Need for a poor-friendly budget

FAHMIDA KHATUN

We often hear, particularly before the announcement of the annual budget, that the budget should be poor friendly. While this demand sounds very emphatic and appropriate given the socio-economic condition of Bangladesh, what it really implies is an issue to be explored. In Bangladesh, poverty has been a long standing and unresolved phenomenon in the economic and social landscape.

Over the years, Bangladesh has progressed much in most of the economic indicators -- from GDP growth to sectoral improvement to social advancement. At the time of its independence, more than 80 percent population of Bangladesh was living below the poverty line, and life expectancy was 46.2 years in the early 70s. The country was still recovering from the devastating war. Hence, the objective of poverty reduction took the centre stage in the first five-year plan (1973-78) of Bangladesh. In 2011, forty years on of our independence when the sixth five-year plan (2011-15) is being formulated, poverty is still the major challenge of the country.

Achievements during these forty years are impressive on many accounts. Over the last ten years or so, the country has been able to achieve a growth rate of 5.8 percent per year on average, which is far better compared to other least developed countries. This steady growth has significant impact on poverty reduction. With spectacular export and remittance performances and increased import capability, the country has also integrated itself into the global economy at a larger extent than before, while the dependence on foreign aid has reduced substantially. Population below the poverty line came down to 40 percent in 2005 from 48.9 percent in 2002 and 56.6 percent in 1991 (according to Household Income and Expenditure Survey 2010 it is expected to come down to around 31.5 percent). Per capita annual income increased to $685 in 2010 from $90 in 1973 and life expectancy increased from 46.2 years in 1974 to 65.4 years in 2006. And the list of successes goes on.

It is expected that the issue of addressing poverty through gainful and sustainable employment for the people located at the bottom of the pyramid will once again feature prominently in the upcoming budget for fiscal 2011-12

Sadly enough, fruits of such progress could not be distributed equally among all sections of the society. There has been asset creation and wealth accumulation among a group of people, which is a good sign as many of them are successfully contributing to the development of the country through employment creation. However, a large section could not get the pie of the economic advancement of the country as the income inequality rose during the 1980s, 1990s and 2000s.

Those with minimal or no resource are the people who are afflicted with poverty due to a lack of opportunity to take part in the economy with no skill, no education, no asset and no health. They lack capability of all types. In most cases, their poverty is intergenerational and chronic. It is like a trap, in the language of economics, a "vicious cycle" which makes them travel round and round over the same poverty passageway for years after year, decades after decade. In order to bring them out of this poverty maze, mere resource allocation is adequate. Massive, broad-based and concerted efforts are required with the focus on employment creation which can generate income for them on a sustainable basis. The employment trend could not keep pace with labour force of the country as the growth of employment has been 2.9 percent during 1974 to 2006 whereas the labour force grew by 2.8 percent during the same period. Again, those who are employed may not necessarily be employed throughout the year. Major sources of employment in Bangladesh are the agriculture and informal sectors. As a result, a large number of people remain underemployed because of seasonality of agricultural production and low income in the informal sector.


STAR

A large number of people remain underemployed because of seasonality of agricultural production and low income in the informal sector.

It is expected that the issue of addressing poverty through gainful and sustainable employment for the people located at the bottom of the pyramid will once again feature prominently in the upcoming budget for fiscal 2011-12 as the present government is politically committed to make Bangladesh a middle income country. In doing so, allocations are made for poverty reduction and social safety net programmes in the national budget every year. It is encouraging to note that allocations for social safety net porgrammes as a share of total budget increased from 8.4 percent in fiscal 2006-07 to 14.8 percent in fiscal 2010-11. And in terms of the percentage of GDP, such allocations have doubled during the last five years. The share of expenditure for safety net programmes reached 2.5 percent of GDP in fiscal 2010-11. The forthcoming sixth five-year plan proposes an increase in public expenditure on safety net programmes to 3 percent of GDP in fiscal 2014-15. Ironically, this will still be far below even the South Asian average allocation on social protection, let alone be the European standard. Understandably, such limited resources cannot meet the demand of all. In 2005, the number of households below extreme poverty who could be covered through safety net programmes was only 13.1 percent of total households. Moreover, there were unequal distributions across various regions; the more poverty stricken divisions received less resources compared to those better off.

Given the requirement of the poor, increased budgetary allocation for various programmes is necessary. However, it is time to address the poorest of the poor through separate and targeted porgrammes and allocations since the very nature and extent of their poverty are different from the 'poor' who live in absolute poverty (with threshold of <=2,122 kilocalorie per person per day). As mentioned above, separate programmes are needed as this section is the most vulnerable ones -- the 'ultra poor' with a threshold of only <=1,600 kilocalorie per person per day. In 2005, the share of population in this category was 7.8 percent as opposed to 17.8 percent in 1991-92. Unless this marginalised section is uplifted from their historical poverty trap, poverty reduction strategies cannot be successful and development cannot be sustainable. The issue has been raised many a times at various forums. Hopefully, the issue of addressing the ultra poor will receive due attention in the upcoming budget.

The writer is the head of research of Centre for Policy Dialogue (CPD).

