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Poverty and Inequality in Bangladesh

K. M. Mustafizur Rahman

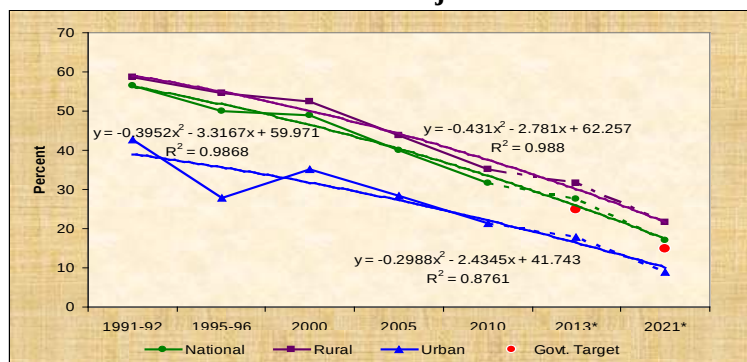
INTRODUCTION

Reduction of poverty and inequality is a fundamental challenge in Bangladesh. Prioritizing these, the Millennium Development Goals (MDGs) represent an international commitment to eradicate extreme poverty and hunger and foster global collaboration for development by 2015, while Vision-2021 represents the commitments of the present government to reduce the rate of poverty to 25 percent and 15 percent by 2013 and 2021 respectively. These deadlines are looming and, soon it will be known whether these commitments have been achieved. The incidence of Poverty in Bangladesh is one of the highest in the world. Millions of people suffer from the hardship of poverty. About one-third (31.5 percent) of its population is living below the poverty line (HIES, 2010). Moreover, inequality afflicts the persistence of poverty. Furthermore, the recent spikes in food prices, causing food inflation, have impact on poverty. Likewise, many other countries, poverty is still a vital concern and challenge as well for Bangladesh.

Trend of Poverty and Target of the Government

The present government has made a commitment in their election manifesto to reduce the rate of poverty to 25 percent and 15 percent by 2013 and 2021 respectively. The incidence of poverty has decreased to 31.5 percent in 2010 at the national level with an annual average rate of 1.32 percent from 1991-92. Continuation of current trend of decrease might witness the incidence of poverty at 27.5 and 17.0 percent by 2013 and 2021, which is higher by 2.5 and 2.0 percent respectively than that of the targets set in the election manifesto of the present government. It is evident that, the incidence of poverty is higher in rural areas than that of the urban areas and the rate of decrease of poverty is higher in rural areas too (1.24 percent) than that of the urban areas (1.13 percent). The annual average rate of reduction in the percentage of population living under poverty line in Rajshahi division is 2.1 percent between 2000 and 2010, which is the highest and the lowest rate is in Khulna (1.30 percent) in comparison to other divisions.

Figure: Current Situation and Future Projection of the Incidence of Poverty

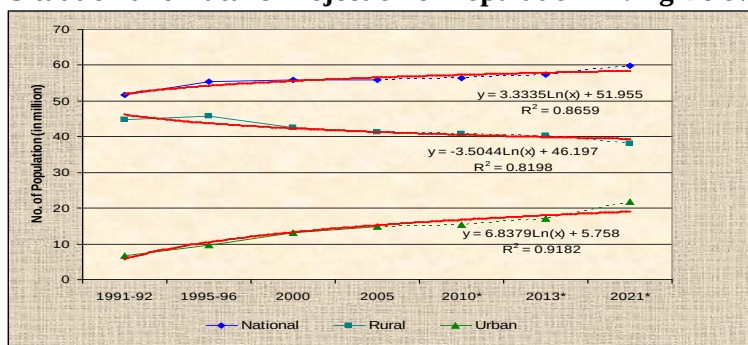


Source: Author's Calculation Based on HIES 2005 and 2010 Data

POPULATION UNDER POVERTY LINE

The number of population living under poverty line is still increasing. The number of population living below the poverty line has increased from 51.6 million in 1991-92 to 56 million in 2005 with an annual average rate of 0.314 percent at national level. If the current trend continues, the number of population living below the poverty line might stand at 57.3 million and 59.8 million by 2013 and 2021 respectively. However, in rural areas, it might decrease to 40.2 and 38.1 million by 2013 and 2021 respectively. Whereas, in urban areas, it might witness an increased population of 17.1 and 21.7 million by 2013 and 2021 respectively living under the poverty line in urban areas.

