Can Bangladesh eliminate extreme poverty by FY2031?

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BANGLADESH has set an ambitious target to eliminate extreme poverty by FY2031. The results of the latest Household Income and Expenditure Survey done in 2016 (HIES 2016) suggest that this is a feasible target but by no means assured. HIES 2016 shows that moderate poverty (percent of population below the Upper Poverty Line or UPL) has fallen from 31.5 percent in 2010 to 24.3 percent in 2016, while extreme poverty (percent of population below the Lower Poverty Line or LPL) has declined from 17.6 percent to 12.9 percent over the same periods.

Research shows that several factors have contributed to continued progress with poverty reduction in Bangladesh including rapid economic growth, public spending on health, education, social protection and infrastructure, rapid inflow of external remittances and expansion of microcredit programmes. Continued progress on these fronts will be important for further poverty reduction.

These research findings have been internalised in the government's poverty reduction strategy and related policymaking. But there is one major policy gap that has not received adequate attention. Research shows that poverty and the population's vulnerability to natural disasters are positively correlated. Those falling in the extreme poverty group are most susceptible to natural disasters owing to the absence of adequate coping mechanisms. Yet, policy progress with reducing the vulnerability of the poor to natural disasters has been weak. Continued neglect of this aspect of poverty strategy could jeopardise the government's ability to eliminate extreme poverty by FY2031.

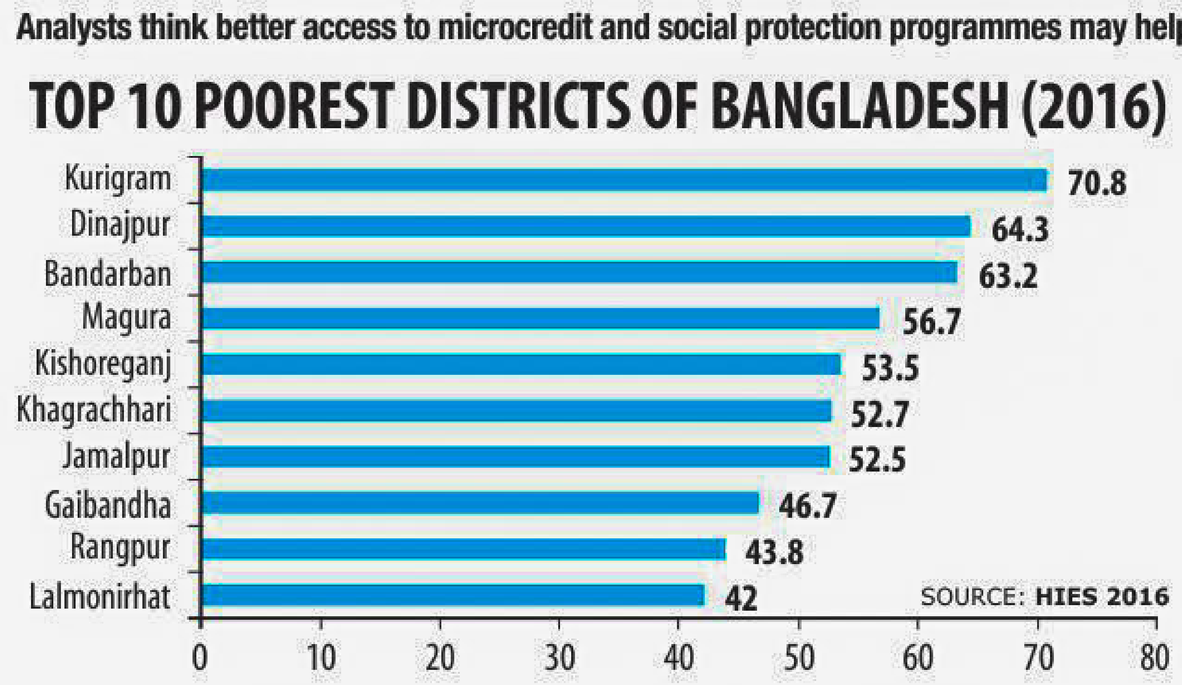
The importance of this policy challenge is well illustrated by the results of HIES 2016. District level data indicates that the poverty reduction progress has been highly uneven. The chart shows that the top 10 poorest districts of Bangladesh have poverty incidence ranging from 70 percent to 42 percent (based on UPL) as compared with the average poverty incidence of 24.3 percent. Indeed, the poverty gap between the poorest district (Kurigram with 70 percent poverty rate) and the least poor district (Narayanganj with a poverty rate of only 2.6 percent) is astounding.

A 70 percent poverty incidence found in Kurigram even after 45 years of independence is truly worrisome. A deeper analysis of the determinants of these large spatial variations in poverty incidence must be done to inform policymaking. An important factor is the role of geography and exposure to natural disasters. Kurigram is an extreme example of this. Year after year Kurigram suffers from massive flooding from the overflow of the Brahmaputra river. It is little comfort to give the exposed population annual dose of relief supplies, small financial handouts, access to microcredits and better toilet facilities. Unless a permanent solution to the river flooding problem can be found, Kurigram will continue to show high poverty and thwart the government's efforts to eliminate extreme poverty.

