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POLICY BRIEF

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Directly Targeting the Poor: Re-thinking Poverty Reduction Strategies in Bangladesh

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Abstract: After several decades of sustained poverty reduction in Bangladesh, recent projections point to a troubling reversal of earlier gains. Against this backdrop, this policy brief argues that directly targeted, community-driven interventions for the poor and extreme poor must assume a far more central role within the country's anti-poverty architecture, rather than continuing to rely predominantly on growth-led strategies. The traditional growth-mediated trickle-down mechanism has become increasingly fragile and less dependable in a context of widening inequality, labour-market informality, and recurrent economic shocks. At the same time, many existing social protection programmes rely on programme-specific eligibility criteria that do not consistently align with poverty or vulnerability status, while weaknesses in beneficiary selection have resulted in substantial inclusion errors. Microcredit schemes, meanwhile, tend to disproportionately serve non-poor households, further limiting their effectiveness as poverty-targeted instruments. Using the Resilience, Entrepreneurship and Livelihood Improvement (RELI) Project as a case study, this brief demonstrates the potential impact of directly targeted, community-based anti-poverty interventions. Drawing on evidence from RELI's implementation experience, the analysis distils a set of forward-looking lessons on how community institutions, when anchored in credible rules, transparent records, and viable post-project economic and institutional linkages, can help sustain poverty-reduction momentum in an increasingly uncertain development environment.

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Directly Targeting the Poor: Re-thinking Poverty Reduction Strategies in Bangladesh

I. Background

Over the past several decades, Bangladesh has achieved sustained reductions in poverty. However, the momentum behind this progress appears to have slowed markedly since 2010 and is now projected to have reversed since 2022.[1] The average annual rate of poverty reduction declined from around 1.7 percentage points during 2000–2010 to approximately 1.1 percentage points during 2010–2022. More recently, poverty incidence is widely projected to have risen, driven by persistently high inflation that has outpaced wage growth, weakened labour incomes, and job losses (Razzaque et al., 2024; World Bank, 2025).

Bangladesh's poverty reduction strategy has historically relied on two broad and complementary instruments. The first has been growth-oriented, premised on the assumption that economic expansion, employment generation, and public investment would eventually yield broad-based benefits through a trickle-down process. The second has been more targeted, centred on government-led social protection programmes and NGO-operated microfinance initiatives intended to protect the poorest from immediate deprivation while enabling gradual asset accumulation. Yet, somewhat paradoxically, most social protection schemes do not explicitly target households living below the poverty line, despite the National Social Security Strategy (NSSS) placing strong emphasis on supporting the poor and vulnerable through a lifecycle approach. At the same time, many NGO-led microfinance programmes rely on self-selection and repayment-based screening mechanisms that tend to exclude the poorest and most vulnerable households, thereby limiting their effectiveness as instruments of direct poverty reduction.

It is against this backdrop that renewed attention has been directed towards direct poverty-targeted programmes as a means of more effectively addressing poverty and vulnerability (Task Force Committee, 2025). Large-scale, community-based poverty-targeted initiatives may serve as a critical complement to existing national efforts. The Resilience, Entrepreneurship and Livelihood Improvement (RELI) Project represents one such initiative, seeking to improve livelihoods and strengthen resilience among poor and extreme poor households through a Community Driven Development approach that operates via local institutions to support sustainable income-generating

[1] According to the official data published by the Bangladesh Bureau of Statistics (BBS) through the Household Income and Expenditure Survey (HIES), poverty incidence in the country fell from 56.7 per cent in 1990 to 18.7 per cent in 2022. The absolute number of people living in poverty declined from 45.4 million in 2010 to 30.9 million in 2022, while the number of extreme poor is estimated to have fallen from 25.3 million to 9.3 million over the same period.

