Fighting Human Poverty: An Overview

Overcoming the Negative Image: A New Beginning

When Bangladesh was born in 1971, many development pundits questioned its long-run economic prospects and political viability as an independent "state". It was evidently a pre-mature and misguided reflection forgetting that Bangladesh might have been a new Nation but it represented an old Civilisation. Its intrinsic worth and right to free existence was defined by its past, both recent and old, a past which was to act as the most valuable source of "renewable resources" for her in catalysing development from below. Both ecology (one of the largest and active delta region) and history (less susceptible to centralised despotic rule) of the country seemed to point to a hidden resilience in the face of adversities, often producing unexpected social renewals and economic recovery. But, not many kept this history-in-action view in perspective and characterised the country's development prospects as extremely bleak. The predominant theme was one of negative images recycled through print and electronic media. Bangladesh was redefined as a role model of possible extremities and odds of human existence, an example of hopeless future, a case of constant fear of some hidden disasters in the making and a permanent cause of liberal conscience and global welfarism. To many observers, the immediacy of state-insolvency seemed a real threat, and subsequent usurpation of democracy invited social labeling by the global power establishments as a "test case of development", a "landscape of disaster", and a "catalogue of woes".

The negative image building was, in part, owing to the social difficulties, disarray and political economy. With signs of recurrent disasters, systemic risks of famine-like syndrome and absence of democratic governance, the country seemed permanently locked in a "below poverty level equilibrium trap", resisting any policy reform based solution short of radical restructuring. Statistics of the time were indeed bleak. While per capita income was one of the lowest in the world, the density of population was among the highest (excluding the small city-states).

The "negative image" of the country continued to persist under the gaze of the West. Whatever progressive gains achieved during the post-Independence years were seen as temporary effects and in general were devalued. As if the country existed outside of history, or at best at the margin of history, incapable of bringing any positive insights as to how to approach development in otherwise one of the most trying of circumstances. Bangladesh was considered as a site of struggle between contending ideologies preaching do's and don'ts of development. It was considered an outpost in "mainstream theory", a testing zone for the master discourse on development rooted originally in the historical experiences of the West.

Some time in the recent past, there was a perceptive change in the way West approached Bangladesh as a case study of development. At the turn of the new century it took a pronounced turn. It now appears that not all is lost in Bangladesh's developmental efforts and that there is a plausible case of hope against the hopelessness. It was gradually recognised as the lead performer among the "least developed countries", and there was even talk as to whether the country should still belong to this group of LDCs as the poorest among the developing world.

This re-reading of Bangladesh's past in the positive image of some enduring success with promise and potentials was not accidental. While the high-performing Asian economies (HPAEs) offered models of high-growth and take-off from pre-industrial to industrial stages of growth, examples of similar successful graduation at a lower level of per capita national income were limited. The Latin American continent was just recovering from the these were already, in most cases, middle income countries, offering little insights into the process of graduation from the very low stages of development. The closest parallels to this would have been the countries that are located in the Sub-Saharan Africa. But, here every thing seemed to struggle endlessly for the better, often moving from bad to worse situation, as the economic crisis became rampant in Sub-Saharan Africa. Even the best among them appeared to have lost their developmental momentum in the mid-course and descended into social chaos and political instability. Even the smaller transition economies--the break-away republics from the Former Soviet Union--failed to offer a model of faster graduation, though in the main these economies were in the group of lower middle income countries, barring useful comparison with the LDCs or proto-LDCs to begin with.

It is in the backdrop of apparent scarcity of relatively successful examples that Bangladesh's case stood out as a potentially instructive story of development. This was, indeed, seen as one of those rare cases of graduation on an international scale, from the status of the poorest of the poor to the place of lead performer among LDCs, and in some respects, even placing itself among the better performers in the entire developing world. It was like a re-birth for Bangladesh, having moved from the status of being at the margin of history into the whirlpool of history, from the status of a mere testing site to that of a learning site from where even the master development discourse can benefit.

Realising Higher Social Possibilities at Lower Income Level

What is the key message that emerges from the review of the development experience of Bangladesh? The various chapters included in the report seem to revolve around one common story line. The discussion brings to the fore the proposition that higher social/ human development outcomes can be achieved even at lower level of per capita national income. One need not wait for the per capita national income to grow to a relatively high level (however defined) first for realising social opportunities. The proposition was forcefully argued two decades earlier by Amartya Sen who also elaborated the underlying idea in a number of works since then[1]. Sri Lanka and the Indian State of Kerala are by ence is in tandem with this line of reasoning. Here are some of the striking findings.

