare, ranging from medical and family planning services to poor villagers and slum dwellers, to immunisation facilities, and run small clinics throughout the country. Some private insurance companies are now offering rural households medical insurance in collaboration with rural-based NGOs.

Around 12 per cent of villages in Bangladesh are served by NGO health care programmes, while 24 per cent have access to an NGO-run first aid centre (BBS, 1997). In contrast 20 per cent of villages have a public health centre and another 29 per cent are within 1–3 miles of such a facility. Thus neither BRAC or GSK can claim to approach the reach of the GOB's health system. However, the NGOs administrative and training capacities have proved to be more effective than those of the GOB. The GOB has drawn upon BRAC to educate the rural population on immunisation issues. BRAC now provides services to the GOB's expanded programme of immunisation (EPI) through educating the population by creating a demand for EPI, through planning and advocacy exercises, assistance in training government workers, policy formulation, research and monitoring. Bangladesh's EPI programme is recognised by UNICEF as one of the world's success stories and this success in no small measure derives from the effective partnership forged between the GOB and the NGOs. This is not to say that there is no scope for improvement in the EPI programme or that similar collaboration will be feasible in the health care system in general, because of the peculiar politico-institutional problems which govern the system.

Primary Education

The GOB remains the principal provider of primary education. In 1994/95 out of 62 617 primary schools in Bangladesh, 60 per cent were government-run schools but 72 per cent of students were enrolled in these schools (BBS, 1997b).

NGO's intervention in the education sector is largely focused on non-formal education where, out of a total enrollment of 1.2 million students, 76 per cent are enrolled in NGO schools. BRAC is the national leader in non-formal education, with 11 000 schools dispersed across rural Bangladesh. Another NGO, Gono Shahajjo Sanastha (GSS) also runs a very effective non-formal education programme, though its coverage is smaller than that of BRAC. Other NGOs also run schools in the rural areas, though not on the scale of BRAC or GSS. Many well-off individuals have also invested their savings to set up primary and secondary schools in their ancestral villages out of a sense of duty, though many of these private ventures evolve into NGOs in order to draw upon external sources of funds.

The contrast between GOB's primary schools and BRAC's non-formal schools is noteworthy. The drop out rate in GOB primary schools is as high as 60 per cent against 2 per cent in BRAC's 3 year-programme.

The superior performance of the BRAC schools is due to its flexible system which adjusts to the circumstances of its students, who are mostly from the rural poor. BRAC thus consults with the community about school hours, and inculcates awareness about the importance of education. BRAC schools are more conveniently located and use teaching methods and materials better suited to the needs and interests of the poor. The BRAC programme has had to reach children without alienating parents who may resent the loss of household services or even income earned by their children who attend school. BRAC's focus on community involvement has been institutionalised through a 5-member local school committee, involving teachers, community leaders and BRAC officials, which meets regularly to address the problems of the school and students. This participative management of the BRAC schools is seen as one of the principal reasons for its success compared to government schools where there is very little evidence of community involvement. For this reason teachers tend to be absent, so that contact hours with pupils in Bangladesh's public school system are among the world's lowest (CPD, 1997).

In 1994/95, there were 161 000 government primary school teachers paid as national civil servants from the national budget. Now that the GOB has committed itself to pay part of the salary of primary school teachers in private schools, private schools have mushroomed across the countryside to avail themselves of this public subsidy (CPD, 1997). Government school teachers constitute one of the most powerful trade unions in the country. As educated and well placed members of the rural community, school teachers exercise considerable local influence. However, their collective political strength across the country is enough to intimidate any government from attempting to discipline the teaching community.

