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Affordability to Finance Poverty Reduction Programs

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Abstract

Trapped in the realm between market failure and social justice, Bangladesh's objective of alleviating poverty is marred by its inability to mobilize enough domestic resources to launch large-scale anti-poverty programs. Moreover, this inability is further strained by the accumulation of large domestic, and more importantly, foreign debt, along with a declining share of concessionary aid. Against the backdrop of such development constraints, this paper therefore addresses the question of affordability to finance poverty reduction programs in a dynamic context. In doing so, it stresses the need for approaching the problem from a human rights perspective, with particular emphasis on progressive realization of these rights. In reviewing the functions and performance of the existing safety net programs in Bangladesh, the paper argues that the resources for carrying out social protection programs for the economically and socially vulnerable individuals and groups need to be augmented by reducing the leakages and improving the appallingly low tax effort of the country compared to the potential of the economy. It also suggests that as a result of the scarcity of resources, although the per capita public expenditure on health and education sectors is increasing, it is nevertheless limited by South Asian standards (with the exception of Sri Lanka). Additionally, the potentials of local government in this respect are also discussed.

I. Introduction

Bangladesh is one of the least developed countries (LDCs) of the world with almost half of its huge population of around 140 million living below the poverty line in 2006. It is the most densely populated country in the world barring a few small city states like Singapore. Such high incidence of poverty within a small area of 147,570 square kilometers probably makes it the most poverty stricken country per square kilometer in the world as well. On the other hand, the government of Bangladesh has a vast experience in implementing various types of anti-poverty programs. It has been involved in diverse activities pursuing multifarious objectives through participation of numerous actors at the central and local levels in the name of implementing anti-poverty programs.

The case for government intervention in poverty alleviation rests on both efficiency and equity grounds. Governments are often required to subsidize services that the market will not provide, or provide insufficiently. Pure public goods, when the marginal cost of additional consumption is zero, usually call for free state financing. Other private services may be subject to significant external benefits or costs, and thus merit some form of government intervention. Typically, the market would under-provide such services and government subsidy would be justified on efficiency grounds. Subsidies might also be justified because of failures in related markets, such as, education subsidies arising from credit market failures and health subsidies where there is insurance market failure. Left to themselves, markets would under-provide such services resulting in sub-optimal resource allocations. Hence, it may be argued that existence of significant poverty in a society where the basic needs of a large section of people cannot be satisfied because they do not have the required purchasing power may be regarded as a problem of market failure. However, the government may carry out certain activities on equity grounds as well. Therefore, the issue of poverty eradication falls in the realm of public policy both on the grounds of market failure and social justice. Governments would then require enough resources to provide the services required to help the poor escape from the trap of poverty. Existence of widespread poverty in such a situation would mean failure on the part of the governments to raise enough resources to alleviate poverty. Hence, the objective of eliminating poverty for a densely populated poor country such as Bangladesh is severely constrained by their capacity to mobilize enough domestic resources to launch large scale anti-poverty programs.

Increasing public expenditure with stagnating domestic revenue yield forced the government of Bangladesh to borrow ever larger amounts in absolute nominal terms both from domestic and foreign sources over time during the late nineties. As a result total

outstanding debt reached a staggering level of 47 per cent of GDP by FY2005, of which foreign debt amounts to around 31 per cent. It is clear then that Bangladesh has accumulated a large stock of domestic, and more importantly, foreign debt. Once the stock of debt reaches a given share of GDP, the net flow of resources is likely to change direction. The higher the rate of interest and the more reluctant are lenders to keep lending, the more quickly will this change occur. The share of concessionary aid in total foreign aid has also been declining in recent years. Therefore, it is imperative that the government will have to augment its domestic resource mobilization efforts if it wants to initiate large-scale anti-poverty programs and sustain these programs to ultimately get rid of the problem of poverty in the near future.