Bangladesh's growth performance was relatively modest through out the period of post-Independence, per capita GDP growth was about 2 per cent per annum. The growth performance has started improving only in the recent years, with per capita income growth at about 3.8 per cent per year over the 1996-99 period. Similarly, the pace of income-poverty reduction was extremely slow since the early eighties (see Chapter 2). During the period between 1991/92 and 1995/96, the proportion of rural population below the poverty line declined by about 0.8 per cent per year, having dropped from 52.9 to 51.1 per cent. This is a modest achievement by any standard. The recent PMS survey data show similar pace of progress on this score (about 1 percentage point per year). There has been a total of 3-percentage points decline in three years, as the poverty rate in rural areas went down from 47.9 per cent in 1996 (April) to 44.9 per cent in 1999 (May).

Notwithstanding the relatively slow income growth and modest pace of income poverty reduction, Bangladesh's achievements in the broad area of human development were faster, and in some respects, were truly remarkable. The winds of change that swept the Bangladesh society over the past two decades were truly remarkable on many counts (see, Table 1.1 for international comparison).

First, by the late 90s Bangladesh is well into the third phase of the demographic transition from a "high mortality-high fertility" regime to a "low mortality-low fertility" one (see, Chapter 7). This transition in Bangladesh departs from the classic Western pattern in that the significant decline in fertility was achieved at a rather low level of income. Indeed, the pace of reduction of TFR between 1975-97 was highest in Bangladesh vis-a-vis the South Asian average as well as the average for the developing countries (2.1 vs. 1.5 per cent in South Asia as a whole and 1.6 per cent for average developing countries). The level of TFR currently stands at 3.1-3.3, which may be compared with the 3.3 for South Asia and 5 for the LDCs.

Second, there has been an impressive decline in infant and child mortality rate since the mid-1980s (Chapter 5). Indeed, the pace of reduction in under-five mortality rate was about 2 per cent per year over

LDCs (1.2). The current level of under-five mortality in Bangladesh is 94 per thousand live births compared to 162 for LDCs, 106 for South Asia, and 94 for developing countries.

Third, in recent years there has been a significant progress in reducing child malnutrition despite slow progress in income-poverty (see, Chapter 4). However, the level of food security during the lean season and backward areas has improved in the decade of nineties. Besides, a large part of the improvements took place in response to the progress made in the non-food environment. Thus, better preventive health care (vaccination coverage, for example), promotive health care (spread of knowledge about safe drinking water, preparation of ORS, greater access to nutritional information), and in general improvement in environmental health (such as water and sanitation) have contributed to this progress. The trend of improvement is robust to the choice of survey data and nutritional indicators. All three anthropometric measures such as stunting (height for age, a measure of long-term status), wasting (weight for height, a measure sensitive to the recent change in nutrition), or underweight (weight for age, which combines both long-term and short-term effects) support this over 1996-99.

Fourth, impressive progress has been achieved in reducing adult illiteracy and in expanding primary education. The level of adult literacy has risen to 61 per cent by 1999, while the net enrollment rate at the primary level has exceeded 75 per cent (see, Chapter 6). Of particular importance is the spread of female education, with very little difference in primary enrollment rate between boys and girls. Consequently, the gender gap in adult literacy is closing over time.

Public Action and Private Economic Growth for Faster Human Development

All these impressive successes show that improvement in living standards need not be mediated through private income growth. There is room--to a considerable extent--for public action to directly influence the pace of social progress, human development, or, for that matter, human poverty reduction. This is not to de-emphasise the importance of rapid growth in per capita income as a vehicle for

itself. It is a means for achieving higher social goals (human development, or a creative, "contemplative life" as Aristotle argued in Nicomachean Ethics).

Economic growth matters for faster human development in so far as it facilitates expansion of public allocations for social sectors, rapid increase in the private purchasing power of the poor, and greater empowerment of women. With empowerment, women can take increasing control over their own lives and by the same token have the capacity to play a vitally important "agency" role in transforming the face of the society. Economic growth matters for faster human development in so far as it also helps to maintain social peace and strengthen social cohesion and build bonds and bridges among social groups (social capital). And lastly economic growth would be truly in line with the spirit of social progress if it can protect and care for a healthy and decent environment. If the agenda for economic growth becomes increasingly intolerant to any of these goals then it makes sense to revise the growth-targets and alter the nature of growth process in a way so as to maximise the ultimate gains to society in terms of higher human development.

