

# Vision-2021 Vs Loan depended PRSP-II

## 1 Why the 2nd PRSP

Finally the Bangladesh Government has adopted the 2nd PRSP (PRSP-II, Step towards Change) as the strategy paper of country's development. Though according to their election manifesto, the government was to back to the five year plan, but they are now going with PRSP-II. Government has assessed that, it is now nearly impossible to go back to the five year plan right now. And that is why government is to go with the PRSP-II as the development strategy for the financial year 2009-2011.

But at the same time government is analyzing the PRSP in the light of their political philosophy and election pledge to mass people i.e. the vision 2021. After the phase out of the 1st PRSP, the then caretaker government initiated the 2nd PRSP. But the current government declared that 2nd PRSP was not harmonious with their philosophy and was also not representing the public will, and they were to cancel it. But being insisted by donors, government could not cancel the 2nd PRSP finally.

## 2. The goals and Challenges of PRSP-II

In the Vision 2021 all the development plans have been divided into two types, Long term and short term. The tenure of the present government i.e. up to 2013 is the long term. During this period poverty will be reduced by 30% and total poor will be reduced to 45 million. To gain this goal the agriculture sector and growth, rural development and employment will get high priority. On the other hand, the long term goal of vision 2021 is a completely poverty free Bangladesh. To gain this goal infrastructure and human resources development, continuous investment and high growth rate is to get the special priority.

Now, the question is what challenges in implementing the PRSP 2 are? The PRSP think tank and initiators of the present government are trying to avoid talking about the challenges. They are saying that, main challenges can be

the lack of string coordination among different ministries, lack skill on project implementation of different ministries and departments and to develop a strong monitoring system of the government. We think that, beside those challenges there are so any things to do. Specially, during the period of PRSP 2,

### Main Indicators of PRSP -II and Vision 2021

1. Improve the GDP growth rate into 8% within 2013 and 10% within 2017.
2. Reducing the rate of living under poverty line into 15%.
3. Increasing the primary enrollment into 100% within 2010, making tuition fee free education up to graduate level within 2013 and ensuring 100% literacy within 2014.
4. Ensuring self reliance in food
5. Ensuring safe drinking water for all within 2011, sanitation for all within 2013, and house for all within 2015.
6. Reducing matrimonial death rate into 1.5% and child death rate into 15%.
7. Production of 7000 MW power within 2013, 8000 MW within 2015 and 20000 MW within 2021.
8. Increasing the employment rate into 85%.

effective and rational financing to the development plans.

## 3. How much financial support will be needed for the PRSP-II?

The PRSP think tank of the present government claim that, the period of 2009-2011 is the medium term strategy by which type poverty reduction endeavor will be strengthen and Millennium Development Goal (MDG) will be achieved. So, PRSP -II is like an ignition key. It will bring result only if it is conducted in right way, either not. To make this goal in reality, the total projected amount for the implementation of PRSP -II will be needed taka 3457.40 billion or 345740 corers. It is mentionable that, the last caretaker government projected the amount as 250000 crores taka.

The deficit in the projected amount for the PRSP-II is 874.84 billion or 87484 crores taka (12.50 billion US dollars). But the real deficit is 137946 crores taka since deficit is that amount which government collects as loan from different local or foreign resources. Total 50462 crores taka will be collected from local sources which are 3% of GDP and the remaining amount, 87484 crores taka is planned to collect from foreign sources.

It should be mentioned that, the present government added nothing new in the PRSP 1 draft but only some discussion on that in the parliament.

The government is saying that, to achieve the goal and objectives of the vision 2021, huge investment is needed in the infrastructure and human resources sector. To ensure that investment during this PRSP 2 period total 30.63 billion dollars will be needed. Government hope that, among this amount public-private investment will be 27.53 billion dollars, but our prediction and observation says that, investment target during the 2009-2011 financial year will not be fulfilled. Even if it is possible, the deficit will be 3.53 billion dollars, government has to invest this amount by taking loans.

#### **4. Has there any progress with the current loan policy or bureaucracy based loan plan?**

A question has been raised, is it possible to ensure real, sustainable development and poverty eradication with the current loan policy? Is it possible to achieve the goals of vision 2021 with those policies? Question is being raised only because traditional bureaucracy has been playing the main role in planning and implementing the policies. These bigwigs are always making plan according to the donors suggestions and persuasion, they are keen interested to comply with the interest of donors instead of the vast interests of fellow countrymen and the tax payers. Since the independence this tradition has been implemented carefully, our development plans have been made by and with the guideline of outsiders. and that is why we could not make the desired development. On the contrary poverty has been increased. In 1972 there were 4 crores poor and in 2009 the number has been stood into 6.5 poor. At the same time,

Bangladesh has become burdened with foreign loans.

#### **5. Donors are more interested in lending credit instead of Development aid.**

Bangladesh is one of the poorest country of the world, here 40% of total population is living under poverty line. If poverty reduction got the priority instead of the GNP then Bangladesh should have got development aid from the donors without any condition. Bangladesh really deserves it. But donors did not do that, instead they lent, in other word sold loan to Bangladesh. They have made Bangladesh as their client. They insisted Bangladesh to borrow loan from them. Since the liberation to 1990, Bangladesh got total 40 billion dollars as financial aid but of that amount 44% was donation and the remaining 56% was loan. During the last two decade the amount of loan was increased and amount of donation decreased. According the quarterly report of Bangladesh Bank (July 2009), during 2001-09 Bangladesh got 11509 million dollars from different donors, of them donation was only 425.84 million (3.6%) and the remaining amount, about 7% was loan.