The debate on affordability of social protection often reduces to universal versus targeted provision and/or on the narrowly defined economic resource constraint of a country. But we will argue that in an increasingly globalized world any country, however poor, cannot afford to ignore the notion of justice and equity that is prevailing currently among the world community. The Vienna Declaration and Program of Action adopted by the World Conference on Human Rights in Vienna in 1993 affirms the consensus of the world community that the right to development is a fundamental human rights of all individuals in the world. As a signatory to the Vienna declaration, many States including Bangladesh committed themselves to implementing the Declaration on the Right to Development adopted by the United Nations in 1986. Although neither declaration has the legally binding status of a Treaty, the sheer moral force of the universal consensus underlying the Vienna Declaration enjoins on the State the obligation to fulfill the commitments laid out in these Declarations.

Furthermore, we argue that administrative capacity of a State to effectively implement programs of social protection to mitigate risks of a vulnerable (economically and/or socially) individual or a group of people improves and so does the potential to raise domestic revenues with the evolution of the economy from the initial stage to a fully developed one. Accordingly, the question of affordability should be addressed in a dynamic context. We further argue that the problem should be approached from the perspective of human rights mentioned above. However, the methodology of evaluating economic policies from the perspective of human rights is in a State of evolution.

The methodology is different from the standard methodologies which are almost exclusively concerned with costs and benefits defined in narrowly economic terms (see

Osmani, S.R., Chowdhury, O.H., Mujeri, M.K., Shahabuddin Q., 2004 for details). These concerns are also relevant from the human rights perspective, because in the ultimate analysis fulfillment of most rights will require the use of economic resources. However, we strongly argue that in setting goals and targets State must take into consideration the hopes and aspirations of the people at large and particularly those of the most deprived and most vulnerable (economically and/or socially) individuals and groups. Since the human rights emphasize the principles of equity and non-discrimination, the resource commitments must give special consideration to the interests of the most deprived and the most vulnerable individuals and groups in such a way that a society free of abject poverty and social inequity can be established in the shortest possible time and that these objectives cannot be compromised by invoking the principle of resource constraints. However, one important element of human rights approach is the concept of progressive realization of the objectives set out to be achieved. The human rights approach require that a State must ensure immediate fulfillment of a set of minimum targets that have been identified as ‘core obligations’ of the State. Only the obligations not specified as core can be subject to progressive realization. It is also to be noted that the richer countries have an obligation to help realize the right to development in poorer countries through their international policies and programs. The aid policies of the donors become relevant in this context.

II. Bangladesh’s Commitments to Poverty Reduction

Bangladesh is a signatory to the Millennium Declaration at the Millennium Summit held in September 2000 along with 189 nations. It adopted eight specific goals, known as “Millennium Development Goals” (MDGs), for human development and poverty reduction. The goals have been commonly accepted as a framework for measuring development progress, which are mutually reinforcing and time-bound. The eight MDGs comprise 18 targets and 48 indicators. These targets are to be achieved by 2015, the comparison point being 1990. Recently, the government has prepared a “Poverty Reduction Strategy Paper (PRSP)¹ where it is stated that its primary objective is to reduce the level of poverty by half in 2015 compared to that in 1990. Thus, the government is now fully politically committed to bring about changes in the social

¹ See GoB (2004).

development of the poor that goes much beyond meeting the mere material needs of the poor.

In line with the main objectives/ goals of Millennium Development Goals (MDGS) and Poverty Reduction Strategy Paper (PRSP) the current budget (FY06)² identified four strategic blocks with four supporting strategies, which are as follows:

- Reducing poverty by creating extensive employment opportunities with a view to increasing economic growth which facilitates creation of jobs for the poor;
- Providing priority to growth oriented sectors like rural farm and non-farm sectors, SMEs, communications and rural electrification sector;
- Implementation of targeted poverty reduction and social safety-net programs for the poor, especially the poor women;
- Augmenting investment in sectors like education, health and nutrition to reduce poverty.