Historically, primary schools in Bengal were local or community based institutions, even when they received some government funding. However, in the 1970s, many of these community run schools were "nationalised", actually under pressure from the communities who wished to make the GOB responsible for the maintenance of these schools. Subsequent efforts to transfer management of the government schools from the Ministry of Education to the *upazila* administration were strongly resisted by the union of teachers who demanded that the GOB rescind its decision, which it did in face of such collective power, even though a Martial Law government was in office at that time. Today government teachers have little accountability to their pupils or to the local community or indeed to the local government system. Nor is the Ministry of Education strong or purposeful enough to enforce higher standards of performance from the teachers, in terms of contact hours, quality of instruction and better results.

The spread of primary education in Bangladesh over the last decade has been impressive but has led to a deterioration in education standards (CPD, 1997). This crisis in public education has been compounded by the growth of private schools, stimulated by the prospect of attracting state subsidies, staffed by underqualified teachers and equipped with sub-standard facilities.

The weakness and corruption of the national educational administration, its overcentralisation, and lack of firmness in addressing the politics of the system has made the education sector of Bangladesh into one of the more egregious cases of misgovernance. This is particularly unfortunate, since funding to education has increased and further increases could play a significant role in alleviating poverty. Furthermore the NGOs have demonstrated that it is possible to run efficient primary schools for the poor which are creative in their methods and participative in their management, so misgovernance in the education sector is not an immutable process in Bangladesh. As with health care, there is a strong case for taking a collaborative rather than a combative approach to education which can expose government schools to the same techniques and managerial concepts as those applied in NGO schools. Alternatively, the GOB can itself support NGOs to expand their system from non-formal to formal primary education. Attempts to design a coherent educational system, based on an agreed division of labour between GOB and NGO schools will however demand both vision and political capacity on the part of the GOB to persuade the collective of government primary school teachers to give importance to national over sectional interests. Much more effort will be needed to make communities more attentive to the quality of education of their children.

X. CONCLUSIONS: PUTTING GOVERNANCE FIRST

The Lessons of Experience

Over the last quarter of a century, Bangladesh has emerged as a test case of both the government's and the donors' capacity to alleviate if not eliminate poverty. A variety of models have been experimented with and innovative institutional instruments deployed to test these models. The emergence of the NGOs as agents of poverty alleviation, using a quarter of all grant aid delivered to Bangladesh, is one of Bangladesh's contributions to the global experience with poverty alleviation. Unfortunately, today around half the population of Bangladesh continues to live in poverty, and the absolute numbers of people living in poverty constitute the third largest reservoir of poverty in the world after China and India.

It is arguable that more money could have been reallocated to projects designed to serve the poor. Table 4 has shown us that the top 2 deciles in Bangladesh benefited from 42 per cent of public expenditure compared to 9.8 per cent going to the lowest two deciles. If around 20–25 per cent of public expenditure was targeted to the poor through expenditure sectors which generate a higher incidence of benefits for the poor this may have had a significant impact on poverty alleviation. Two such sectors are health and education. Macro-modelling exercises have established that investment in both these sectors has the most positive effect on poverty alleviation. Within these sectors, the focus would need to be on primary education and primary health care which remain the most pro-poor areas of public expenditure. Over the last 10 years, allocative priorities to these two subsectors could have been increased to 20 per cent of public expenditure, consistent with the 20/20 agenda promoted by UNDP's *Human Development Report* which recommends that, as a national goal, developing countries should invest 20 per cent of their budgets in human development whilst all donors should divert 20 per cent of their aid to this sector. Bangladesh could have by now expected to have all of its primary age children in school, 100 per cent immunisation against infectious diseases for women and children, and effective basic health services for the entire population.

If, in addition, public expenditure in Bangladesh could have aimed to provide micro-credit to all of those social groups targeted by Grameen Bank or BRAC, to provide safety nets for all poor victims of natural disasters and to provide land and housing loans to all of Bangladesh's rural homeless population, the circumstances of the poor could have been substantively transformed. All such outcomes could have been realised through a redirection of public expenditure. However such increases in expenditure allocations would need to be reinforced by improved governance to ensure better returns from such expenditures.