#### **Foreign aid and politics of the donors**

There have been various changes in policy for Bangladesh in financial aid policies of different aid agencies and countries. Though donors' policies for poverty reduction and financial aid are seemed to be cordial apparently, in fact many contradictions can be found in their execution. Bangladesh deserves financial aid without any conditions, but Bangladesh is being deprived to get financial aid in this way. From the decade of 80 various disproportionate conditions have been imposed for Bangladesh for getting foreign financial aid. Bangladesh had to decrease investment in the poverty reduction activities for implementing the so-called SAP Structural Adjustment Program). As a result poverty has been increased. SAP had been strongly criticized around the world, after that failure, PRSP has been put in to table in name of Bangladesh's own policy, and that was to decline the liabilities of the self-vocal patrons of Bangladesh. The illicit and ultimate goal of the PRSP is the loan politics and it is to ensure the

possession of the multinational companies on the state resources.

**6. What would be the result of PRSP-II?**

**a. Tendency of Resource Drainage will be increased.**

During the period of PRSP 2, the projected resources deficit is 12.56 billion dollars (87920 crore taka). What will be source of this amount? The answer is WB, IMF and ADB! Question is, will they lend any interest free loan? what will be type and conditions of that loan? We believe that, WB and IMF's so called development aid to the developing countries are the part of their effort of the implementation of Washington Consensus. Once the main key of that endeavor was the SAP, and now the main arm of those imperialist groups is PRSP. In Bangladesh parliament PRSP was strongly criticized terming that plan as the plan of the collaborators of WB-IMF. This is obviously contradictory to the election manifesto of Mohajote. It can do anything but poverty reduction; rather it will produce more poverty. When the policy makers of government itself are doubtful about the positive outcome of ORSP then there is no scope actually to think to stand against it.

So we can say that, government will not able to achieve the goals of vision 2021 if it takes any loan under the present policies according to the PRSP. Moreover this policy will create hazard to the investment in the main emergency sectors like education, health, agriculture and rural development and thus scopes for resource drainage will be increased.

Presently total foreign loan of Bangladesh is 22.31 billion dollars, which is 25.40% of GDP. Per capita foreign loan is 149.6 dollars or 10430 taka. New loan under the PRSP 2 will increase total loan amount into 34.87 billion dollars within 2011 which is 33.60% of GDP and per capita loan will be 2345 dollars, in taka the amount is about 17150.

**b. Large amount of Revenue income will be spent in interest payment.**

Under the 2nd PRSP total target of resources is 207700 crores taka. This projected amount will

be collected from revenue. After analyzing the expenditure sectors we can find that, large amount of that revenue is spending for the interest payment, and this today is being increased. In FY 2002 10% of total budget were spent for interest payment, during 2006-07 it was 16% and in 2009-10 the size is 20%. After renting loan under PRSP 2 government will have to pay 30-35% of total revenue income as the interest.

Financial Year	Revenue (taka)	Expenditure for interest	% of Income
2009-10	74461	15808	20.0%
2008-09	69180	13314	19.2%
2007-08	60539	11967	19.7%
2006-07	57301	9154	16.0%
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**c. Investment in essential service sector will be decreased and MDG achievement will be hampered.**

Under the PRSP there is plan to get loan for mainly infrastructure development, power and ICT sector. It has been said that, development in those sectors will ensure growth, and thus poverty will be reduced. But reality is that, government has to except some strong condition to get those loans, some of theses condition is to reduce investment in education, health and agri sector and to ensure scopes for private investment in agri sector. The previous governments took loan from IMF, WB accepting these conditioned. As a result governments had to reduce investment in all the important development sectors. Though it is said that, Bangladesh has done well in MDG achievement, but the fact is that, there is little sign of improvement the main indexes of MDG achievement like poverty reduction, education and health sector. On the contrary negative tendencies have been increased. Donors have been promulgating wrong information on MDG achievement intentionally to deprive Bangladesh from the ODA (official Development Assistance) and to occupy Bangladesh's resources.

**7. What should be the foreign borrowing Policy of Bangladesh?**

We must confess that, Bangladesh is unable to go without any help of its development partners. To achieve the goals of vision 2021 Bangladesh has to huge investment in different sectors. To ensure that investment, huge loan is also needed. We have found that, previous governments borrowed loan accepting hard condition and thus interest of Bangladesh had been given away. Then what will be the policy to collect resources? We think that, this democratic government should take any initiatives which are contradicted with its vision 2021.

Present loan borrowing policy will create loan crisis for Bangladesh. Latin countries can be an example for us. Since the independence Bangladesh has borrowed about 50 billion dollars, per capita loan is about 10400 taka and 20% of total revenue income is being spent for interest payments. This is being increased in a dangerous way. Interest amount is going larger than the state investment in essential sectors.

We have seen that there was very little relation of the loan borrowed from various sources with development. Vast quarters of the government for their earthly interest have been giving away countries interest. That is why Bangladesh is becoming poorer instead of being developed. So government must avoid the bureaucrats ion borrowing loan and people involvement must be ensured.

Since we have to take loan so we should have an independent and sovereign loan policy. We must consider the following things for our loan policy:

- Mass Public participation in all tires of development should be ensured.
- Bureaucracy dependency should be avoided.
- A permanent loan commission can be formed with participation from bureaucrats, citizen's alliances, civil societies.
- All information about loan must be making available to all.
- There will be no condition for loan for the social and service sector.
- Government must not take any loan which can be harmful socio-economically.
- Annual plan for loan must be declared earlier.
- Intermediate and final report on progress of projects conducted by loan must be published.
- There will be no indemnity for the donor organizations. Indemnity refrain us from make responsible for their development failure.

### **For Further Details**

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