



Enabling the rural poor to overcome poverty in **Bangladesh**

Rural poverty in Bangladesh

Bangladesh is one of the world's poorest countries, ranking third after India and China in the extent of poverty. The population is predominantly rural, with about 85 per cent of its 135 million people living in rural areas.

For their livelihoods rural people depend mainly on the land, which is both fertile and extremely vulnerable. Most of the country is made up of flood plain, and while the alluvial soil provides good arable land, large areas are at risk because of frequent floods and cyclones, which take lives and destroy crops, livestock and property.

Since the 1990s the country has made good progress towards reducing the incidence of poverty, achieving a 1 per cent drop in the proportion of people living below the poverty line every year. Estimates of rural poverty rates now stand between 53 per cent and 43.6 per cent. In general the depth and severity of poverty has been reduced more successfully in rural zones than in urban areas, although rural zones still lag far behind urban areas in terms of development.

About 20 per cent of rural households live in extreme poverty. Chronically poor people suffer persistent food insecurity, own no cultivable land or assets, are often



illiterate and may also suffer serious illnesses or disabilities. Another 29 per cent of the rural population is considered moderately poor. They may own a small plot of land and some livestock, but while they generally have enough to eat, their diets lack protein and other nutritional elements. This segment of the rural population is at risk of sliding deeper into poverty as a result of health problems or natural disasters. Injury or crop failure caused by unexpected and severe weather conditions frequently ruins the livelihoods and the hopes of many Bangladeshis.

Small-scale farmers may subsist at either of these levels of poverty. Their livelihoods are precarious, both because of the seasonal nature of farm income and because natural disasters such as floods and drought may periodically destroy their crops and animals.

Women are among the poorest of the rural poor, especially when they are the sole heads of their households, such as widows or wives of men who have migrated in search of employment. They suffer discrimination because of their gender, they have scarce income-earning opportunities and their nutritional intake is often inadequate. Among extremely poor people, there is a disproportionate number of households headed by women.

Fishing communities are also among the poorest and most disadvantaged groups in the country.

Aside from hilly areas in the extreme north-east and south-east, Bangladesh is made up entirely of low-lying deltaic flood plain. Poverty is concentrated in three areas: the north-west, which is prone to drought and river erosion; the centre-north, which is subject to severe seasonal flooding that limits crop production; and the southern coastal zones, which are affected by soil salinity. The direct link between chronic poverty and unfavourable agricultural environments is becoming increasingly apparent, partly as the result of difficult climatic conditions and partly as a consequence of mismanagement of natural resources and the enormous population pressure on the land.

One of the main causes of rural poverty in Bangladesh is the erratic and extreme climate and the fact that a large proportion of the country is low-lying and vulnerable to flooding. Many of Bangladesh's rural poor people live in areas subject to extreme annual flooding, which can destroy their crops, homes and livelihoods. They often have to resort to moneylenders in order to rebuild their lives, which pushes them deeper into poverty. For the large numbers of rural poor people whose subsistence depends on agriculture, income and food security are highly precarious. Many farmers eke out a livelihood on small and fragmented plots. For those who are landless or almost landless, the situation is even more severe. Almost half of the population falls into this category.

Another root cause of rural poverty has been the enormous population growth and the pressure this has placed on the environment, unleashing problems such as erosion and flooding that in turn aggravate the situation of rural poor people.

Bangladesh has made progress in developing rural infrastructure, but much remains to be done. Many poor people living in remote areas lack services such as education, health clinics and adequate roads, particularly road links to markets. Only 19 per cent of rural households have electricity.



Eradicating rural poverty in Bangladesh

Successive governments in Bangladesh have accorded priority to reducing poverty. Thanks to steady economic growth from 1991 to 2000, the overall poverty level fell by 9 per cent: in rural areas, it decreased from 61.2 per cent in 1991 to 53 per cent in 2000. The poverty reduction objective has been pursued under several Five-Year Plans starting in 1975. These plans have the aim of promoting economic growth, reducing poverty, developing human resources, generating productive employment, ensuring food self-sufficiency, developing infrastructure and strengthening the technological base.

