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# The dual challenge of poverty and inequity

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**A**LMOST a century ago in 1907 George Bernard Shaw wrote "the greatest of evils and the worst of crimes is poverty". Ironically, poverty has continued to remain as the greatest curse in the world even to this day, including Bangladesh where it is endemic.

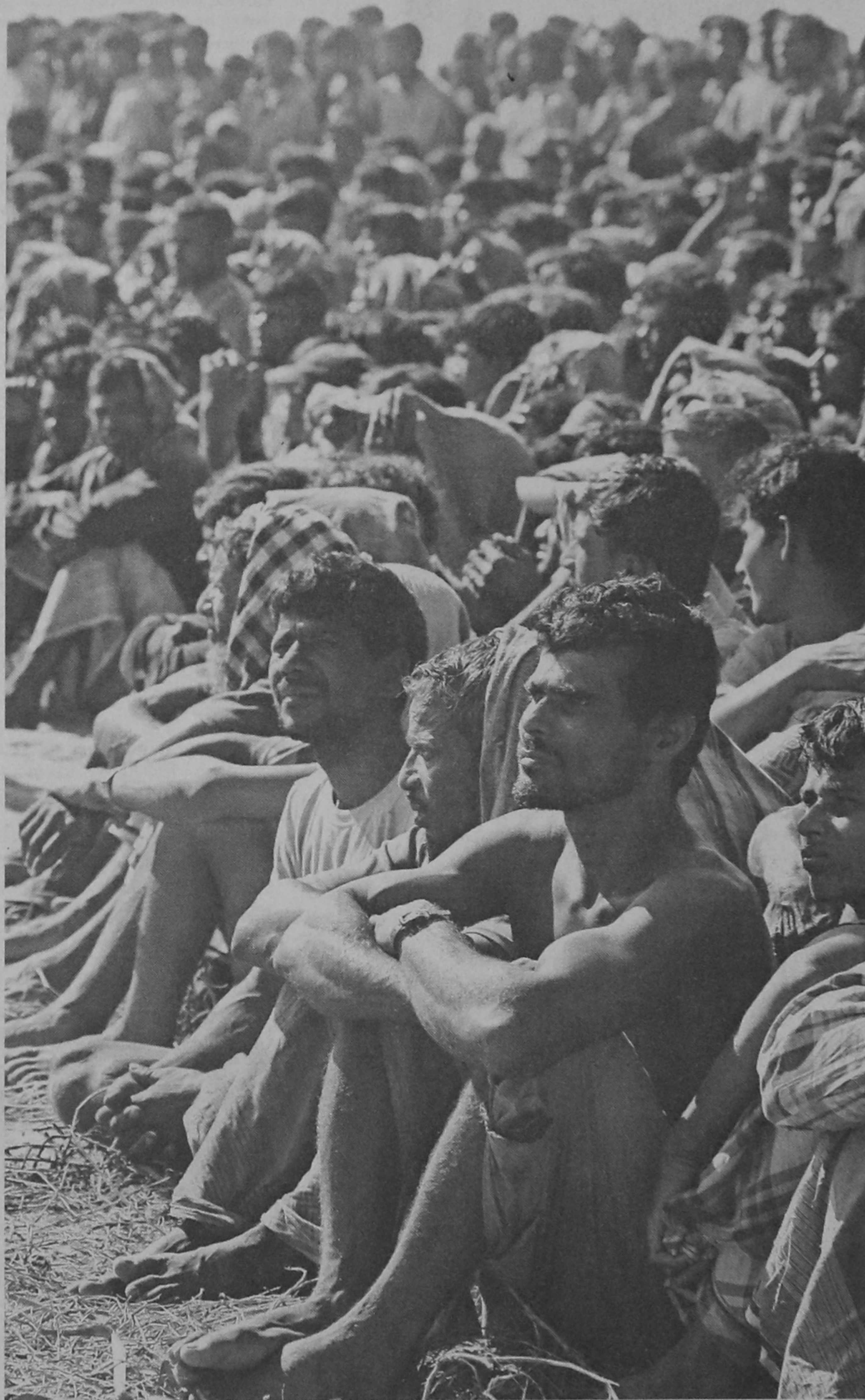
Surely, Bangladesh has achieved a steady growth of 5 percent on average and performed impressively in the area of human development since the beginning of the 1990s having withstood several global and domestic challenges. There is also no denying that a seeming difference is observed in, for example, the lifestyle of the so-called poor people, both in the urban and rural areas. One does not see as many unclothed children in the villages with bloated tummies infected with diseases or rickshaw pullers with only a piece of 'gamchcha' around his neck. The appearance, the clothing, the food have gone through a change over the years. Access to housing, sanitation, electricity and communications has improved the living condition of poor people in a major way. While all these may be attributed to the impressive improvements in some of the macroeconomic indicators, poverty reduction still remains as the greatest challenge for Bangladesh.