More generally, the location map of the top 10 poorest districts shows that they are either a part of the Barind Tract area of North-West Bangladesh (Dinajpur and Rangpur) or a part of the river and estuary belt (Lalmonirhat, Kurigram, Gaibandha, Jamalpur, Magura and Kishoreganj). Because of location, they face a range of vulnerabilities presented by river-flooding and water-logging in the monsoon and water shortages in the fall and winter dry seasons. The remaining two (Bandarban and Khagrachhari) are a part of the Chittagong Hill Tracts with little access to usable water combined with difficult land terrain and episodes of flash flooding and land-slides from water runoffs. The environmental problems are compounded by over-exploitation of ground water and deforestation.

SK ENAMUL HAQ

Analysts think better access to microcredit and social protection programmes may help reduce poverty on a sustainable basis.



All these districts are heavily dependent upon agriculture for livelihood that makes them so much more vulnerable to river flooding, flash floods, water logging, soil erosion and water shortages. Without a sea change in the poverty reduction strategy that is targeted to benefit these districts through specific interventions to reduce the vulnerabilities imposed by geography, natural disasters and climate change, there is a huge risk that these districts will not benefit in a sustained manner from the current poverty reduction strategy and will continue to be left behind as presently. This will likely compromise the government's ability to eliminate extreme poverty by FY2031.

What is the way out? The adoption of the government's Delta Plan 2100 (BDP 2100) will be a major step forward. The BDP 2100 identifies the major sources of vulnerability of the population of Bangladesh to geography, natural disasters and climate change and seeks to address these vulnerabilities at source through a well-thought strategy comprising policies, regulations, institutions and investment programmes.

If the government is serious about eliminating extreme poverty by FY2031 it must move speedily to adopt the BDP 2100 and initiate its implementation.

Tinkering at the margin in these districts with small scale safety net or micro-credit programmes will likely be a wasteful use of resources when measured against sustained long-term impact. Sources of vulnerabilities must be addressed to achieve sustained progress with poverty reduction and this will involve large scale public investments in flood control, river training, irrigation, water storage, piped water supply and proper operations and maintenance (O&M) practices.

Degradation of land and underground water resources from deforestation, soil erosion and over-exploitation of ground water must be checked and reversed through regulations, investments and sustainable cropping practices. Institutions must be established and cost recovery policies instituted to ensure participation of beneficiaries in policymaking, adoption of correct O&M practices and sustainable financing of investments. Production diversification must be ensured to create off-farm jobs in small scale manufacturing, transport, trade and other services. Improving access to international migration will be helpful by increasing the income base of the vulnerable families.

Better access to microcredit and social protection programmes will also help reduce poverty on a sustainable basis provided these interventions are a part of the broader strategy that seeks to reduce poverty by addressing vulnerabilities at the source.

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Pakistan allows use of Chinese yuan for trade, investment

AFP

Both public and private sector enterprises may use the yuan for bilateral trade and investment, Pakistan's central bank says.

AFP, Islamabad

PAKISTAN will allow the Chinese yuan to be used for imports, exports and financing transactions for bilateral trade and investment activities, in a move economists said Wednesday would simplify a massive Chinese investment project.

Both public and private sector enterprises may use the yuan for bilateral trade and investment, the central State Bank of Pakistan said in a statement issued Tuesday.

"As per current foreign exchange regulations, Chinese Yuan (CNY) is an approved foreign currency for denominating foreign currency transactions in Pakistan," it said.

"In terms of regulations in Pakistan, CNY is at par with other international currencies such as USD, Euro and JPY," it added.

The bank said that in light of a massive Chinese infrastructure project in Pakistan, the move would "yield long-term benefits for both the countries".

The China-Pakistan Economic Corridor (CPEC), a $54 billion project launched in 2013 linking western China to the Indian Ocean via Pakistan, has been hailed as a "game changer" by Pakistani officials.

They hope the power stations and transmission lines built as part of the project will help ease Pakistan's chronic power crisis. Economic analyst and former government adviser on finance Salman Shah welcomed the State Bank's move, saying that avoiding dollar transactions in the implementation of CPEC would "simplify matters very considerably".

Opec oil cut adherence rises in Dec

REUTERS, London

Opec deepened compliance with an oil supply-cutting deal in December due to a further decline in Venezuelan output and extra cuts by Gulf exporters, a Reuters survey found, showing strong commitment to the deal despite higher prices.

Adherence to the curbs rose to 128 percent from 125 percent in November, the survey found. The United Arab Emirates for the first time since the deal took effect in January 2017 pumped below its Opec target, joining Saudi Arabia and Kuwait.