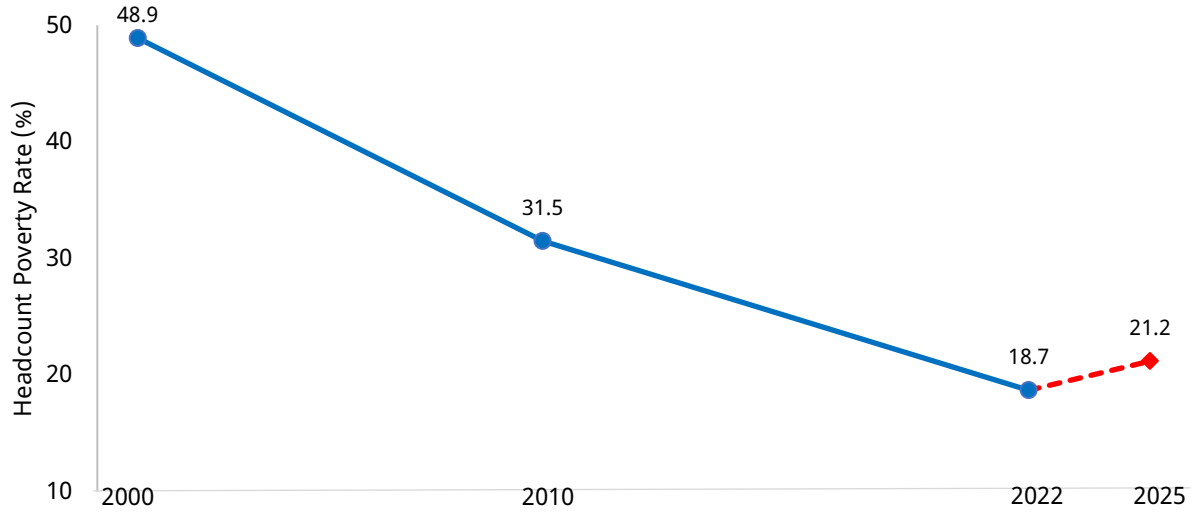
activities, deepen financial inclusion, and expand opportunities for groups that remain largely excluded from mainstream growth processes.[2]

This policy brief reflects on the efficacy, relevance, and future prospects of targeted community-driven interventions through the lens of RELI's experience. Embedded within this discussion is a broader policy question: as external financing becomes more constrained and debt servicing pressures intensify, greater clarity is required on the role that large, donor-supported projects should continue to play in Bangladesh's anti-poverty strategy, and whether a more durable pathway lies in institutionalising similar approaches within domestic financing frameworks and national policy systems.

II. Emerging Gaps in Bangladesh's Poverty Reduction Architecture

After decades of progress, the gains in Bangladesh's poverty reduction is witnessing a reversal in recent years. According to the World Bank's Poverty and Equity Assessment 2025, the national poverty rate in Bangladesh is projected to rise from 18.7 per cent in 2022 to 21.2 per cent by 2025 (World Bank, 2025). Similarly, a recent survey by a private sector think tank, Power and Participatory Research Centre (PPRC) finds the poverty incidence in the country to have risen to 27.9 per cent in 2025.

Figure 1: Headcount poverty rate in Bangladesh since 2000



Source and Note: Poverty estimates for 2000–2022 are derived from HIES data. The 2025 poverty rate is a projection based on microsimulation results reported in the World Bank Poverty and Equity Assessment (2025).

[2] The Resilience, Entrepreneurship, and Livelihood Improvement (RELI) Project is implemented by the Social Development Foundation (SDF), an autonomous not-for-profit organization under the Government of Bangladesh (GoB)'s Ministry of Finance (MoF). The project is primarily financed by a credit provided by the World Bank's International Development Association (IDA).

Several factors tend to be associated with this shift, including persistent inflation, weaker labour incomes, long-standing labour market constraints, and the limited capacity of social protection and NGO-based support to consistently reach poor and extreme poor households. At the same time, relatively weak redistributive mechanisms are contributing to wider income and wealth inequality, which in turn makes growth-led trickle-down effects a less reliable tool for poverty reduction.

- **Inflation has weakened real purchasing power and pushed millions into poverty.**

Sustained high inflation in the past three years, persistently hovering around 10 per cent, has severely weakened real purchasing power and increased the risk of households backsliding into poverty. High inflation has consistently outpaced wage growth; the Consumer Price Index (CPI) increased by over 40 percentage points between September 2022 and August 2025, while the wage index rose by only about 25 points, leading to eroded real earnings. This decline in purchasing power has pushed nearly nine million additional individuals into moderate poverty between 2022 and 2025, underscoring the precarious economic security for millions and signaling significant reversals in poverty reduction efforts (Razzaque et al., 2024).

- **Labour market constraints are limiting income gains for low-income households.**

Bangladesh's labour market has weakened sharply over the past two years. Official BBS data show that between 2023 and 2024 total employment fell by nearly 1.9 million, from about 71 million to 69.1 million, alongside a contraction of roughly 1.7 million in the labour force. This simultaneous decline in employment and participation points not only to job losses but also to large-scale withdrawal from the labour market, a pattern typically associated with periods of acute economic stress. Recent World Bank (2025) analysis identifies deteriorating labour market conditions, driven by high inflation and weak real wage growth, as a key channel through which macroeconomic pressures are translating into rising poverty and vulnerability.