The available evidence in Bangladesh indicates that enhancing the capabilities of the poor through provision of health, education and credit not only has positive outcomes for poverty alleviation but also generates powerful growth impulses for the economy both

from the demand and supply side. Enhancing the productivity of the poor will also increase aggregate demand in the economy which will not only widen the market for new investment but ensure the sustainability of this market. The poor of South Asia, as indeed the poor of China, constitute one of the largest untapped markets of the world today. China's double-digit growth derives as much from its ability to tap its vast internal market as it does from its booming exports from its coastal areas. South Asia and Bangladesh can follow the Chinese experience with developing an internal market of the poor while improving their growth prospects at the same time.

Increasing the earning and purchasing power of the poor has strong multiplier effects because their consumption patterns tend to be more domestic production-intensive and more appropriate to local technological capacities. Enhancing the economic power of the poor would stimulate local industry, particularly rural and small industry, promote local services and open up a new round of growth opportunities which would not just benefit the poor but a much wider constituency of producers and service providers.

Transforming the poor of Bangladesh into a productive community which could be central to the fortunes of the macro-economy, would also empower the poor to assert themselves in the political market place. The poor could more easily recognise their own worth and mobilise themselves to capture power in local councils, while enhancing their representation in parliament. Such a process of empowerment would have its own symbiotic impact on asserting a claim for a more equitable distribution of public resources.

Serving the poor through public expenditure allocations is the most readily available vehicle for alleviating poverty, but such an access to public resources should not limit itself to current income transfers, or even to the provision of credit for working capital, but would need to assist the poor in exercising control over productive assets to enable them to interact with the dynamics of the market place more effectively. Such a process would put emphasis on designing institutions and policy instruments which would enable the poor to control ownership of agricultural land, water courses for fisheries, livestock and poultry enterprises, irrigation equipment, marketing, production and construction enterprises.

The reason why micro-credit enterprises do not have a more widespread impact on poverty alleviation lies in their innocence of market forces. To give individual micro-credit to 100 poor women to rear cattle does little for such households if the milk market in that area is controlled by a few powerful intermediaries. Such a system makes each micro-credit beneficiary into a cut-throat competitor of their neighbour (*ibid.*, Babar Sobhan). A more meaningful complementary intervention would be to build either private or co-operative enterprises owned by the poor which would provide a stable and remunerative market for their produce through value addition. Some NGOs (e.g. BRAC and Grameen Bank) are indeed moving upmarket to provide scope for value addition to one of their micro-credit programmes.

NGOs are faced with enormous untapped opportunities to serve as institutional conduits linking small producers, serviced by micro-credit and training programmes, to national and global markets. Such NGOs can provide facilities for value enhancement, quality control, marketing facilities, institutional bargaining power and corporate finance to the poor which could make them into major players in the productive sector and financial markets of Bangladesh. Grameen Bank controls around Tk. 4.5 billion (\$100 million) of small savings from its borrowers which could be used not only to invest in new corporate ventures for the poor but could make them stakeholders in private corporate share issues or takeover of disinvested state owned enterprises. Special mutual funds to handle such

investments for the poor could be set up by Grameen Bank or BRAC or even specialised NGOs. The GOB could facilitate this process by legislating that 10–20 per cent of all initial public offerings (IPO) in the stock exchange be reserved for such mutual funds of the poor. Ironically, such reserved offerings had been provided to attract foreign investors to Bangladesh. Such opportunities could as easily be provided to the poor of Bangladesh, who are in search of investment opportunities for their small savings which today are not insignificant in volume.

Aid donors, still pursuing the chimera of poverty alleviation through micro–projects, could invest in enhancing the corporate worth of the poor. A consortium of donors could invest in a mutual fund for the poor, providing \$100 million to match the savings of the poor, to enable them to buy into IPO corporate issues. Similarly, aid funds could be invested in other asset–enhancing ventures such as the BRAC milk plant which, indeed, did receive funding from DANIDA. It is worth exploring whether aid funds could be used to finance purchases of agricultural land from absentee land owners in order to convert some landless or land–poor farmers into small landowners. Such a programme may require legislative intervention for promoting land reform which would not pass without some political tension. A programme of land transfer to the poor would, in any case, need to be integrated into NGO–supported programmes for provision of agricultural credit, extension services, irrigation, intermediate inputs and market services to ensure the sustainability of such micro–farmers.

