Increased subsidy does not mean increased welfare of small and marginal farmers.

Subsidy on fertiliser largely goes into the pockets of dealers and traders, the majority of whom are indeed influential persons. They artificially increase the price of fertiliser when demand appears to be high, and extract the benefits of the subsidy. The subsidy given to the pump owners in terms of lower cost of electricity does not reach the poor farmers, either. This means reduced productivity, higher prices of food items, and increased misery of the poor, who are the majority in the agriculture sector. Yet, they are the ones who have made Bangladesh nearly self-sufficient in food.

budget. Given this background, let us offer some policy suggestions to address the challenges of ensuring economic security for the marginalized and excluded ones.

Pro-poor growth and agriculture

Public resources for agricultural development need to be increased substantially, and corruption will have to be eliminated to reach the benefits of the budgetary support to the actual farmers. New fertiliser factories have to be established. More emphasis has to be given to production of bio-fertiliser to enhance the scope of environment-friendly agriculture and horticulture.

Support for agriculture and poultry and fish farming has to be strengthened. Higher subsidy is needed on diesel because the majority of boro-cultivating farmers depend on diesel-supported irrigation. An identity card, called Krishak Card (ala VGD/VGF cards), in which particulars on agricultural land and input requirements would be recorded, can be issued against every farmer by UP. Sharecroppers, too, should receive this card.

The amount of cash subsidy (in the form of vouchers to avoid use for consumption purpose) sent to the UP accounts should be distributed to the farmers by the UPs. Local citizen monitoring systems, with the help of local NGOs and field staff of the Agricultural Extension Department, can also be developed.

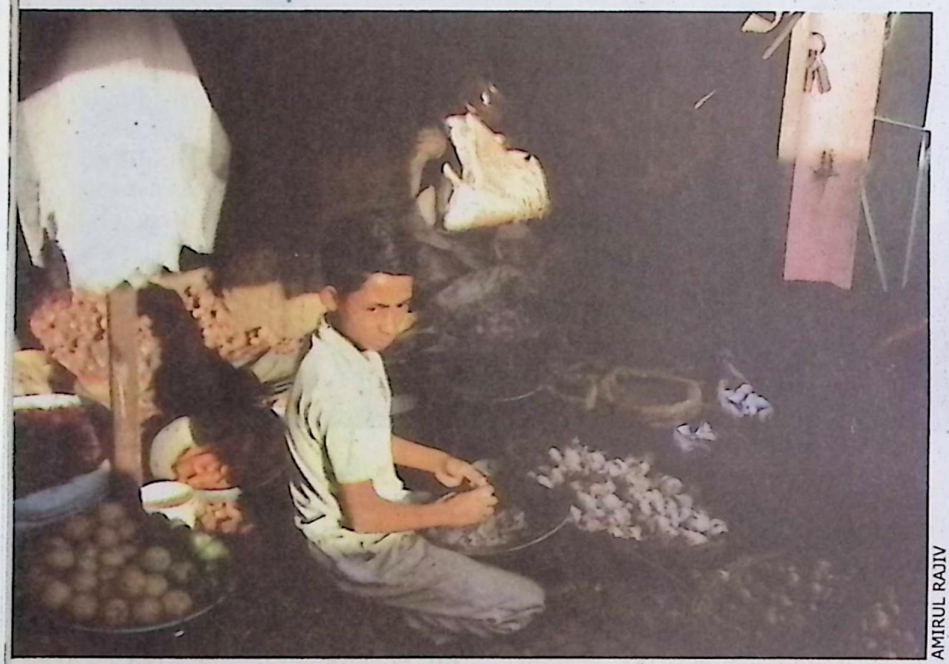
BADC supplies only 5% of the total seed requirement of the country. In order to increase the seed production capacity its budget has to be increased. High quality seeds need to be supplied to every union and village. The private sector/NGOs may be given incentives to go for quality seed production.

Small farmers and sharecroppers do not get adequate agricultural credit due to institutional barriers and bad governance. A linkage programme can be started with PKSF or CDF, or both, so that partner NGOs can reach credit to farmers in every union. In that case, the government should provide subsidy on the interest rate on the credit provided by the partner NGOs. Poultry, a sub-sector worth around Tk 60 billion and providing jobs and economic security to millions of people especially in rural and semi-urban area, is under serious threat of avian influenza. The budget has to create an "emergency fund" for the sub-sector in order to avert shocks to the people related to the affected farms.

Education and health

While some gains have been made in the education sector in rural areas, the urban poor remain neglected. In metropolitan areas, only 47% students from the two poorest quintiles enroll into secondary schools after primary schooling. Among the school-aged children from the poorest quintiles in urban areas, secondary enrolment is as low as 19% for males and 26% for females.

Half of the very poor children of school age fail to enroll in primary schools, and another half fail to enroll in the secondary schools. In order to attract poor school-age children in metropolitan areas, sub-stipend for primary education and Female Secondary School Assistance Program (FSSAP) has to be started. Every additional year of female schooling at secondary level results in a 2% decline in malnutrition rate. Reaching full female secondary enrolment would diminish by half the probability of a child being malnourished.



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Social protection

Bangladesh has a number of food and cash transfer programs (e.g. VGD, VGF, Sub-Stipend, allowance). Budget allocation for social protection is around 4 % of GDP. Shelter and health-care problems of the urban poor, who are mostly slum-dwellers, need to be properly addressed within the social protection programmes. Ecologically vulnerable areas like chars and haors, with high concentration of extremely poor people, deserve to be especially targeted when providing social protection through