Women have borne the brunt of this contraction. Between 2023 and 2024, the female labour force declined by around 1.6 million, closely mirrored by a comparable fall in female employment. Female employment declined in both urban and rural areas, reversing earlier gains in labour force participation. Women concentrated in informal and low-paid activities have disproportionately absorbed labour market adjustment through withdrawal and underemployment.

These recent shocks are unfolding against deeper structural weaknesses in employment intensity of growth. Manufacturing output has grown at close to 10 per cent annually over the past decade, yet manufacturing employment has fallen by around 1.4 million, from about 9.5 million to just over 8 million (Razzaque et al. 2025). While manufacturing value added has increased more than twofold since 2013, job creation has declined in absolute terms, signalling a shift towards more capital-intensive production and a growing disconnect between growth and employment. Women's participation in manufacturing has fallen both in absolute numbers and as a share of employment, contributing to what has been described as the defeminisation of the workforce. Labour market stress is also evident among young and educated workers, with youth unemployment exceeding 8

per cent, graduate unemployment around 13.5 per cent, and nearly one million unemployed graduates. In 2024, around 20 per cent of young people were not in employment, education, or training, rising to nearly 60 per cent among urban women. Taken together, these trends point to a broader episode of economic disruption that extends beyond short-term volatility and raises concerns about labour market resilience under current conditions

- **Targeted support remains uneven as social protection and NGO activities do not consistently reach the poorest.**

Social assistance programs are poorly targeted, undermining their overall impact. In 2022, only about half of the poorest quintile received social assistance, yet 35 percent of the richest quintile also received benefits, indicating widespread leakage of resources to non-poor groups (World Bank, 2025). Estimates based on HIES 2022 further indicate that, among households receiving at least one social protection benefit, only 13.5 per cent were poor and 17.1 per cent were vulnerable, while 62.8 per cent of beneficiary households nationally were neither poor nor vulnerable (Razzaque et al., 2025).[3] At the same time, only about 27 per cent of poor households report any NGO membership, implying that microfinance and related NGO channels do not consistently reach large segments of the poor.

- **Trickle-down effects are being weakened as inequality rises and the prosperity gap widens.**

The poverty-reducing effects of economic growth in Bangladesh have weakened in the context of rising income and wealth inequality, making growth progressively less pro-poor since 2016 and widening the prosperity gap.[4] After 2016, consumption growth became concentrated among middle- and upper-income groups, leaving the poorest to benefit the least, which caused poverty reduction to decelerate despite continued economic expansion (World Bank, 2025). Furthermore, high vulnerability combined with income losses since 2022 is projected to increase inequality by nearly two Gini points by 2025, suggesting that wealthier households are being shielded from the downturn while the poor face deepening deprivation (World Bank, 2025).

III. Insights from the RELI Project

Against this set of constraints, the relevance of large-scale community-based programmes is best framed not as an alternative to macroeconomic stabilisation or inclusive growth, but as a complementary and increasingly necessary instrument that can concentrate resources on the

[3] The National Social Security Strategy (NSSS) defines vulnerable households as those whose incomes lie above the national poverty line but below an income level 25 per cent higher than the poverty line (i.e., 1.25 times the poverty line income).

[4] The prosperity gap is a metric that captures how far, on average, all individuals in a society are from a prosperity threshold of US$25 per person per day (in 2017 PPP dollars). It represents the average factor by which incomes or consumption must be multiplied for every individual to reach that standard of economic security. Although the prosperity gap narrowed from 6.3 in 2010 to 5.0 in 2022, Bangladesh's progress in closing this gap was less effective compared to regional peers, whose gaps narrowed more rapidly (World Bank, 2025). Furthermore, the trend is now reversing; the prosperity gap is projected to widen by 2 points between 2022 and 2025 as high inflation and economic slowdown disproportionately erode the real earnings of the poor (World Bank, 2025).

capacity-building of poor and extreme poor households. In a context where growth-led and programme-based mechanisms are proving progressively less effective in reaching those at the bottom of the distribution, such platforms are emerging as one of the few instruments capable of delivering explicitly poverty-focused support at scale. It is within this policy space that the RELI Project becomes a useful case for analysis, since its design places community institutions at the centre of delivery while being financed through concessional credit.