The country's draft poverty reduction strategy paper (PRSP), approved in October 2005, sets out four main courses of action to achieve poverty reduction:

- enhancing pro-poor growth
- boosting critical sectors for pro-poor growth
- devising effective safety nets and targeted programmes
- ensuring human development

Particular attention is being paid to agriculture and the rural non-farm sector as the two main drivers of increased productivity.

IFAD's strategy in Bangladesh

IFAD supports the efforts of the Government of Bangladesh to reduce poverty and increase the productivity of rural poor people in ways that are both sustainable and environmentally friendly. IFAD's 2006 country strategy for Bangladesh is in line with the aims declared in the government's poverty reduction strategy paper. Given the vast extent of chronic poverty in the country, IFAD underscores its role in devising innovative approaches to poverty reduction that can then be scaled up and expanded by the government, non-governmental organizations, the private sector and donors.

To focus its efforts to stimulate rural growth, IFAD has selected two groups as targets for its programmes and projects: extremely poor people who have some productive potential, and poor small-scale farmers and entrepreneurs. Many extremely poor people have productive potential, but efforts to reach them have had little success so far. One of the main goals of IFAD's new country strategy is to direct a range of financial services towards small-scale and marginal farmers and microentrepreneurs who have until now been excluded from access to credit.

IFAD's operations in Bangladesh over the next five years will support five separate subprogrammes, which have the aims of:

- making agricultural technologies more readily available to small-scale farmers to boost rural growth and provide people with a secure and adequate food supply and with opportunities for income and employment
- improving access to markets and financial services for rural small entrepreneurs
- introducing innovations in infrastructure development, such as transport and access to markets and to water, to benefit the poorest areas
- improving rural poor people's access to common property resources such as inland fisheries and public land
- increasing women's access to economic opportunities, continuing the progress already made towards the empowerment of women in the country

IFAD supports reforms in key policy areas, including:

- improvements in agricultural extension and research
- regulations required for improved access to inland fisheries
- regulation of rural markets
- reforms in the regulatory framework for rural finance

Projects: 24

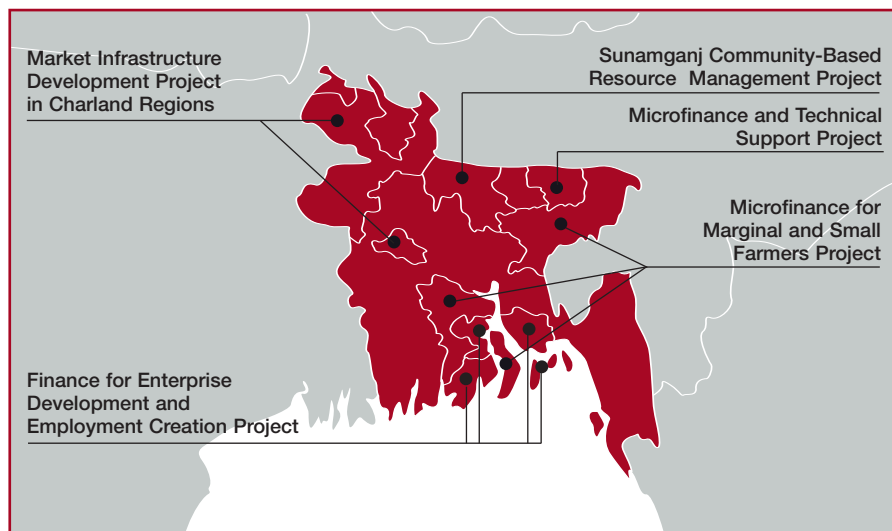
Total cost: US\$1,020.1 million

Total loan amount: US\$423.5 million

Directly benefiting:

7,997,990 households

Ongoing operations



Finance for Enterprise Development and Employment Creation Project

There is a good potential for developing the microfinance sector in Bangladesh. To expand and grow, small businesses need capital and especially loans. An estimated 5 million potential borrowers would benefit from greater access to financial services and markets.