These ideas give an idea of what can be contributed by a government driven by a sense of vision for eliminating poverty. Such a vision would need to be translated into commitment through a concrete programme of action, to be manifested, for example, in the design of the Five Year Plan, the forthcoming annual budget, and through a series of policy and institutional interventions. An agenda for poverty alleviation could perhaps be put together by a high powered Task Force, associating well known NGO heads, eminent academics and political figures from the government and opposition to ensure bipartisan political support. The Task Force could be given a categorical goal of eliminating poverty in Bangladesh by the year 2010, a not unreasonable goal for a government fully committed to such an agenda. It is essential that such an agenda must emerge as an indigenous product, which commands full political ownership not just by the government but by the political opposition, civil society and, above all, the poor.

The Role of Governance

How feasible is it to put an agenda in place which could actually eliminate poverty by 2010? Historical experience does not hold much promise for such a venture. Successive governments have surrendered ownership over national policy agendas to the international donors. The donors themselves could not prepare a serviceable model which could reconcile their commitment to market–driven structural adjustment reforms with an agenda which puts the poor first. What 15 years of donor–driven reform did do in Bangladesh was to enhance the net worth and political empowerment of a business elite sustained by aid funds and domestic bank credits. A large part of these bank liabilities were defaulted because of the politicised nature of the banking regime of the public financial institutions. Thus state power was used to accumulate private wealth which was in turn used to enhance claims on state power. This asymmetry in the distribution of private benefits from state power encouraged the emergence of alternative blocs of influence drawn from within the machinery of state. State employees drawn from various functional interest groups

such as primary school teachers or health care employees banded together to use their collective strength to exercise pressure on the government to lay claims to a share of public resources which have hitherto tended to be monopolised by a private business elite.

Failures of governance have arisen because the state in Bangladesh has surrendered its policy autonomy to aid donors and its operational autonomy to special interest groups inside and outside the government. Any move to eliminate poverty will thus depend on whether the state can recapture this autonomy through building a political coalition with those segments of political and civil society committed to putting the poor first. Obviously the poor themselves will have to be central to such a coalition through a process of social mobilisation which aggregates their collective strength both in the political arena and in the contest for public resources. Is such a political scenario feasible? The state in Bangladesh is not an abstraction. Its present composition, manifested through the various interest groups within as well as around the machinery of government, is today part of the problem. To make the state part of the solution will require extraordinary vision, commitment and political courage from the national leadership which can take on the special interest groups within and outside the administration which have subordinated the state to their pursuit of private or sectional gain. Since these interest groups now exercise considerable influence over the Bangladesh polity, the national leadership will need to rebuild a coalition which bypasses those elements of state power which have stood in the way of serving the poor.

As part of the political agenda of such a coalition, school teachers and health providers will have to be made locally accountable, “transaction” costs for delivery of resources to the poor will have to be drastically cut, the machinery of law enforcement will have to be reconstructed from an instrument of oppression and predation on the poor to a locally accountable instrument for providing security to the poor against private predators. This is easier said than done, since those with power are well placed to resist any attempt to restructure power relations which would be harmful to their current influence on the state.

At the societal level the patron–client relations which tie the poor to their rich patrons will have to be restructured by developing lateral coalitions among the poor. Here, political parties committed to a process of social mobilisation of the poor will have to work in partnership with civic groups and NGOs. Hitherto, NGOs have eschewed such a role because of the political risks to their institutional survival, but if NGOs are to transform themselves into agents of social mobilisation can this be limited to self–effacing actions for the poor? There is always some risk that certain NGOs will use this capacity for social mobilisation to pursue private political agendas or to serve a ruling party which uses them as serviceable instruments to access the poor as vote banks. This tendency will have to be guarded against by both civil society and the poor.