It is clear from the discussion above that the government is now turning its attention to the broader social needs of the poor than the mere economic needs of the socially vulnerable poor. Poverty and vulnerability are about social deprivation as well as economic deprivation. In the earlier phase of our economic development since the sixties SNPs focused primarily on safeguarding lives and livelihoods in the context of chronic and acute economic risk and vulnerability which had little, if any, impact on the socio economic framework of the society. The human development aspect of social protection appear to concern itself directly with addressing the areas of social “risks” which goes much beyond the narrow economic concerns of SNPs.

It focuses attention on the relatively neglected areas of social risks and vulnerability, and builds a case for a stronger role for social protection in terms of empowering the poor and transforming the conditions in which they struggle to construct viable livelihoods. Such a broader concept of social protection has the potential to change the existing hierarchical power structure of the society. Such transformative social protection is generally more fiscally affordable than economic social protection which is universally unpopular with economists and policy makers because it implies expensive transfers of public resources to large numbers of people who are generally regarded as

² See GoB (2005).

having low or zero productivity (McDonald et al. (1999) in Stephen Devereux and Rachel Sabates – Wheeler (2004).

The allocation pattern for reducing poverty in the current budget (FY06) clearly indicates that it ranges from purely relief (targeted poverty reduction and social safety-net programs for the poor, especially the poor women) to relief-cum economic development and the so-called social transformation programs (education, health, nutrition).

As a signatory to the Vienna Declaration, the State of Bangladesh has committed itself to implementing the Declaration on the Right to Development adopted by the United Nations in 1986. Although neither Declaration has the legally binding status of a Treaty, the moral force of the universal consensus underlying the Vienna Declaration enjoins upon the State the obligation to fulfill the commitments laid out in these Declarations.

Besides, Bangladesh has actually made legally binding commitment to implement various elements of human rights that together make up the concept of the right to development. Thus, in 1998, it ratified the crucial International Covenant on Economic, Social and Cultural Rights (1966). It had earlier ratified other important Conventions, including the International Convention on the Elimination of all Forms of Racial Discrimination (CERD), the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW), and the Convention on the Rights of the Child (CRC). In addition, by signing the Declarations of various world summits on specific issues such as food security, health, and education, Bangladesh has undertaken to strive towards achieving universally agreed goals in these areas. Although Bangladesh has yet to ratify the International Covenant on Civil and Political Rights, it has ratified a number of Conventions on various elements of civil and political rights.

The methodology of evaluating economic policies from the perspective of human rights is in a state of evolution. It is clear, however, that this methodology would have to be different from the standard methodology of policy evaluation in a number of important ways. The standard methodologies are almost exclusively concerned with costs and benefits defined in narrowly economic terms. These concerns are also relevant from the human rights perspective, because after all the fulfillment of most rights will require the use of economic resources. However, the rights-sensitive methodology must go beyond these concerns. It would be important to ask, for example, whether the processes of policy formulation, implementation and monitoring are consistent with the requirements of the

right to development, and whether the goals and targets set by policies are in conformity with the targets to which the State has committed itself in the process of signing various human rights instruments.

An important feature of progressive realization of rights is that the government must prepare a clear time-bound plan of action for achieving various rights within a specified time frame, setting out a series of final and intermediate targets. All policies and resource allocations must be guided by the overriding objective of achieving those time-bound goals. Successive Five-Year Plans adopted by the government of Bangladesh have routinely set targets and proposed policies and programs with the ostensible objective of achieving those targets. A more elaborate exercise of this kind has recently been undertaken by the Poverty Reduction Strategy Paper (PRSP). Taking the Millennium Development Goals as a frame of reference, it has set out a number of targets to be achieved by the year 2015 as discussed earlier. However, the linkage between targets and policies (as well as resource allocation) are not very clearly established. But until that happens, one cannot say that the target-setting exercises the government of Bangladesh has undertaken over the years conform to the principles of progressive realization of rights as understood by the human rights literature.