The project covers 20 districts across five regions, namely Jashore, Rangpur, Mymensingh, Cumilla, and Barishal, encompassing 68 upazilas and approximately 3,200 villages organised into 128 clusters.[5] Within these locations, beneficiaries were identified through a three-step targeting process culminating in a Participatory Identification of Poor (PIP) exercise at the village level, which classifies households as extreme poor, poor, or vulnerable. Unlike most social protection schemes that rely on categorical eligibility criteria or administrative filters, the PIP process explicitly anchors beneficiary selection in local knowledge, allowing RELI to identify poor and extreme poor households that are frequently missed by both government programmes and NGO-led microfinance initiatives.

RELI has been designed with the stated objective of improving livelihoods among poor and extreme poor households, strengthening resilience to shocks, and supporting rural entrepreneurship in project areas. Progress is tracked through indicators on income and employment gains, poverty status transitions, beneficiary satisfaction, enterprise income growth, and resilience outcomes. These objectives are pursued through a community-driven delivery model in which local institutions organise beneficiaries into groups, mobilise savings, extend revolving and internal lending for income-generating activities, and combine livelihood support with complementary services. The underlying policy relevance lies not in any single intervention, but in the integration of targeting, finance, and institutional organisation within a unified local platform.[6]

Community mobilisation and savings behaviour appear particularly strong within RELI groups. More than 567,000 extreme poor, poor, youth, and indigenous beneficiaries have been organised into RELI Groups, exceeding initial coverage targets, and nearly all members have accumulated savings. Internal lending volumes have reached around 182 per cent of the total savings pool. While these figures are often presented as delivery metrics, from a policy perspective they signal a level of institutional cohesion and financial discipline among very poor households that is not typically associated with informal village-level organisations. Near-universal savings participation and repeated recycling of member funds are difficult to sustain without credible rules, locally accepted enforcement mechanisms, and routine record-keeping perceived as legitimate by members themselves.

[5] The selection of these areas was guided by poverty rates exceeding thirty per cent according to the 2016–17 Household Income and Expenditure Survey (HIES).

[6] The project's reported impacts are drawn from the mid-term review commissioned by SDF and carried out by an external evaluation team.

Income gains and poverty mobility within project areas are worth noting. More than 151,000 beneficiaries, representing just over 37 per cent of those assessed, experienced income increases of at least 30 per cent from income-generating activities and employment, almost double the mid-term target. At the same time, around 38 per cent of beneficiaries reportedly changed poverty status, moving either from extreme poor to poor or from poor to non-poor. Taken together, these outcomes suggest a pace of localised poverty mobility considerably faster than national trends observed in recent years, which have been characterised by slowing poverty reduction, persistent youth underemployment, and limited expansion of secure wage employment.

Women's participation in RELI is central, constituting 97 per cent of direct beneficiaries, with their role extending beyond mere inclusion to active leadership in community institutions (like Gram Samiti) and significantly increased decision-making authority over financial matters. For the main PDO indicators, between 95 and 97 per cent of those recorded as having changed poverty status, increased income, or improved resilience are women. If these patterns are sustained, they would indicate that RELI's design has been effective in channelling resources and decision-making power towards women in very poor households, which is noteworthy in a labour market where women's participation remains constrained and where many support programmes struggle to reach them at scale.

Health and nutrition outcomes point to similarly rapid behavioural shifts. Exclusive breastfeeding reportedly increased from 72.6 per cent to 90.3 per cent among participating mothers, while sickness prevalence in intervention areas declined from 96.7 per cent to 76.8 per cent. Such changes, if durable, indicate that community-based mobilisation combined with modest financial and informational inputs can yield relatively quick improvements in basic health practices, which is significant in a context where illness-related income loss and out-of-pocket health expenditure continue to weigh heavily on poor households.

Enterprise support and youth measures point to potentially meaningful labour-market effects in project locations. Nearly 4,000 producers and rural entrepreneurs, representing about 59 per cent of those assessed, achieved income increases of at least 40 per cent. Youth unemployment in intervention areas reportedly declined from 11 per cent to 6 per cent, with around 15,800 of nearly 19,500 trained youths entering employment. In a national context marked by high NEET rates, weak wage growth, and limited returns to small-scale self-employment, these outcomes suggest that coordinated skills development, access to finance, and producer-group support can, under certain local conditions, facilitate more secure transitions into work.