The Organisation of the Petroleum Exporting Countries is reducing output by about 1.2 million barrels per day (bpd) as part of a deal with Russia and other non-Opec producers. The pact will run until the end of 2018.

Oil hit its highest since May 2015 this week, supported by falling inventories, strong demand and high Opec compliance. Many producers, still suffering from a 2014 price collapse, are enjoying the rally and the extra revenues.

"We are all pleased about it," one official in an Opec country said of the early 2018 price rise.

China tightens rules on commercial lender shareholders, entrusted loans

REUTERS, Beijing

China's banking regulator has introduced new measures to increase scrutiny on investments in commercial lenders and tighten regulation on the entrusted loans market, a rapidly growing segment of the country's shadow banking.

The China Banking Regulatory Commission (CBRC) published regulations on its website late on Friday that put limits on the number of commercial banks that single investors can have major holdings in. The rules are aimed at tackling "disorder" in the banking sector, including the abuse of rights by major shareholders and the prevalence of "invisible shareholders".

And in separate measures announced on Saturday, the CBRC said it would require firms to step up their risk management and disclosure around entrusted loans, a form of business-to-business financing.

Under the new commercial lender shareholding regulations, a single investor can hold 5 percent or more, considered a major shareholding, of no more than two commercial banks, or a controlling stake of no more than one lender.

India plans to boost tourism, travel in annual budget

REUTERS, New Delhi

INDIA is planning to cut taxes on travel and tourism in next month's federal budget and give more incentives to the $210 billion sector, government sources said, hoping to boost economic growth and create more jobs.

The move could add to a domestic tourism boom in the world's second most populous nation, where low inflation and rising incomes are changing lifestyles and consumption patterns of an estimated 250 million middle-class Indians. With scores of destinations introduced on airline routes last year, air travel is also surging.

India's tourism sector grew over 10 percent in the six months ending September, compared to near 8 percent in the year-ago period. According to an industry report, tourism employs 40 million people in India and could add 10 million jobs in a decade.

"We'll announce measures in the budget to promote investment in the tourism sector," a top finance ministry official told Reuters, adding that Finance Minister Arun Jaitley favours lowering a 28 percent tax on hotel tariffs, and offering incentives to attract private investments.

If the moves come about, companies expected to benefit include airlines like IndiGo, owned by InterGlobe Aviation, and Jet Airways and hotel operators such as Indian Hotels, that owns the Taj Mahal chain and EIH Ltd that operates the Oberoi hotels in India.

Tour operators including Cox & Kings and Thomas Cook are also likely to gain.

In India tourists, on average, pay 30 percent tax on hotel rooms and travel compared with less than 10 percent in Singapore, Thailand and Indonesia, said Pronab Sarkar, president of the Indian Association of Tour Operators (IATO).

Another government official said the budget was likely to "significantly" raise allocations for tourism infrastructure and raise income tax exemptions on investments in new hotels.

A third official, who is aware of the finance ministry's pre-budget consultations with industry groups, said Jaitley was expected to lower income tax on corporate profit, offer tax incentives on hotel construction, allocate more funds for new tourist trains and building roads to tourist destinations.

The government will offer incentives to more regional airlines this year to cover new, under-served airports, the official added.

All three officials, who spoke on condition of anonymity, declined to provide numbers or share further details. India needs about 200,000 new hotel rooms, Tourism Minister K.J. Alphons told parliament this week.

"We have reached a plateau point and need more resources to create new infrastructure and develop tourist packages," Alphons later told Reuters, adding there was huge potential in developing areas that were not the usual tourist destinations.

Prime Minister Narendra Modi has said developing tourism, particularly in India's remote north-eastern states, is one of his top priorities.

Hotel occupancy levels in India are at their highest levels since 2008, even though many hotel chains have raised prices.

The need for rooms has been spotted by foreign investors with Japan's SoftBank Group backing start-ups like OYO Rooms, which has emerged as the largest aggregator of budget accommodation across the country with hotels in over 200 destinations.

One major driver of the domestic tourism boom has been the launch in 2017 of five regional budget airlines on over 100 routes, which are given incentives by the government to offer cut-price flights to uncovered and remote areas, encouraging thousands of families to explore flying for the first time.

Domestic airlines carried 10.6 million passengers in the first eleven months of 2017, up 17 percent from the year-ago period - encouraging some established players like Spicejet, Jet Airways and Vistara, a joint venture between the Tata Group and Singapore Airlines, to start flights to new locations.

Tour operators said double-digit hikes in urban wages, coupled with an over 25 percent rise in the benchmark Sensex index last year, have contributed to the domestic tourism boom. At the same time over 9 million foreigners visited India in the first 11 months of 2017, up 15.6 percent from a year ago.

Domestic tourists, who account for 88 percent of the sector, are increasingly using online portals for hotel and travel bookings.

REUTERS

Domestic tourists take selfies in front of the historic Red Fort, one of the tourist destinations in the old quarters of Delhi, India.