III. Implementation of Anti-poverty Programs in Bangladesh

(i) Initial Phase

Bangladesh has a long history of implementing anti-poverty programs. Rural public works Program (RPWP) has been an important policy instrument for the government since the early sixties to augment the employment and income of the rural labour during the lean agricultural season. The objectives of the RPWP as enunciated by the national authority had elements of employment creation, income generation, asset creation, popular participation, leadership and skill training embodied in them (see, Alamgir, 1983). It has been in operation in one form or other with varying degrees of emphasis in the territory now comprising Bangladesh for quite a long time.

One of the immediate responses of the Government of Bangladesh in the aftermath of the 1974 famine was to open langarkhanas (gruel kitchens) for feeding the destitutes all over the country (see, Asaduzzaman and Huddleston, B. 1983). Once the worst of the famine was over, the GOB decided to meet the relief needs on a more regular basis

through the RPWP. The RPWP has something to offer to all the components of a poor labour surplus Third World country such as Bangladesh. It primarily concentrates on directly productive activities such as flood control, irrigation etc. and/or improvement of economic infrastructure. In the former case, it increases the value of land and its rent while in the latter case it indirectly benefits the bigger land owners disproportionately by facilitating marketing of the surplus produce. Hence, private owners of capital are directly or indirectly benefited by public expenditure particularly where this is financed by resource transfers from abroad as has largely been the case of Bangladesh until recently. Thus such public works programs could perpetuate concentration of economic cum socio-political power whilst contributing to generation of rural employment and alleviation of poverty. It is thus conceivable that programs of rural development such as public works projects which enhance productivity of land may contribute to strengthening the existing rural power structure. On the other hand, the poor are also benefited to the extent that they are employed in such projects. But their benefits in the way of work income is much more transient in nature unless long-term gain in wage-employment though improvement in productivity takes place. Public works programs have tended to contribute to a costless (aid funded) enhancing of the productive base of the dominant social forces in the economy, adds to the power and patronage of the politically powerful amongst them and reduces pressure on them to channelise some of their surplus towards development of the rural infrastructure. In fact, public works programs is at best a stop gap development program for alleviating poverty in the absence of preconditions to bring about fundamental changes in the institutional framework. It preserves the existence of a stratified society with unequal access to ownership of assets. Within these limits a work program generates income and employment for the poor and creates some basis for enhancement of income and employment generation within the rural economy from the capital formed in the execution of the programs (see Chowdhury, 1983).

The RWPs may be categorized as “safety net” programs, for the poor which may generally be conceptualized as public response to livelihood shocks. In fact, safety net programs focus on narrow economic needs of a socially vulnerable group. In this narrow sense social protection continues to be perceived by governments and donors as comprising fiscally sustainable “consumption” transfers to the economically inactive or unproductive poor, which direct scarce public resources from “productive” investment for economic growth and therefore deserves lower priority as a poverty reduction tool.

It may be noted that there is no integrated national policy for social protection and safety net programs in Bangladesh. Therefore, the extent, nature and mechanisms of most of the safety net programs change with the change of government. There is also a lack of integration and coordination among various safety net programs and providers. A number of ministries are involved in implementing and monitoring safety net programs. Primarily these programs are funded by donors. Budgetary provisions are ad-hoc and given as block allocations.

(ii) Current Situation

The existing safety net programs (SNPs) in Bangladesh provide very limited coverage, which cannot cope with the magnitude of extreme poverty that exists in the country. A BIDS survey reveals that SNPs cover about 10 million people, and consequently fall drastically short of the needs of 23.9 million people who belong to the “extremely poor” category. It was further found that families which were not covered by different safety net programs are poorer than the covered ones in terms of land ownership which is the criterion used to identify the extremely poor GoB, 2004, (p. 109). Furthermore, the SNPs cover only the rural poor, whereas the number of urban poor is also very large and the nature of urban poverty is more severe than rural poverty in certain respects. Recently, GOB has started a new safety program, namely, the Urban Social Service (USS) for the urban poor. Through this program, the slum and pavement dwellers are provided with collateral – free small credit and skill training. But the coverage of this program is extremely limited.