The Russians are coming – to Silicon Valley

CHRYSTIA FREELAND

The Russians are coming. So far, the invaders are both welcome and unexpected -- these aren't the Cold War comrades who aspired to geopolitical domination or the first wave of oligarchs with their treasure chest of natural resources. These Russians propose to conquer the world's new frontier -- the internet -- and they are every bit as cocky as their forebears.

Russia's arrival as a would-be technology superpower was announced this week when Yandex, a Russian internet search company, made its debut on the Nasdaq stock exchange in the biggest US internet listing since Google went public in 2004.

With characteristic Russian bravado, Ilya Segalovich, the company's chief technology officer, told my colleagues Alina Selyukh and Megan Davies that Yandex was superior to the behemoth Google: "Google is a great company, but we are better." Yandex is "very focused on what we are doing, and the focus is technology and search."

If you think of Russia either as the land of KGB-style repression or that of yacht-owning, supermodel-dating oil-rich oligarchs, this claim to technological prowess will be surprising. But ever since imperial Russia's scientific modernization campaign, Russians have prided themselves on their mathematical and engineering skills -- remember Sputnik.

For Yandex's chief executive, Arkady Volozh, that human capital gives Russia the potential to emerge as a technology superpower. "Russia is famous for its resources," he said. "But Russia also has a lot of talent." He added, "Russia deserves to have a technology company of a global level."

Silicon Valley has understood Russia's technological savvy for some time. Right now, the Valley's hottest investor hails not from Sand Hill Road, the epicentre of the region's famous venture capital community, but from Moscow. Yuri Milner was such an aggressive and pioneering supporter of companies like Facebook and Zynga that he earned his way onto the Forbes billionaire list this year and has an investing approach (lots of cash, no board seat) named after him. Soon, Mr. Milner will be a physical presence, too -- last month, he paid a reported $100 million for an estate in Los Altos Hills in the Valley, though he and his family will continue to make Moscow their main home.

Another sign that the smart money in America thinks we could be at the crest of a Russian technology wave: Earlier this year, New York-based General Atlantic, a fund with extensive emerging market and technology expertise, invested $200 million in Kaspersky Lab, a producer of security and anti-virus software. That was one of the flashiest foreign direct investments in Russian technology to date and paves the way for another Russian technology offering in three to five years.

All of this is very good news for the Kremlin, particularly its chief, President Dmitri A. Medvedev, whose big campaign at the moment is an economic modernization drive. Its centrepiece is a plan to build a Russian version of Silicon Valley in a neighbourhood on the outskirts of Moscow known as Skolkovo.

That effort tends to provoke scepticism among Russians, who have a cultural affinity for cynicism, particularly when it comes to their government. But even if you aren't a world-weary Slav, there are good reasons to wonder whether Putin's Russia can conquer the Internet.

After all, in the great debate about the social effects of digital technology, the Arab Spring has provided pretty powerful evidence that new media and old dictators don't mix. If you are unconvinced, ask the Chinese comrades, whose fear of Tunisian contagion prompted them not merely to block online references to the Jasmine Revolution, but also to ban the sale of the flower itself.

Those repressive reflexes have prompted many of the digerati to question, at least in private, whether authoritarian regimes can ever permit the free-spirited, open-ended, often frankly rebellious style of thinking and working that innovating on the Internet requires. Dictatorships might be good at manufacturing iPads -- but could they invent them?

AP

Yandex's chief, Arkady Volozh, second from right, and other executives celebrate the start of trading in their company's shares.

In the case of Russia, we may be discovering that authoritarianism and invention can coexist more easily than liberal democrats might hope. That is largely because Prime Minister Vladimir V. Putin's genius has been to devise a form of government you might call authoritarianism lite. State rule in Russia isn't exactly soft -- just ask Mikhail B. Khodorkovsky, whose conviction on embezzlement charges was upheld by a Moscow court this week -- but it isn't Big Brother either.

In the world of ideas, Mr. Putin has understood the state doesn't need to rule everything -- only the mass, opinion-forming media, which in Russia is broadcast TV. On the radio, in elite newspapers and on the Internet, the intelligentsia can say pretty much what it chooses. This isn't entirely new for Russia -- both tsars and commissars allowed the intelligentsia some latitude, on the theory the chattering class didn't really count. But Mr Putin has taken this much further than the apparatchiks did, allowing, for instance, extensive foreign travel.

As the Russian journalist Valery Panyushkin wrote in a New York Times op-ed article, "In Russia today, journalists are murdered like Anna Politkovskaya, beaten like Oleg Kashin and intimidated like me, but -- as terrible as this will sound -- that is not the real problem. The real problem is that journalists are ignored."

The Kremlin has done a similar deal with its oligarchs. They can be rich -- as long as they don't seek to influence how their country is ruled, which in Mr. Putin's eyes was Mr. Khodorkovsky's true crime.

These two bargains -- freedom and political impotence for the intelligentsia; wealth and political impotence for the oligarchs -- are Mr. Putin's version of the social contract. For Russia's rising technology elite, that fragile combination of personal liberty and a lot of money may be good enough.

If you think of Russia either as the land of KGB-style repression or that of yacht-owning, supermodel-dating oil-rich oligarchs, this claim to technological prowess will be surprising

Chrystia Freeland is a Reuters columnist. The views expressed are her own.