Any move to eliminate poverty in Bangladesh will have to put governance first. It will have to devise solutions which draw upon the understanding of the political process of governance to design a coherent vision for the future and a concrete commitment to fulfil this vision, and generate the political, administrative and professional capacity to realise it. Such an understanding remains crucial for persuading the political leadership that it is in their political interest to change direction. Good governance, whether at the macro or micro level, derives from such an analytical perspective and remains central to any agenda for eliminating poverty in Bangladesh.

Table 1. Poverty Status in Bangladesh

	1983–84			1988–89			1995–96		
	Rural	Urban	All	Rural	Urban	All	Rural	Urban	All
Head-count measure of poverty (% of population)	61.9	67.7	62.6	47.8	47.6	47.8	47.1	49.7	47.5
Absolute number of poor (million)	51.1	7.3	58.4	6.3	49.7	45.7	55.3	9.6	64.9
% of people in extreme poverty (or hardcore poverty)	36.7	37.4	36.75	28.6	26.4	28.36	24.6	27.3	25.1
Absolute number of extreme/hardcore poor (million)	30.2	4.8	35.0	26.0	3.5	29.5	23.9	5.2	29.1
Gini-coefficient	0.360			0.379			0.432		

Source: Summary Report of the *Household Expenditure Survey 1995–96*; Bangladesh Bureau of Statistics, 1997.

Table 2. HDI Ranking for Bangladesh

Year	HDI Rank	HDI value
1990	136	0.242
1991	135	0.185
1992	146	0.189
1993	146	0.309
1994	146	0.309
1995	146	0.364
1996	143	0.365

Source: UNDP, *Human Development Reports*, 1990–96.

Table 3. Key Human Development Indicators

Indicators	Period	Earlier year	Latest year
Life expectancy	1960/1993	40	56
Infant death rate (thousands)	1960/1994	151	91
Death rate for children under 5 years (thousands)	1960/1994	247	117
Access to healthcare facilities	1985/1993	45	45
Access to safe water	1980/1993	37	78
No. of people per doctor	1976/1988–91	11 350	12 500
Malnourished children (%)	1980–86/1994	40	67
Calorie intake/day (% of requirement)	1965/1992	91	93
Adult literacy rate (15+)	1970/1993	24	37
Percentage of children enrolled in primary school	1970/1993	54	77
Dropout rate	1985–87/1993	80	45
Percentage of GDP spent in education sector	1960/1992	0.6	2.3

Source: UNDP, *Human Development Reports*, 1990–96.

Table 4. Distribution of Public Expenditure by Household Income (Decile) Groups: 1988–89

Decile Group	Average yearly income (Tk.)	Incidence of expenditure per capita according to each decile (in Taka)	Share of total per capita public expenditure accruing to each decile (percentage)
1	9 102.27	2 581.32	4.50
2	13 897.05	2 669.32	4.65
3	17 489.14	3 279.82	5.72
4	20 928.36	3 852.99	6.72
5	23 665.14	4 033.52	7.03
6	26 994.55	4 933.58	8.60
7	33 182.61	5 540.82	9.66
8	41 148.72	6 550.48	11.42
9	51 277.03	8 074.08	14.08
10	106 125.19	15 835.97	27.61
All	34 381.01	5 735.19	100.00

Source: CIRDAP Policy Brief No. 1. *Public Expenditure and Poverty Alleviation: Some Policy Options for Bangladesh*, CIRDAP, Dhaka, Sept. 1995.