The project will develop the microfinance sector in Bangladesh to support micro businesses, and it will help small businesses improve and expand production through training and initiatives promoting market chain development. Borrowers will comprise people in the moderately poor category, most of whom farm up to half an acre of agricultural land. Women are expected to make up about 90 per cent of borrowers. Increased productivity will help improve household food security and nutrition, and will boost women's empowerment. Project activities will improve income-generating opportunities for rural people living in severe poverty, who have low food security and lack basic assets such as land.

Total cost: US\$57.8 million
IFAD loan: US\$35.0 million
Cofinancing: NGO partner organizations (US\$700,000)
Duration: six years
Geographical area: nationwide
Directly benefiting: 117,700 microentrepreneurs

Market Infrastructure Development Project in Charland Regions

Charland is land located in an active river basin that is subject to erosion and accretion. The project includes areas characterized by severe annual flooding and extensive river erosion in the coastal and estuarine chars of Bangladesh. They are home to some of the country's poorest people.

The project targets people who produce primarily for the market, including farmers growing crops or raising livestock on small landholdings, fishers and fish farmers and people who engage in non-farm enterprises such as food processing, basket-making and cloth-making. The project also targets small-scale traders, particularly women.

Poor people in these areas often depend on landlords and moneylenders, and their income is seasonal. They are vulnerable to emergencies such as death, illness and loss of crops. Many live in remote districts with weak communication links and a lack of government, health and education services. In addition, charland communities have poor road access and limited markets.

This IFAD-initiated project will adopt a people-centred approach, identifying potential producer groups in char areas, strengthening their capacity and developing market and communications infrastructure to support them. It will build physical infrastructure

Total cost: US\$43.9 million
IFAD loan: US\$25.0 million
Duration: 2006- 2014
Geographical area: 5 districts in coastal and estuarine chars
Directly benefiting: 87,500 households

such as market facilities and farm-to-market roads while boosting capacity for market management. It will also provide market traders, small business operators and producers with technical and management training and access to credit. The project will specifically promote opportunities for women traders.

Building on the success of NGO microcredit programmes in Bangladesh, IFAD will work with experienced NGOs to support group members, mainly women. The project will establish working-level synergies with the Netherlands-funded Char Development and Settlement Project - Phase III and the second phase of the Agricultural Sector Programme Support project funded by Danish International Development.

Microfinance for Marginal and Small Farmers Project

The goal of this six-year project is to improve the livelihoods of poor, small and marginal farmer households. The project is expected to:

- establish viable microfinance institutions to provide opportunities for 210,000 small and marginal farmer households to invest in on- and off-farm enterprises
- increase agricultural production through access to information, adoption of new technologies and linkages to markets
- develop and mainstream Palli Karma-Sahayak Foundation (PKSF) operational procedures for lending to farmers and related agro-enterprises

The project area includes 14 districts in the north-western and north-central regions of Bangladesh, selected because they have high levels of poverty and good agricultural potential. The total population of these districts is 28 million, and some 1.7 million will be reached by the project. The project focuses in particular on households that experience a food shortage (less than three meals a day) for more than two months a year, and on especially disadvantaged households (tribal households, those headed by women and those with unemployed youth).

Total cost: US\$29.7 million

IFAD loan: US\$20.1 million

Duration: 2005-2011

Geographical area: 14 districts in north-western and north-central Bangladesh

Directly benefiting: 210,000 households

Microfinance and Technical Support Project

The rural poor people involved in this project have limited access to land in an area affected by extreme yearly flooding. Their vulnerability is increased by dependence on moneylenders, seasonality of income and emergencies caused by illness. In addition, formal government services for rural development at the local level (agriculture, livestock, fisheries) are limited. NGOs are present but mainly provide only savings and credit services. The private sector is growing in importance every year as a result of privatization programmes.

The project focuses on mitigating poor people's vulnerability, improving their access to essential services and resources, and supporting their livelihoods, particularly through livestock.

Focusing on the promotion of high-value products with established marketing chains that do not require large landholdings, the project provides access to savings and credit services.

In line with the draft PRSP, the project is working to improve technical service provision to rural poor people by contracting input supply and service provision through NGOs and the private sector. A programme of skills development is being provided for project participants and NGO staff. To reduce the vulnerability of women, the project enables them to gain access to knowledge and technology, to take control of productive resources, and to acquire leadership and management skills.