A recent evaluation of three transfer programs shows that at least two of them – viz. FFW and VGD – reach the poorest of the poor (Chowdhury and Sen, 1998). This can be verified by comparing the relative weight of the extremely poor households in these programs with the general weight of the extreme poor in the overall rural distribution. Thus, the bottom three expenditure groups account for 23 per cent of the rural households, but they account for 73 and 93 per cent of beneficiaries in FFW and VGD respectively. Between the two programs, the VGD beneficiaries stand out to be more disadvantaged in terms of poverty ranking. A major reason for success in targeting may be in the nature of self-targeting that characterizes these programs.

Recently, the World Bank (2002a) in collaboration with Asian Development Bank has evaluated the targeted food assistance programmes in Bangladesh. It is worthwhile to recapitulate some of the major findings of this study. The study covered such areas as targeting effectiveness of food-assisted transfer programmes, assessment of leakage from food-assisted programmes and improving the impact of the public safety-net in achieving both relief and development objectives. As mentioned earlier, a welcome improvement in targeting came in the early nineties when, in an effort to reorient food transfers to the poor, the Government abolished the poorly targeted urban and rural ration channels. The share of resources allocated to targeted food-assistance programmes has increased through the nineties: almost 80 per cent of the total foodgrains channelled through the Public Food Distribution System (PFDS) is now directed toward these programs. According to this study, VGD, FFE and VGF programs appear to be reasonably well targeted to the poor. Data from Household Income and Expenditure Survey of 2000 has been used to examine the targeting effectiveness of these programmes, which jointly account for 40 per cent of food assistance programmes. Estimates of the fractions of the population that participate in the programmes within each quintile show all three programs to be reasonably well-targeted towards the poor. The poorest-fifth of the population, for example, was nearly five times as likely to participate as the richest-fifth. These outcomes are comparable to the performance of targeted programs in other countries.

Several factors underlie the pro-poor distribution of benefits. First, the targeting criteria used to select beneficiaries narrow the eligible population to the degree that more than half the target beneficiary group is from the bottom two-fifths of the population. Second, even among the eligible beneficiaries, it appears that the local program administrations go beyond the criteria to identify the poor from among the eligible populations. Thus, even among the group of eligible beneficiaries, a person from the lowest quintile is about 2.5 times as likely to be selected for the program as an individual from the richest quintile. Third, in the case of the FFE programme, part of the reason the distribution is pro-poor is simply because poor households, on average, have more children of primary school-going age.

It has been observed that even though visible transfer receipts are pro-poor, a large share of budgeted resources appears not to reach the intended beneficiaries, indicating serious accountability problems. According to a nation-wide survey carried out in 200, as

much as 35 per cent of the foodgrains allocated to the VGF, 41 per cent of the VGD, and an overwhelming 75 per cent of allocations to the FFE do not reach any household – eligible or otherwise (World Bank 2002a). There are two main reasons for the observed discrepancy: (i) the number of beneficiaries observed in the survey is considerably lower than that suggested by administrative records (this is the case with the FFE and VGF), and (ii) the average amount received by each beneficiary is less than the full entitlement according to program guidelines (the main reason in the case of the VGD). Whatever the reason, diversion of resources at such a massive scale suggests serious failure on the government's part to discharge its duty to provide.

The review expressed its concern that (i) only one fifth of the national health spending reached the poor, (ii) geographical areas with poorer health and human development indicators received less resources than comparatively better-off regions, and (iii) the average patient costs per visit for services at the government facilities were higher for those with lower incomes.