Table 5. Distribution of Expenditure on Health and Education

Income decile	Per capita income (Tk.)	Total private expenditure on health and education (Tk. per capita)	Total public expenditure on health and education (Tk. per capita)	Total expenditure on health and education (Tk. per capita) (2+3)	Share of public expenditure (on health and education) in total household expenditure on health and education	Share of public expenditure in per capita HH income (percentage)
	(1)	(2)	(3)	(4)	(5)	(6)
1	1 693.58	218.94	124.28	343.22	36.21	20.27
2	2 911.38	241.00	111.90	352.90	31.71	12.12
3	3 678.96	257.02	121.48	378.50	32.10	70.49
4	4 457.10	238.13	94.37	332.50	28.38	7.46
5	5 361.35	274.00	145.66	419.66	34.71	7.83
6	6 352.07	300.10	114.17	414.27	27.56	6.52
7	7 930.18	330.04	120.44	450.48	26.74	56.80
8	9 986.57	493.15	115.23	608.38	18.94	6.09
9	14 291.59	608.97	118.98	727.95	16.24	5.09
10	26 915.58	1030.80	140.72	1171.52	12.01	4.35
All	8 317.66	397.93	120.72	518.65	23.28	6.24

Source: CIRDAP Policy Briefs No. 7 and 8.

Table 6. Status of Public Expenditure on Education
(Rural Areas)

Income decile	Per capita income	Incidence of educational expenditure (per capita)			Distribution of public expenditure on education (%)		Share of public expenditure on education in per capita HH income (%)	Share of public expenditure on education in total per capita educational expenditure
		Private (2)	Public (3)	Total (4)	Primary education (5)	All levels (6)		
	(1)						(7)	(8)
1	1 693.58	45.44	75.58	121.02	9.53	6.87	4.5	62.5
2	2 911.38	38.81	78.39	117.2	9.89	7.00	2.7	66.9
3	3 678.96	48.73	75.28	124.01	9.35	7.34	2.0	60.7
4	4 457.10	67.33	80.50	147.83	9.89	8.71	1.8	54.5
5	5 361.35	86.60	78.20	164.8	9.58	8.49	1.5	47.5
6	6 352.07	94.54	83.42	177.96	10.06	8.18	1.3	46.9
7	7 930.18	135.90	87.85	223.75	10.43	11.31	1.1	39.3
8	9 986.57	241.92	89.26	331.18	10.43	13.27	0.9	27.0
9	14 291.59	311.23	91.48	402.71	10.62	13.41	0.6	22.7
10	26 915.58	404.23	89.06	493.29	10.27	15.42	0.3	18.1
All	8 317.66	146.82	82.90	229.72	100.00	100.00	1.0	36.1

Source: CIRDAP Policy Brief No. 7. *Distribution of Benefits of Rural Public Expenditure on Education*, CIRDAP, Dhaka, October 1997.

Table 7. Status of Public Expenditure on Health
(Rural Areas)

Income decile	Per capita income (Tk.).	Incidence of Health Expenditure (per capita)			Distribution of public expenditure on health (%)	Share of public expenditure on health in per capita income (%)	Share of public expenditure on health in total per capita expenditure on health
		Private	Public	Total			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	1 693.58	173.50	48.71	222.21	12.88	2.9	21.92
2	2 911.38	202.19	33.51	235.70	8.86	1.2	14.22
3	3 678.96	208.29	46.20	254.49	12.22	1.3	18.15
4	4 457.10	170.80	13.87	184.67	3.67	0.3	7.51
5	5 361.35	187.40	67.46	254.86	17.84	1.3	26.47
6	6 352.07	205.56	30.75	236.31	8.13	0.5	13.01
7	7 930.18	194.14	32.59	226.73	8.62	0.4	14.37
8	9 986.57	251.23	25.97	277.20	6.87	0.3	9.37
9	14 291.59	297.74	27.50	325.24	7.27	0.2	8.45
10	26 915.58	626.57	51.66	678.23	13.64	0.2	7.62
All	8 317.66	251.11	37.82	288.93	100.00	0.5	13.09

Source: CIRDAP Policy Brief no. 8. *Distribution of Benefits of Public Health Spending in Rural Bangladesh*, CIRDAP, Dhaka, Oct. 1997.

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