Figure: Current Situation and Future Projection of Population Living Below the Poverty Line

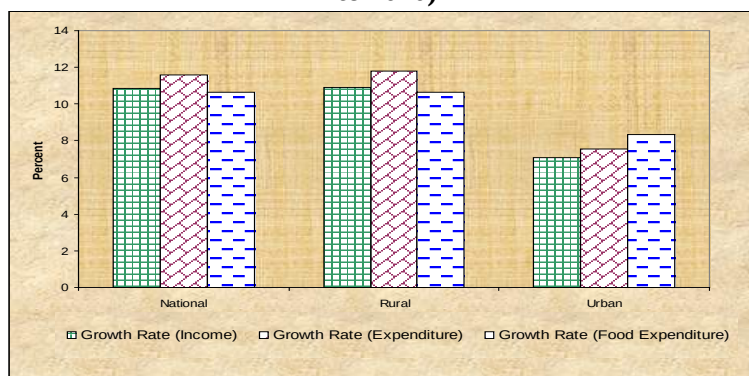


Source: Author's Calculation Based on HIES 2005 and 2010 Data

HOUSEHOLD INCOME AND EXPENDITURE

During the period of 1995-96 to 2010, the monthly household income has increased with a growth rate of 10.86 percent, 10.92 percent and 7.10 percent at national, rural and urban level respectively. At the same time, the monthly household expenditure has risen with a growth rate of 11.58 percent at national level, 11.78 percent at rural level and 7.57 percent at urban level while food expenditure has increased with a growth rate of 10.64 percent, 10.63 percent and 8.32 percent at national, rural and urban area respectively. Furthermore, it is found that during the last five years (i.e. from 2005 to 2010), the growth rate of monthly household income was 11.87 percent, 11.67 percent and 11.50 percent whereas, the growth rate of monthly household expenditure was 16.52 percent, 16.14 percent and 16.40 percent, of which the growth rate of food expenditure was 17.59 percent, 16.67 percent and 19.20 percent at national, rural and urban areas respectively. Higher growth rate of household expenditure than the income may indicate that more people are suffering to manage their livelihood in the recent times. An interesting finding is that the monthly household income in rural areas has increased at a higher rate than that of urban areas whereas the growth rate of monthly household expenditure in rural areas is lower than the urban areas. This is reflected in the percentage of population living under poverty line, where the reduction of poverty in rural areas occurred at a relative higher rate than that of the urban areas.

Figure: Growth Rate of Monthly Household Income, Expenditure and Food Expenditure (1995-96 to 2010)



Source: Author's Calculation Based on HIES 2005 and 2010 Data

DEPTH AND SEVERITY OF POVERTY

The poverty gap estimates the depth of poverty in the population, whereas the squared poverty gap measures the severity of poverty. The decreased rate in the percentage of poverty gap during 2005 to 2010 (5.56 percent) was lower than that of 2000 to 2005 (5.94 percent) at national level. In addition, the rate of reduction in the percentage of squared poverty gap between 2000 and 2005 was 7.39 percent, which was higher than the rate of reduction (6.26 percent) of last five years (i.e. from 2005 to 2010). In case of rural areas, the percentage of both depth and severity of poverty has reduced at a slower rate during 2005-2010 than that between 2000 and 2005, and has reduced at a higher rate than before in urban areas. These indicate that there is an improvement in the reduction of both depth and severity of poverty; however, the improvement has occurred at a slower rate than before due to the rise of inequality.

Table: Depth and Severity of Poverty in Bangladesh

Year	National			
	Poverty Gap	Rate of Decrease	Squared Poverty Gap	Rate of Decrease
2000	12.8	-	4.6	-
2005	9.0	5.94	2.9	7.39
2010	6.5	5.56	2.0	6.21
Rural				
2000	13.7	-	4.90	-
2005	9.8	5.69	3.1	7.35
2010	7.4	4.90	2.2	5.81
Urban				
2000	9.1	-	3.3	-
2005	6.5	5.71	2.1	7.27
2010	4.3	6.77	1.3	7.62

Source: Author's Calculation Based on HIES 2005 and 2010 Data

INCOME INEQUALITY

Gini co-efficient of income has increased from 0.393 in 2000 to 0.430 in 2010 at rural areas with the growth rate of 0.94 percent, whereas it has decreased from 0.497 to 0.452 at the same time in urban areas with the growth rate of -0.91 percent. Gini co-efficient of income has increased from 0.451 to 0.458 at national level with a growth rate of 0.16 percent during the same period. Furthermore, general inflation and food inflation are positively associated with inequality (income) of population. This indicates an increase in both general inflation and food inflation has been contributing to rise income inequality. Unequal growth pattern has a weaker poverty alleviation effect and has been shown to be harmful to growth. Therefore, reduction of poverty is hard to pin down without addressing inequality.