Within the present administrative set-up, the central government performs multiple functions in the education sector including regulation, supervision, and implementation of policies. With a centrally managed education budget, the bias is to adopt 'expansion and construction' as a solution to all educational problems to the neglect of the 'software' dimensions of the education process. This contradicts the fundamental rationale of the role of the State in basic education. The creation of an effective decentralized management of primary and secondary education is an urgent necessity for which a phased plan of action needs to be implemented.³

The share of social sector (health and education) in total public expenditure has been increasing throughout the 1990s (see Chowdhury, 2005). However, the fact remains, that even with increased share of the budget the absolute size of resources devoted to basic services remain pitifully low. As can be seen from Table 3, per capita public expenditure on health and education in Bangladesh is much lower even by South Asian standards. Sri Lanka is of course an exceptional country in this regard, but even India devotes a much larger absolute amount. This suggests that scarcity of resources, arising from the low levels of per capita income and of public spending generally, is a major limiting factor in

³ For example, upazilas/districts which are found to have acquired the required capacity to manage the schools effectively can be given the responsibility along with well-managed capacity building efforts at the local level.

improving basic services for the poor in Bangladesh. The issue of overall scarcity of resources has to be addressed through economic growth. Meanwhile, however, there is the question of how to increase the size of overall public spending given the constraint of resources i.e., how can the government mobilise more of the available resources in a manner that does not compromise the future availability of resources through economic growth. This is currently the most important issue in the context of progressive realization of rights in Bangladesh – in the dimension of availability of services for the poor.

Table 3
Per capita Spending on Education and Health in South Asian Countries
(US dollars)

Country	1997	1998	1999	2000
India	15	16	15	19
Pakistan	15	14	13	12
Sri Lanka	32	34	33	35
Bangladesh	11	11	11	12

(iii) Evidence from 64-Village Census Plus

In the 64-village census plus, there are evidence whether the household have access to some of the safety net programmes or not. Using this information an attempt has been made here to explore the rate of participation in these programmes⁴, characteristics of those who have access to these programmes, extent of leakages, socio-economic correlates of programme participation, and, proximate determinants of participation.

Characteristics of Programme Participation

Among the four anti-poverty programs being discussed, VGF has the highest participation rate (6.5 percent). The rate for FFW is by far the lowest (0.8 percent only). Participation rates for the VGD and old-age/widow allowance are 2.7 and 3.0 respectively (Table 3.1).

Table 3.2 presents selected household characteristics of the household participating in anti-poverty programs compared to the non-participating households. Significant differences between participating and non-participating households are observed in case of each of the characteristics. Average number of earners is lower but agricultural worker is

⁴ Four safety net programmes (viz., food for work, VGF, VGD, and old age/widow allowance) have taken into consideration in the present analysis.

higher for the participating households compared to the non-participating households. Access to physical and human asset is also poor for the participants than that of the non-participants. Access to credit is also much less for the participants compared to the non-participants.

Table 3.3 compares the distribution of income by sources of the households participating in anti-poverty programs with that of the households not participating. As observed, the participating households tend to depend more on wage-employment among all sources and obviously compared to non-participants as well (both in terms of average amount and percentage of total income).

Programme Participation and Poverty

Contrary to general expectation, only about 36 percent of total programme beneficiary are actually extreme poor (defined using the subjective criteria of food availability through out the year⁵) and another 39 percent are moderate poor which gives the figure for poor at 74 percent. This means, another 26 percent of the beneficiaries do come from non-poor households. Among the four programmes, participation of the extreme poor households is higher in the cash transfer programmes (old-age/widow allowance). And, in other programmes (and considering all four together), the largest category of participants is the moderate poor, not the extreme poor (Table 3.4).

Extent of Leakages

Extent of leakage, defined as proportion of poor (or extreme poor) households deprived of access to anti-poverty programs, is found to be quite substantial (Table 3.5). As observed, the extent of leakage is about 26 percent if we consider all poor as the target group. But, if we consider the extreme poor as the target group, the figure goes up to 64 percent. These rates of leakage are the highest in case of FFW and the lowest in case of old-age/widow allowance programs.