Total cost: US\$20.2 million

IFAD loan: US\$16.3 million

Duration: 2003-2010

Geographical area: 13 districts

Directly benefiting: 276,000 households

Sunamganj Community-Based Resource Management Project

This 11-year project is working to improve participants' access to essential services and resources, to diversify their livelihood options and to empower women in a district that is remote, neglected and characterized by destructive flooding patterns. The vulnerability and livelihood insecurity of its inhabitants are severe, and households headed by women are particularly vulnerable. Specifically, the project:

- provides access to savings and credit services at the village level, focusing on the promotion of high-value products with established marketing chains (livestock and fisheries)
- supports the transfer of water and land management rights to participants to improve their access to and control over natural resources. It also promotes community-based habitat restoration to increase the production and availability of fish to local fishers
- promotes labour-intensive infrastructure development (including village erosion-protection works and storage facilities) to provide employment opportunities to the poorest and most vulnerable people, particularly women, and to reduce threats of erosion and flooding
- empowers women by addressing strategic gender needs such as access to knowledge and technology, control over productive resources, and development of leadership and management skills

The project's target group includes landless, marginal and small-farmer households and women.

Total cost: US\$34.3 million

IFAD loan: US\$22.0 million

Duration: 2003-2014

Geographical area: Sunamganj district

Directly benefiting: 135,000 households

Completed operations

Smallholder Agricultural Improvement Project

Total cost: US\$25.7 million

IFAD loan: US\$18.6 million

Duration: 2000-2006

Geographical area: Jamalpur, Mymensingh and Sherpur districts

Directly benefiting: 82,000 households

Aquaculture Development Project

Total cost: US\$23.8 million

IFAD loan: US\$20.0 million

Duration: 1998-2006

Directly benefiting: 120,000 households

Third Rural Infrastructure Development Project

Total cost: US\$178.8 million

IFAD loan: US\$11.8 million

Duration: 1998-2005

Geographical area: 5 districts in the east, 8 districts in the west

Directly benefiting: 2,800,000 households

Cofinancing: Asian Development Bank (US\$67.8 million), Japan (US\$50.7 million), Sweden/SIDA (US\$7.2 million)

Small-scale Water Resources Development Sector Project

Total cost: US\$66.0 million

IFAD loan: US\$10.4 million

Duration: 1996-2002

Geographical area: western Bangladesh

Directly benefiting: 140,000 households

Cofinancing: Asian Development Bank (US\$32.0 million), Netherlands (US\$6.8 million)

Agricultural Diversification and Intensification Project

Total cost: US\$32.4 million

IFAD loan: US\$18.9 million

Duration: 1997-2004

Geographical area: 4 districts

Directly benefiting: 86,000 households

Cofinancing: World Food Programme (US\$5.1 million)

Employment-Generation Project for the Rural Poor

Total cost: US\$21.9 million

IFAD loan: US\$14.9 million

Duration: 1995-2002

Geographical area: nationwide

Directly benefiting: 45,140 households

Netrakona Integrated Agricultural Production and Water Management Project

Total cost: US\$13.7 million
IFAD loan: US\$8.9 million
Duration: 1994-2001
Geographical area: Netrakona district
Directly benefiting: 90,550 households
Cofinancing: World Food Programme (US\$1.6 million)

Special Assistance Project for Cyclone Affected Rural Households

Total cost: US\$20.7 million
IFAD loan: US\$15.4 million
Duration: 1992-1999
Geographical area: regions seriously affected by the 1991 cyclone
Directly benefiting: 69,000 households
Cofinancing: Denmark/DANIDA (US\$2.1 million), European Union (US\$2.0 million)

Smallholder Livestock Development Project

Total cost: US\$15.1 million
IFAD loan: US\$10.8 million
Duration: 1991-1999
Geographical area: 18 districts across the country
Directly benefiting: 260,000 households
Cofinancing: Denmark/DANIDA (US\$3.2 million)

