
**PARTNERSHIP AGREEMENT
ON POVERTY REDUCTION**

between

GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

3 APRIL 2000

**PARTNERSHIP AGREEMENT BETWEEN THE GOVERNMENT OF THE PEOPLE'S REPUBLIC
OF BANGLADESH AND THE ASIAN DEVELOPMENT BANK
ON POVERTY REDUCTION**

A. Introduction

1. The Government of the People's Republic of Bangladesh (the Government) and the Asian Development Bank (ADB) agree that the development efforts of the former, and the operations of the latter in the country, shall be guided by the overarching objective of reducing poverty. To this end, they have agreed that, over the medium term, their development cooperation will be governed by the understandings reflected in succeeding paragraphs.

B. The Government's Long Term Vision

2. Bangladesh belongs to the U.N. category of Least Developed Countries, with an income per capita of \$333. As such, the reduction of poverty is a national priority and the main thrust of the Government's development strategy.

3. Since Independence in 1971, Bangladesh has made notable progress in reducing both income poverty and human poverty. Insofar as income poverty is concerned, since 1973-74 the percentage of people below the poverty line has decreased from 70.6 percent to 46.5 percent. This has encouraged the Government to strive to achieve, and improve upon, the targets set under the International Development Goals (IDGs) established through a series of World Summit meetings in the 1990s. In particular, the Government will attempt to reduce by half the proportion of people below the poverty line nationwide by 2010.

4. Bangladesh's performance in reducing human poverty (or the non-income dimensions of poverty) was even better. Measured by the Human Poverty Index (which focuses on deprivations in longevity, knowledge and economic provisioning), the incidence of human poverty in the country declined from 61.3 percent in 1981-83 to 40.1 percent in 1995-97. It is also noteworthy that progress in reducing human poverty was faster in the 1990s than in the previous decade. This gives the Government hope that it can also improve upon the social development component of the IDGs. In particular, the Government will strive to achieve universal primary education (on completion rate basis) by the year 2010, reduce maternal mortality rate by 75 percent, and infant and 'under 5' mortality rate by 65 percent by the same date. The Government will also attempt to reduce the proportion of malnourished children 'under 5' by 40 percent and make reproductive health services available to all women of appropriate age by 2010.

5. The Government's development strategy and economic planning will be oriented directly toward implementing these long-term objectives. As a major development partner, the ADB will plan its assistance to Bangladesh in ways that support the Government's efforts.

C. The Government's Medium-Term Goals

6. Consistent with these long-term goals, the Government will attempt to meet the following medium-term goals for reduction of income poverty and human poverty from current levels by the year 2005: a 25 percent reduction in the proportion of people below the poverty line, a 50 percent reduction in the proportion of children aged 6-10 not attending school, elimination of gender disparities in access to basic education, a 35 percent reduction in maternal mortality rate and 30 percent reduction in the infant and 'under 5' mortality rates, a 20 percent reduction in the proportion of malnourished children under 5 years of age, and a 50 percent reduction in the proportion of women of appropriate age not having access to reproductive health services.

7. The Government's strategy for achieving these medium-term targets is to accelerate economic growth and ensure an adequate supply of basic needs. The Government recognizes, in this context, the fundamental importance of a stable macroeconomic environment for underpinning non-inflationary economic growth and sustaining anti-poverty initiatives. The Government will also seek to address the rising trend in income inequality, since this weakens the impact of economic growth on poverty, through social spending to supplement the consumption of the poor. In order to combine fiscal prudence with adequate budgetary allocations for investment in key infrastructure and social spending targeted to benefit the poor (especially provision of basic social services), the Government will endeavor to increase the mobilization of domestic revenues, reduce the fiscal deficit, and continue financial sector reforms. It will also strive to raise the shares of total Government spending for growth promoting infrastructure, social services and safety net measures.

1. Pro-poor Economic Growth

8. Given that so many of the country's poor live in rural areas, making growth more pro-poor means ensuring higher growth in the agricultural sector through diversification to higher value added crop and non-crop agriculture. Towards this end, the Government will seek to promote and strengthen a package of measures covering tenancy, efficient irrigation and water management, research and extension services, marketing and storage facilities, as well as credit. Investments in agricultural research to increase crop yields will be particularly important because arable land is under constant pressure from population increase, and urban expansion. The Government will also strive to establish a policy environment conducive to private sector-led agriculture development, in particular, the removal of price controls on agricultural inputs and outputs. In addition, the Government will review the other incentives facing farmers, and enhance the efficacy of rural institutions in delivering services to them.

9. To expand rural non-farm employment, especially in less developed rural areas, the Government will lay greater emphasis on improvement of the road network, enhancement of delivery of power and gas, and development of communications and other infrastructure. Increasing the availability of electricity will be given the highest priority, both to provide power for agricultural operations, and also to facilitate private investment in rural areas. Telecommunications and information technology will also be promoted to foster market integration. Finally, lack of financing for small and medium enterprises remains a major constraint for private investment in rural areas. The Government will support the development of private sector financial inter-mediation to meet the financing requirements of these enterprises.

