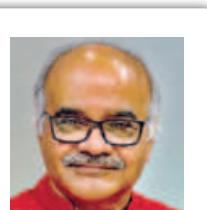




An action agenda for fostering inclusive growth has to be concrete, tangible and pragmatic.

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MOHAMMAD SAMIR

# An action agenda for fostering inclusive growth in Bangladesh



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Analytically speaking, if economic growth is to be inclusive, it must fulfil three mutually synergistic criteria: it must be sustained and pro-poor; it must ensure equity in resource availability, access to basic social services and income distribution; and it must be accompanied by productive employment.

A simple reduction of poverty associated with economic growth does not necessarily make it pro-poor, as pro-poorness of growth is not defined only by its poverty reducing impacts, but whether poor people actively engage in generating the growth, and derive more benefits from it. In other words, for growth to be pro-poor, the rate of income growth of poor people must exceed that of the non-poor people, so that the income inequality between them diminishes. It, however, needs to be remembered that pro-poor growth is a necessary condition for inclusive growth, but not a sufficient condition.

An action agenda for fostering inclusive growth has to be concrete, tangible and pragmatic. Furthermore, the agenda must be built on the mutual synergies of its various components. In the action agenda, both policies and institutions will be important. The following action agenda is proposed along the three pillars of inclusive growth—sustained pro-poor growth, equity in resources, services and income and productive employment.

#### Policies for sustaining growth and making it pro-poor

Policies for sustained pro-poor growth in Bangladesh would encompass two broader sets of concerns—first, formulating a macroeconomic framework geared to promoting sustained growth, and second, making that growth pro-poor.

The first set should pursue three interventions. One, focus on fiscal policy and expand domestic credit, using monetary policy. Using fiscal policy, public investment programmes can be substantially scaled up in economic and social infrastructure for stimulating further growth. Provision of credit for high-productivity sectors such as manufacturing, export and agro-industry is vital for the diversification of economies. In fact, such policies would reduce supply-side constraints, while stimulating aggregate demand. Two, make investments in sectors which would benefit long-term growth benefits and minimise the pursuance of prestige projects. Three, support climate adaptation and promote low-carbon development in Bangladesh. Sustainable natural resource management is a key aspect of sustained growth in Bangladesh

The second broader policies, which focuses on making growth pro-poor, encompasses five interventions. One, focus on agriculture as its importance for employment, livelihoods, food security and poverty reduction can hardly be overemphasised in the context of Bangladesh. Focus should also be on non-farm rural economy of Bangladesh by



stimulating diversified activities through a comprehensive rural development policy—investments in economic and social infrastructure, development of labour-intensive small-scale industries, establishing linkages with the agricultural sector. Forward and backward linkages with the manufacturing sector as well as urban activities should also be established.

Two, Bangladesh may consider pursuing an employment-led growth, rather than growth-led employment. The traditional wisdom of “let us focus on growth and employment would follow” has been proven wrong in many instances as jobless growth has been the phenomenon in many economies. An employment-led growth would make growth pro-poor if the employment focus is in sectors where poor people live and work.

Three, Bangladesh should invest in expanded opportunities for women and girls and advancing their economic, legal and political empowerment. Ensuring that girls have unfettered access to health services and education, both at primary and secondary schools. Constitutional and legal reforms directly enhance women's political participation in the country. Access of women to safe infrastructure (e.g. roads), to more

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information technology, to productive assets such as land and credit, to water and electricity, which reduces their burden of domestic activities, are critical for their empowerment.

Four, develop and implement a solid, relevant and pragmatic social protection structure in Bangladesh, as they contribute to the reduction of poverty and

household level, asset ownership has a clear impact on subsequent economic success. Access to justice is necessary to strengthen ownership entitlements and legal empowerment of the poor landless farmers is the key.

Two, pursue a pro-poor financial sector policy for systematic allocation of credit to the small-scale entrepreneurs and informal sector producers in Bangladesh. Work on the legal framework for the entitlement and the ownership of small-scale entrepreneurs and informal sector producers. Three, ensure adequate, reliable and equitable access to clean energy. Equitable access to modern energy services, by making energy accessible to poor households and also by helping small-scale producers, promises to ensure that the growth generated would be inclusive. Adequate, reliable and equitable access to energy also accelerates employment creation. Modern off-grid energy services offer potential expansion in access to adequate and reliable modern energy services.

The broader set of interventions of making basic social services to poor people have three elements. One, undertake public investments in social service expansion in areas of health, education, safe water and basic sanitation. In many cases, with basic infrastructure put in place by public investments, private investments may come in to provide the services. The public-private partnership is also important for service provisioning.

Two, Bangladesh should develop a user cost framework that makes these services affordable to the poor. Affordable basic social services would enhance the capabilities of poor people so that they can be productively employed. Enhanced capabilities would also enable them to participate in decisions that affect their lives. Three, ensure the quality of services. In Bangladesh, poor people often end up with low-quality services. So, the focus should not only be on quantity of services, but also on quality, as that has equity implications. The third broader set of policies of pursuing redistributive policies stresses three interventions. One, through progressive income taxes to wages and corporate profits, redistributive policies can be pursued. Where the share of the extractive industry is high, fiscal means of redistribution is possible even though the administrative capacity of the public sector may be limited.

In Bangladesh, where the informal sector is large, and where the labour force is primarily in the rural sector, two options are possible. First, poverty reduction programmes and projects can be designed to directly target the poor.

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