The ruling party Bangladesh Awami League (AL) has, in its election manifesto, 2008: mentioned "elimination of poverty and inequity" as its fourth major objective. The annex of the manifesto also delineates targets for poverty alleviation. Admittedly, the commitments of the present government as regards elimination of poverty and inequity are heavy and the challenges of achieving these are even heavier, particularly in the context of lack of adequate resources, accountability, transparency, efficiency and good governance. Hence the government will have to devote its efforts to several sectors in order to fulfil this particular commitment of poverty reduction. A few of the do's are following:

**Keeping the right focus:** According to the Household Income and Expenditure Survey (HIES) 2005 Bangladesh still has 40 percent people living below the poverty line and 25 percent living below the hardcore poverty line implying that the first group of people cannot afford a daily nutritional requirement of 2,122 calorie and the latter cannot afford even 1,805 calorie. Though there is a declining trend in poverty over the years there is nothing to be complacent about this marginal success as the absolute number of poor people is still huge. On the basis of cost of basic needs method during 2000 and 2005 the percentage of people below poverty line has reduced from 48.9 to 40.0 which means that total number of population below poverty line has come down from 61.7 million to 55.4 million. More depressing is that about 27 million live below the hardcore poverty line who are deprived of basic needs of life.

In the above context, while spelling out the strategy the manifesto briefly and rightly highlights the vibrancy of agriculture and rural economy, and extension of safety net programmes. This is the right focus for a number of reasons. First, though the contribution of the agriculture sector to GDP has been declining it still employs the bulk of the labour force and has the potential to absorb more. Second, more than 80 percent poor live in the rural areas.

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thus requires a fiscal policy towards resource mobilisation. The revenue-GDP ratio is still the lowest in Bangladesh with only 10.7 percent at present compared to 11.2 percent in India, 14.3 percent in Pakistan and 16 percent in Sri Lanka. The more depressing is the tax-GDP ratio in Bangladesh which is only 8.9 percent and the weakness of the tax structure for being dependent on indirect tax. The accelerated drive of tax collection during the last two years should be continued in order to generate revenue and meet up the requirements of development spending which comprise of a component of social sector. Undoubtedly, active efforts have to be dedicated towards improving institutional and administrative mechanisms of tax collection, reducing complications and ensuring transparency and accountability of the whole tax system. Some initiatives have already started and should be taken forward.

**Resource utilisation:** The resource situation gets worse with the lack of proper utilisation. Historically, the annual development expenditure (ADP) has been low with the utilisation rate of around 80 percent or so which went further low to 69.3 percent in FY07-08. During the first six months of the FY08-09 the ADP utilisation has been only 24 percent which calls for speedier disbursement and utilisation of funds during the next six months, particularly in view of the target of achieving 90 percent utilisation as declared by the government. Even if we accept the fact that during the initial months of the fiscal year ADP utilisation is usually low and it picks up towards the later part of the year, utilisation of another 66 percent in the next six months seems overambitious and will be a challenging task given the administrative system and procurement law. The Prime Minister's announcement in a cabinet meeting that laws which hamper the speedy implementation of projects may be revised and changed for the sake of better resource utilisation is encouraging. The government, however, has to be vigilant over any possible wastage of resources during such speedy disbursement.

**Address all dimensions of poverty:** Inequality is an added concern to the anti-poverty agenda. Notwithstanding a faster pace of poverty reduction during the 1990s this reduction in poverty was not accompanied by a reduction of income inequality. The AL election manifesto 2008 has rightly pointed out its priority to eliminate inequity along with poverty as it is a major concern for the economic development of Bangladesh. The HIES 2005 data shows that the income share of the top household deciles outweighed the lowest deciles by 18.8 percent which was 17 percent during FY2000. It is more alarming that the rural gini coefficient (a measure for income inequality) for household income group in 2005 increased to 0.43 from 0.39 in 2000 and the urban gini coefficient for household income group remained unchanged at 0.50 in 2005.

Inequality is also evident amongst various regions of Bangladesh as reduction in incidence of poverty is not taking place equally in all regions. For example, divisions in the east which includes Rajshahi, Khulna and Barisal districts are found to be the highest poverty prone areas compared to the western divisions which include Dhaka, Chittagong and Sylhet districts where poverty reduction has happened at a faster pace.

Third, the rural poor suffer both income poverty and human poverty and thus require support through safety net programmes (SNP). On average, during 1996-97 to 2004-05 the share of spending on SNPs was 0.8 percent of the GDP and 5.7 percent of the total public expenditure. This share has increased substantially during the recent years. In the annual budget of FY 2008-09 the share of SNP has been

proposed to be 2.8 percent of GDP and 16.9 percent of total public expenditure. However, this is far too less even compared to the South Asian countries where the average share is about 5 percent of GDP.

**Resource mobilisation:** The choices of programmes are often constrained by non-availability of resources and competing priorities. Though over the years the private sector has been play-

ing increasingly important role in terms of setting up industries and making other private investments, the government still has the responsibility to provide public goods including infrastructure, rural development, health and education which are pre-conditions for employment generation and poverty eradication. The present government's commitment towards pro-poor development policy