Socio-economic Correlates

Agricultural labourers constitute the single largest occupational category of beneficiaries (30 percent) in the anti-poverty programs (Table 3.6) considered here. This is also true for all programs separately. Participation of non-agricultural labourers,

⁵ See Zulfiqar et al (2006) for details.

transport workers, petty professionals and small traders constitute another 44 percent. However, almost 9 percent of the program participants are businessmen and salaried job holder (professionals). It may be mentioned here that this distribution is based on the occupation of the household heads, not all members.

It is expected that the extent of participation in anti-poverty programs is inversely related with housing condition, but information presented in Table 3.7 and Table 3.8 doesn't exactly hold that. Households having no house at all count for only 1.2 percent of the total program beneficiaries (in fact, for FFW the percentage is nil). However, participation of households having one room only in their dwelling is higher than that of households having two or more rooms in their households, except in the case of FFW, in which half of the participants are those who have two rooms in their dwelling (Table 3.7). Distribution of program beneficiaries by house type in terms of wall materials (Table 3.8) shows that households having tin-made dwellings (not the ones having ordinary or mud/bamboo/wood-made dwelling) constitute the largest category of beneficiaries (except in old-age/widow allowance programs). In fact, the relationship between housing and participation in anti-poverty programs here is almost opposite than what is generally expected given the perception that the poorest households are most likely to live in the worst of dwellings.

More than a third of the beneficiaries of anti-poverty programs have large amount of homestead land (Table 3.9). The largest category in this case is constituted by the households who have little amount of homestead land (except in cases of FFW and old-age/widow allowance programs, in which large homestead land holders constitute the largest group). Those having no homestead land accounts for a little over 28 percent of the program beneficiaries.

The majority (almost three fourths) of the households participating in the anti-poverty programs are landless in terms of having cultivable land (Table 3.10). If we include the functionally landless in the same category, the percentage of landless is as high as 91.5. However, one percent of the participants are large farmers and another 3 percent are medium farmer.

More than 70 percent of the program beneficiaries needed to borrow during the year preceding the survey and more than 42 percent wanted but failed to get any credit during the same time (Table 3.11). Proportion of borrowers among the beneficiaries of old-age/widow allowance programs is significantly lower (59 percent) compared to the other three programs (more than or around 70 percent).

Satisfaction with the anti-poverty programs

The level of satisfaction with the anti-poverty programs is generally high (more than 70 percent in all the programs except VGD). In case of VGD program, the proportion of unsatisfied households is as high as 39 percent (Table 3.12).

IV. Resource Mobilization Effort of Bangladesh

According to the PRSP, expenditure in core social and economic sectors such as education, health and infrastructure are projected to rise substantially in real terms during FY05-FY07. The government is also committed to increase the overall pro-poor expenditure by about 1 per cent of GDP every year. Again the fiscal policy of the government is designed to maintain macroeconomic stability and creating room for private sector investment with a view to fostering economic growth and accelerating poverty reduction. Budget deficit is to be kept at a low level consistent with a sustainable inter-temporal growth of the national debt. All these considerations have prompted the government to commit to raise the revenue-GDP ratio to finance an increasing share of the country's public investment needs from domestic resources.

Activities of the Public sector of Bangladesh extend much beyond that of the normal functions of the central government (GOB). It comprises a large state owned enterprises (SOEs) and a dominant financial sector that includes the nationalized commercial banks (NCBs), the development finance institutions (DFIs) and the Bangladesh Bank (BB). The revenue earnings of the government of Bangladesh comprise of net earnings from these enterprises (dividends, interest incomes, operational surplus, etc.), other departments and agencies as well as the usual tax revenues which again consist of NBR and non-NBR portions.