Table: Income Inequality in Bangladesh

Year	Rural	Urban	National
2000	0.393	0.497	0.451
2005	0.428	0.497	0.467
2010	0.430	0.452	0.458
Growth rate	0.94%	-0.91%	0.16%

Source: Author's Calculation Based on HIES 2005 and 2010 Data

FOOD INFLATION AND POPULATION UNDER POVERTY LINE

Food expenditure, food inflation and general inflation are positively associated with poverty and inequality. An additional number of people go under the poverty line with the increase of food inflation. In 2000, 55.8 million people were living under poverty line while food inflation was 2.68 percent (12-month average). After five years, food inflation has increased to 7.91 percent (12-month average) in 2005 when the number of total population living below the poverty line was 56 million. Under the business as usual scenario, an additional population of 0.04 million might go under the poverty line with one percent increase in food inflation. Food expenditure is positively associated with the number of people living below the poverty line. This indicates that the number of people living below the poverty line is also increasing with the increase in expenditure on food. Like general inflation, food inflation is also positively associated with the number of people living below the poverty line. As general inflation increases, there is an increase in the percentage of population living below the poverty line. Similar result is also true for the food inflation. If food inflation increases, more people will slide under the poverty line.

QUESTIONING THE POVERTY LINE

The poverty measurement is plagued with many problems, particularly due to its over emphasis on income. The official poverty measurement is determined through income and uses an unrealistically low estimate of USD 1.25. For example, if a person has an income of one USD per day is defined as poor, after one year, his income has increased to USD 1.3 and is counted as non-poor. However, in reality, he may be faced with more problems to maintain his livelihood compared to previous year (though he is rewarded as non-poor). The Increase of his income is not adjusted with the inflation. Considering the present circumstances, another example of a conservative estimate suggests a minimum spending of about Tk. 50 (USD 0.71) to obtain 2122 Kilocalories per day. If a calculation is made based upon expenditure, considering these non-

food essentials with food, it is very difficult to survive with the income of USD 1.25 per day for per person.

WHY POVERTY REDUCING AT A SLOWER RATE?

Although the government has taken several initiatives for alleviating poverty, yet the poverty persists. This is mainly due to the problems associated with the neo-liberal paradigm that the successive governments are pursuing in reducing poverty including those of the poverty reduction strategies (PRS).

The problem arises in its failing to conceptualise that poverty is a manifestation of social property relationship. The rate of decline in poverty is accelerated or decelerated, depending upon the social property relations, rather than the neo-liberal articulation that an increase in the size of the “things-basket” reduces poverty. This happens as this “things-basket” operates under particular social relationships. The “things-basket” may reduce poverty up to a point, but it is reproduced due to social property relationship, embedded through institutions, structures, power, and reality and composition of the state.

In instrumental sense, the major reasons for the persistence of poverty are: absence of adequate state intervention for the expansion of production, deficiency of equalizing income augmenting employment system, shortfalls in public expenditure for capabilities enhancements, inadequacies in regulatory regimes, lack of complementary policy structure and non-existence of enforceability of constitutional rights.

CONCLUSIONS

The eradication of poverty and inequality as well as fulfillment of basic needs is the primary goal of the government. Nevertheless, achieving a reduction in poverty and inequality is a fundamental challenge in the country without which the human development, economic and employment goals of the government might be hindered. Although, the present government of Bangladesh is very much hopeful in achieving the target of Millennium Development Goals (MDGs) as well as the targets of Vision-2021 related to poverty and inequality. This report shows that Bangladesh is not well on track en route to achieve those targets. Moreover, it might be quite difficult to achieve the targets, if the government does not give top priorities on the issues outlined above.

Tackling structural barriers is important. For example, market failures, unresponsive public services or prejudice and discrimination prevent people from accessing opportunities available to others. Theoretically, some of the strategic documents and policy papers are seemed to be implementable. However, without proper monitoring and evaluation, the implementation of all these policies, strategies and programmes seems like mere window dressing. The government needs to be creative in renewing and revising strategies and approaches to control the rising food prices and sequentially food inflation as well as the budgetary allocation for poverty alleviation should be increased. Therefore, provisions must be formulated for the evaluation of programmes and understanding the impacts as well.

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