Key Ingredients of Effective Anti-Poverty Strategy

The findings presented in this study point to some key ingredients of an effective anti-poverty strategy. Such a strategy aims to reduce poverty in the shortest possible time. It must address the following areas of key challenges and potential interventions.

Three Major Challenges in Anti-Poverty Strategy

As the country approaches the new millennium, it faces three major challenges in the broad area of equity. The *first challenge* relates to the income-dimension of poverty: the pace of reduction has been rather slow; it needs to be accelerated and sustained. The incidence of malnutrition remains at unacceptably high level, notwithstanding some recent progress. It is no longer adequate to engage in debate about the directionality of change in poverty. The question that looms large is: how to eradicate income-poverty in the shortest possible time?

The *second challenge* pertains to the human poverty dimensions. Income-poverty and human-poverty dimensions need to be tackled independently important as they are in their own rights. While some considerable progress has been made over the last two decades in the areas of fertility decline, literacy and school enrollment, and mortality rates, the quality of human development leaves much to be desired. There are also notable failures in some critical dimensions of human well-being such as maternal health, child nutrition, violence against women, to name the salient few. The contrast between income and non-income dimensions of poverty is particularly sharp in urban areas. In urban areas, there has been a faster decline in income-poverty, but the human-poverty dimensions of the urban poor have shown very little signs of improvement. This mismatch needs to be addressed on the policy front given the rapid pace of urbanisation in Bangladesh.

The *third challenge* is about having a society where distribution of incomes and social opportunities would become more equitable and democratic over time. Policies that promote equity are also good for higher growth and faster rate of poverty reduction. Investment in human capital (education, health, and nutrition) and development of rural non-farm sectors can be compensatory in promoting greater equity in the system.

Six Major Routes to Reducing Poverty

Poverty can be reduced in different ways. This is because poverty is caused by many factors. Despite the diverse nature of causes of poverty, one can group them into some broad policy-relevant categories. Poverty can be influenced via six channels, namely, macro-stability, growth projects, human development, microcredit-based self-employment, income transfer programmes (often known as "safety nets"), and social mobilisation (empowerment at both gender and institutional levels).[2]

The role of macroeconomic stabilisation can hardly be overemphasised. The strategy of non-inflationary pro-poor economic growth requires a stable macroeconomic framework. This would create an enabling environment for economic sector policies crucial to accelerating the pace of poverty reduction. In this sense, macroeconomic policies matter for poverty reduction. Indeed, inappropriate macro policies can be as disastrous (if not more) for poverty reduction than the shortfall in any of the sector policies mentioned above. The poor are not a static category, as there is a continuous movement in and out of poverty. Wrong macro policies can easily lead to the swelling of the ranks of the poor.[3]

Lack of fiscal prudence can lead to high inflation, discourage private investment, and adversely affect social sector investments. All of these would hurt the poor. Similarly, a wrong exchange rate policy (as with the markedly overvalued exchange rate) would not only have adverse balance-of-payment implications, it would be also harmful for long-term growth and poverty reduction. Long adherence to such policies can lead to declining efficiency in the use of capital through distorted factor prices. Inward-orientation has been cited as the key factor underlying the slow long-term economic growth in South Asia vis-a-vis East Asia over 1960-90. Financial intermediation is crucial for raising saving and investment. It is also important from the viewpoint of overcoming credit market failure acting as a constraint to poor peopléis struggle to climb out of poverty. Poorly regulated financial sector is a threat to sustainable poverty reduction strategy, as suggested by the recent episodes of financial crisis in several Asian countries.[4] In short, a stable macro economic policy framework for maintaining internal and external balances is conducive to higher long-term growth and sustainable poverty reduction.

There is little dispute regarding the importance of rapid and pro-poor economic growth for faster poverty reduction. This requires broadening access of the poor to physical capital, human capital, and technological progress, which in turn would have favourable impacts on income and employment of the poor. Investment in growth projects such as physical infrastructures such as road, electricity, gas, telecommunication as well as new technology for both agriculture and non-agriculture are important avenues for increasing access of the poor to physical capital and technological progress. Policies that directly promote human development of the poor include investments in education, health and nutrition, with special attention to the quality of such investments. The focus here is not just on raising capability of the poor, but also on fostering creativity of the poor. Access to capital via diverse microcredit and microenterprise targeted loan schemes helps to remove the credit constraint and hence accelerates the pace of graduation out of poverty.