Overall, RELI's reported impacts indicate that fiscally accountable, community-driven programmes can generate measurable gains for poor and extreme poor households while simultaneously building local institutions capable of managing savings, lending, and basic accountability functions at scale. The key policy question, therefore, is not whether RELI performs well in isolation, but how such institutional arrangements can be sustained, adapted, and financed once project support tapers off. This question is particularly salient in Bangladesh's current macroeconomic context, where slower income growth among lower-income households, limited expansion of productive wage

employment, and inflationary pressures may constrain the extent to which project-level gains can be generalised. In this sense, RELI illustrates what becomes possible when mobilisation, financing, and supervision are tightly aligned at the local level, while also underscoring the need for careful consideration of durability, comparability with national poverty metrics, and pathways for embedding such approaches within domestic policy and financing systems.

IV. Emerging Lessons for Bangladesh's Anti-poverty Approaches

Bangladesh's current poverty reduction challenge lies in sustaining upward mobility for poor and vulnerable households under mounting macroeconomic pressure. While economic growth, social protection, and microfinance have each delivered tangible gains over time, none has proven sufficient on its own to maintain momentum in a context of rising inequality, labour market stress, and tighter fiscal space. In this setting, the RELI Project is best understood not as a model to be replicated wholesale, but as a practical reference point that clarifies what becomes possible when community institutions are tasked with delivering finance, services, and accountability at scale. Its experience offers a set of lessons that speak directly to how Bangladesh's anti-poverty architecture may need to evolve in the years ahead.

First, RELI demonstrates that directly poverty-targeted programmes can be implemented at scale when delivery is anchored in credible local institutions supported by tiered oversight. Its experience suggests that large-scale targeting need not be confined to small pilots, provided delivery architectures are designed around local committees with clearly defined roles and embedded within coordination structures that span villages, clusters, and districts. Such arrangements allow decentralised decision-making to coexist with fiscal accountability. Future programme design would benefit from treating delivery architecture as a core policy choice rather than an administrative afterthought, with explicit clarity on decision rights, fund flows, and oversight across tiers.

Second, closer alignment between targeting criteria and nationally recognised poverty definitions would strengthen policy learning and comparability. Where project-level poverty classifications diverge from official measurement approaches, a disconnect can emerge between reported outcomes and national poverty trends, limiting the policy relevance of otherwise positive results. A more durable direction would involve harmonising targeting thresholds with national measures and linking beneficiary records to the emerging social registry and related systems, enabling project evidence to inform programme coordination and resource allocation more effectively.

Third, RELI's experience suggests that women's leadership and youth participation contribute most to programme legitimacy when inclusion translates into decision-making authority and concrete economic roles. The project indicates that local governance structures tend to function more effectively when women exercise control over financial decisions and when youth participation is linked to viable economic functions, rather than treated as a participation metric. Future designs may therefore benefit from safeguards that preserve women's decision-making roles and ensure

youth engagement remains tied to enterprise management, service delivery, or technology-enabled monitoring.

Fourth, skills and youth interventions appear more credible when training is embedded within market-facing pathways rather than delivered as stand-alone courses. RELI's outcomes point to the importance of linking skills development to enterprise support, producer groups, and structured engagement with local markets. Training without a clear route to application tends to lose traction once project incentives fade. Programme design may therefore prioritise pathways such as cooperative production, shared service hubs, apprenticeships, and certification linkages, while ensuring integration with national skills and youth systems so that the transition from training to employment becomes institutional rather than project-specific.

Fifth, emerging urban poverty dynamics suggest that community-driven approaches may require adaptation as deprivation becomes increasingly urbanised. With urban poverty reduction slowing and social protection coverage for the urban poor remaining extremely limited, there is renewed need for programme innovation. RELI-type models could be piloted and adapted for urban settings through revised mobilisation strategies and delivery mechanisms that reflect higher mobility, weaker neighbourhood cohesion, and more complex identification challenges, while drawing selectively on lessons from workfare and existing urban poverty programmes.

Finally, externally financed anti-poverty programmes remain defensible when they address persistent inclusion gaps while simultaneously building institutions that can be absorbed into national systems. Although the use of credit-financed interventions raises legitimate concerns under tightening fiscal space and rising debt-servicing costs, the reduced reliability of growth-led trickle-down under widening inequality, combined with the apparent reversal in poverty trends since 2022, continues to provide a rationale for targeted external support focused on underserved groups. Such programmes are more likely to be justified where accountability mechanisms are robust, exit strategies are clearly defined, post-project governance is monitored, and effective practices are explicitly linked to domestic financing arrangements and national policy frameworks.

These lessons point towards the need for a recalibration of Bangladesh's anti-poverty strategy rather than a departure from it. As growth becomes less inclusive and fiscal constraints intensify, greater emphasis on well-targeted, institutionally grounded interventions that complement national systems may prove critical for sustaining poverty reduction and preventing further reversals.

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