2. Social development

10. Despite the recent decline in overall population growth to about 1.6 percent, rural-urban migration has led to high urban population growth, placing great pressure on urban infrastructure, and social services in urban areas. Consequently, the Government will focus on human (or social) development in urban areas in the medium term. However, the Government will continue to address social development challenges in the rural areas as well. The Government will ensure adequate resource allocations for education facilities, with the eventual objective of achieving full enrollment and lower dropout rates at the primary education level. In future, however, the Government will also seek to correct the relative under-investment in the health sector, as envisaged by the Health Population Sector Program. In particular, the Government will expand the reach of preventive public health care services and also address the high level of malnutrition (among the highest in South Asia and the developing world, with about 60 percent of children below five years underweight in 1996). The degree of undernourishment is especially severe in rural areas, but even in urban localities malnutrition remains unacceptably high. The National Nutrition Program has made a start at tackling this problem in respect of children under two years, and pregnant and lactating mothers. The Government will seek to strengthen this initiative and others such as Vulnerable Group Development and Rural Maintenance Program, to reach poor areas and communities. And in all social sector services, the Government is mindful of the need to improve quality while expanding coverage. Since health is also dependent on the living environment, the Government will make a concerted attempt to improve the delivery and coverage of urban water supply and sewerage, giving due emphasis to secondary and small towns.

11. While focusing development policy on poverty reduction, the Government is also aware of the need to protect the poor from the risks of income erosion. This is particularly relevant in a country that is prone to natural disasters, especially floods. Since no single mechanism will serve the purpose of an effective safety net, the Government's approach will encompass a variety of measures. These will include access to credit, improving public health services to reduce the incidence of income and consumption shocks on account of illness, and increasing the effectiveness of measures for disaster prevention and mitigation.

3. Good Governance

12. Improvement in governance is an effective way to make growth more pro-poor. It is also essential for the gains in poverty reduction to be durable and robust. The Government is aware that implementation of its strategy for reducing poverty will not be feasible in the absence of institutional reforms for better governance. *Inter alia*, this will cover two aspects: the empowerment of women and giving "voice" to the poor. Although the gender gap in Bangladesh is narrowing in terms of mortality, life expectancy and school enrollment, it continues to be a cause for concern in respect of literacy, participation in the workforce, property rights, access to credit and violence against women. The Government's decision to reserve one-third of the seats in local government for women will increase their political empowerment and aid the adoption of measures to close the gender gap. Similarly, the steps being taken by the Government to ensure participatory governance at Union and Upazilla (sub-district) levels will be reinforced with devolution of financial and administrative authority from the central Government to local bodies. At the same time, the Government will seek to strengthen the institutional capacity of local government, drawing on examples of good practice from its own experience as well as in other countries.

D. Support from the ADB

13. The ADB will program its medium term Country Assistance Plan to support the Government's medium term priorities for pro-poor growth, social development, and good governance outlined above. The level of assistance, the combination of Ordinary Capital Resources and Asian Development Fund resources, and the sectoral and spatial composition of the ADB's assistance will be designed with this objective in view.

1. Level of Assistance

14. Towards this end, the ADB will attempt to maintain an average annual lending level in the range of \$400-500 million, including an Asian Development Fund component of \$350-400 million, subject to resource availability, country performance, portfolio performance and the assistance provided by other donors.

2. Pro-poor Economic Growth

15. In order to promote higher growth, the ADB will support the development of key infrastructure such as power, gas and transportation, along with policy reforms to establish an enabling environment for private sector development. Financial sector reform will be critical for fostering such an environment, and support for such reform will remain a part of the ADB's operational program. To make growth more pro-poor, the ADB will support the liberalization of factor markets and also adopt an area approach, targeting its assistance to areas of high poverty concentration. In rural areas, the CAP will lay emphasis on small/medium irrigation and flood control, combined with reforms in the irrigation sector; research, extension, storage and marketing for diversification to higher value added crop and non-crop agriculture; community development, rural infrastructure, and micro-finance.

16. To facilitate poverty reduction through the growth of non-farm employment, the CAP will focus on road, rail, energy and power projects, in partnership with the private sector wherever feasible, in the less developed areas of the country which have a high incidence of poverty. The ADB will also support improved private sector financial inter-mediation, especially to meet the requirements of small and medium enterprises.

3. Social Development

17. The ADB's assistance in the social sectors will be targeted at reducing human poverty, especially with an emphasis on women and children. These will include projects in primary, secondary, and nonformal education. Other priorities will include programs in nutrition and urban primary health care. The ADB will also continue to support improvement of urban water supply and sewerage, especially in secondary towns, provided there is visible progress in the management of urban service delivery. Particularly important in this regard are the finances of the *pourashavas*.

4. Good Governance

18. The ADB recognizes that good governance is an essential precondition for sustained poverty reduction. Despite initiatives taken by Government to curb corruption, it continues to be a problem and a major drain on public resources, with particularly detrimental effects on the poor. Consequently, the ADB will provide assistance to the Government for policy and institutional reforms, linked to ADB investments, to improve

efficiency in the relevant sectors. ADB will also attempt to identify other aspects of governance where it can play a useful supporting role. These could include, *inter alia*, participatory decision making to give 'voice' to the poor and empower women, and capacity building for local government and improved financial management,

E. Monitoring and Evaluation

19. The Government will establish an effective monitoring system to generate regular annual estimates of trends in income and human poverty reduction, to compare actual achievements with the targets indicated in this agreement. The ADB agrees to provide suitable technical assistance to the Government for the establishment and implementation of a poverty reduction monitoring system.

GOVERNMENT OF THE PEOPLE'S REPUBLIC
OF BANGLADESH

ASIAN DEVELOPMENT BANK

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