Grameen Bank Phase III Project

Total cost: US\$105.7 million
IFAD loan: US\$8.0 million
Duration: 1990-1995
Geographical area: nationwide
Directly benefiting: 500,000 households
Cofinancing: Canada/CIDA (US\$32.7 million), Ford Foundation (US\$2.5 million), Germany/GTZ (US\$7.6 million), Germany/KfW (US\$10.8 million), Norway/NORAD (US\$14.2 million), Sweden/SIDA (US\$30.1 million)

Oxbow Lakes Small-Scale Fishermen Project

Total cost: US\$11.1 million
IFAD loan: US\$7.2 million
Duration: 1989-1997
Geographical area: Oxbow lakes area in the south-west of the country
Directly benefiting: 6,800 households
Cofinancing: Denmark/DANIDA (US\$3.1 million)

Grameen Bank Project

Total cost: US\$50.5 million
IFAD loan: US\$23.6 million
Duration: 1985-1990
Geographical area: 28 districts
Directly benefiting: 1,000,000 households
Cofinancing: Ford Foundation (US\$1.8 million), Norway/NORAD (US\$6.9 million), Sweden/SIDA (US\$6.9 million)

Northwest Rural Development Project

Total cost: US\$55.4 million
IFAD loan: US\$14.5 million
Duration: 1983-1991
Geographical area: 3 districts north-west of Dhaka
Directly benefiting: 132,600 households
Cofinancing: Asian Development Bank (US\$34.7 million)

Small Farmer Agricultural Credit Project

Total cost: US\$30.2 million
IFAD loan: US\$22.5 million
IFAD grant: US\$230,000
Duration: 1981-1985
Geographical area: north-western Bangladesh
Directly benefiting: 73,000 households

Pabna Irrigation and Rural Development Project

Total cost: US\$85.0 million
IFAD loan: US\$30.0 million
Duration: 1979-1992
Geographical area: Pabna-Jamuna floodplain
Cofinancing: Asian Development Bank (US\$38.0 million)

Marginal and Small Farm Systems Development Crop Intensification Project

Total cost: US\$17.6 million
IFAD loan: US\$10.6 million
Duration: 1987-1996
Geographical area: north-eastern district of Kurigram
Directly benefiting: 22,700 households
Cofinancing: Germany/GTZ (US\$5.8 million)

Small Scale Flood Control, Drainage and Irrigation Project

Total cost: US\$14.2 million
IFAD loan: US\$11.0 million
Duration: 1984-1993
Directly benefiting: 30,000 households

Southwest Rural Development Project

Total cost: US\$30.5 million
IFAD loan: US\$23.0 million
Duration: 1982-1990
Geographical area: region 125 km south of Dhaka
Directly benefiting: 247,000 households

Fertilizer Sector Programme

Total cost: US\$36.1 million
IFAD loan: US\$25.0 million
Duration: 1980-1985
Geographical area: Jessore, Kushtia and Faridpur districts
Directly benefiting: 1,300,000 households

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Building a poverty-free world

IFAD is an international financial institution and a specialized United Nations agency dedicated to eradicating poverty and hunger in rural areas of developing countries. Through low-interest loans and grants, IFAD develops and finances programmes and projects that fit within national systems and respond to the needs, priorities and constraints identified by poor rural people themselves.

Since starting operations in 1978, IFAD has invested US\$9.8 billion in 751 programmes and projects around the world. These initiatives have enabled more than 310 million small farmers, herders, fishers, landless workers, artisans and members of indigenous communities to take steps to achieve better lives for themselves and their families.

But this represents only part of the total investment in IFAD programmes and projects. In the past 29 years, a further US\$16.4 billion in cofinancing has been provided by governments, project participants, multilateral and bilateral donors and other partners.

Working with partners, including poor rural people, governments, NGOs, financial and development institutions and the private sector, IFAD tackles poverty not just as a lender, but also as an advocate for poor rural people. One of its priorities is to assist poor rural people in developing and strengthening their organizations so that they can advance their interests and remove the obstacles that prevent so many people, especially women, from creating better lives for themselves. In this way, poor rural people are able to participate more fully in determining and directing their own development.



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