Measures that provide social safety net to the poor against various anticipated and unanticipated income (or, consumption) shocks are important considerations in anti-poverty strategy. This is true even for countries that historically relied more on growth-mediated security (such as South Korea) than direct public action mediated security (as was the case with Sri Lanka). The importance for having a formal system of social security has been vindicated by the experience of the recent Financial Crisis in East Asia.

Social mobilisation is a pre-condition for improving the access, equity as well as quality of public services available at local level. Effective social mobilisation can help the entire community to get organised to tackle problems of common concerns (ranging from food security to social peace) and tap the full potentials of the available local resources. It also helps to create a demand-driven mechanism "from below", thus contribute to the efficacy of the delivery mechanism "from outside".

One of the key questions here is to define an "optimal mix" of anti-poverty policy instruments ("mix" in terms of both resource allocation as well as non-financial assistance/ service) and see what further steps can be undertaken to enhance the poverty impact of its operations.

Exploring the Synergies in Anti-Poverty Interventions

The analysis of cross-household and cross-district data points to the importance of developing human capital, investments in physical infrastructures such as road, electricity, and telecommunication, micro-credit, and adoption of new technology (including information technology and biotechnology). Available evidence is also suggestive of the synergies that exist among different growth projects (road, electricity, new HYV technology in agriculture, information technology, for instance), between growth and social sector projects (the idea of combining physical infrastructure and human development follows from this), and between growth and microcredit. Further expansion of credit for the poor should be seen in the broader context of infrastructure development. Such a packaging (along with rural and human development) will not only enhance the return to microcredit schemes and contribute to its viability, but also accelerate the rate of poverty reduction.

Table 1.1
Growth, Human Development, and Income-Poverty: An International Comparison

	Bangladesh	India	Pakistan	Nepal	Sri Lanka	South Asia	LDC	Developing Countries
Per capita GNP Growth, 1975-95(% per Year)	2.0	2.8	3.1	1.6	3.2	2.5	-0.2	2.3
Total fertility rate								
1975	6.8	5.1	7.0	6.3	3.9	5.4	6.6	5.0
1997	3.1	3.1	5.0	4.5	2.1	3.3	5.0	3.0
% change per year	-2.1	-1.5	-1.1	-1.1	-1.8	-1.5	-0.9	-1.6
Life expectancy at birth (year)								
1970	44.2	49.1	49.2	42.1	64.5	49.0	43.4	54.5
1997	58.1	62.6	64.0	57.3	73.1	62.7	51.7	64.4
% change per year	1.1	1.0	1.1	1.3	0.5	1.0	0.7	0.6
Infant mortality rate (per 1000livebirths)								
1970	148	130	118	156	65	131	149	111
1997	81	71	95	75	17	72	104	64
% change per year	-1.6	-1.6	-0.7	-1.9	-2.7	-1.6	-1.1	-1.5
Under-Five mortality rate (per 1000 livebirths)								
1970	239	206	183	234	100	207	242	170
1997	109	108	136	104	19	106	162	94
% change per year	-2.0	-1.7	-0.9	-2.0	-3.0	-1.8	-1.2	-1.6
Head-count index of income-poverty								
Early 80s	52.3	46.50	29.1	42.5	27.3	45.4	na	33.9
Early 90s	47.0	37.36	26.3	45.0	22.4	43.1	na	31.9
% change per year	-0.84	-1.87	-1.37	0.53	-3.59	-0.84	na	-0.98

Source & Note: *1. Per-capita GNP growth data are from 1999 HDR.*
2. Information on fertility, infant mortality, under-five mortality and human development index are from 1999 HDR; adult literacy rate is taken from World Development Indicators (CD-ROM version). For Bangladesh, adult literacy data for 1995 are taken from the Fifth Plan document.
3. Aggregate poverty estimates for South Asia and developing countries are from Ravallion and Chen (1996). For details see, Martin Ravallion and Shaohua Chen, What Can New Survey Data Tell Us about the Recent Changes in Living Standards In Developing and Transitional Economies, Policy Research Working Paper 1694, World Bank, Washington, D.C, 1996.