Various taxes collected by the NBR include Customs duty, Value Added Tax (VAT), Supplementary duty (SD), Excise duty, Income tax, Infrastructure Development Surcharge (IDSC), Travel tax and Wealth tax. Taxes collected outside NBR include land tax, stamp duty, motor vehicle tax and duty on liquor. In addition, there are several categories of taxes and levies that are collected by different local government institutions. In fact, total revenue has been defined as tax and non-tax revenues collected by the Central

Government of Bangladesh in this paper.⁶ We have separately discussed the issue of taxes and levies collected by different local government institutions later.

Customs offer a very suitable handle for collecting taxes. So, it may be observed that, in addition to Customs duty, various taxes and fees are also realized at the customs points. Of these, Value Added Tax (VAT) on importation is the most important, followed by Supplementary Duty (SD) levied under VAT laws. VAT realized at the stage of importation is duty creditable while SD is not. So import SD may be considered as an additional form of Customs duty.

Infrastructure Development Surcharge (IDSC) is another form of Customs duty that is charged on all sorts of imports. Regulatory duty, which is levied selectively on a few items every year, also falls within this category. Customs offers such a good handle that even Income tax is realized from the importers on the basis of import value in the name of Advance Income tax (AIT).

It follows from the above discussion that the domestic resources of Bangladesh comprise Tax revenues (NBR and non-NBR portions) and non-tax revenues. Tax revenues contribute roughly 80 per cent to the total revenue yield and most of it (more than ninety per cent) comes from the NBR portion and the rest comes from the non-tax revenues.

4.1 Revenue Effort

Revenue effort of a country may be defined as total revenue (tax plus non-tax revenue) as a share of GDP and likewise tax and non-tax efforts can separately be defined as tax revenue as a share of GDP and non-tax revenue as a share of GDP respectively. Table 4.1 indicates that the total revenue, tax and non-tax effort of Bangladesh rose slowly from 7.23, 5.96 and 1.27 per cent of GDP in FY91 to 11.0, 9.0 and 2.0 per cent respectively by FY06. In other words, it appears that there has been some improvement in generating domestic revenues but it still falls far short in terms of meeting the requirements of the economy. The tax effort of Bangladesh in FY03 compares unfavourably with other regions which are (15%) in South Asia, (29%) in high income countries, and the world average was 27%. More importantly, it is the lowest among its neighbours, namely, India, Pakistan, Sri Lanka. In fact, an international comparison of tax

⁶ See GOB, 2003, PP. 15, footnote 7 for details.

efforts of 26 countries (see appendix Table A) Bangladesh ranks (26th). The list covers countries from Europe, Africa, America and Asia. Per capita national income of the countries vary from a high of USD 37870 (USA) to low of USD 240 (Nepal). Tax effort of Bangladesh are lower than even that of Ghana (USD 320) and Nepal (USD 240) whose per capita national incomes were lower than that of Bangladesh (USD 400) in FY 03. Thus, it is clear that our efforts at generating domestic revenues for economic development are dismal.

Table 4.1
Revenue Effort, FY91 to FY06(B)

(Per cent of GDP at current market price)

Period/Revenue	Total Revenue	Tax	Non-Tax
1990-91	7.23	5.96	1.27
1991-92	8.21	6.61	1.60
1992-93	8.95	7.30	1.65
1993-94	9.15	7.18	1.97
1994-95	9.24	7.45	1.79
1995-96	9.26	7.32	1.94
1996-97	9.22	7.44	1.78
1997-98	9.48	7.33	2.15
1998-99	9.54	7.28	2.26
1999-2000	8.73	6.80	1.93
2000-01	10.49	7.84	2.65
2001-02	10.03	7.79	2.24
2002-03	10.71	8.35	2.36
2003-04	10.64	8.51	2.14
2004-05	10.64	8.67	1.97
2005-06(B)	10.96	8.94	2.02

Note: B = Budget Estimate.

Source: Calculated from the relevant issues of the "Budget Summary Statements" and "The Statistical Yearbooks of Bangladesh".

Narrow tax base is the primary reason of low revenue and tax effort of the country. A sizeable underground economy (UE) or informal sector presents a particular problem for the government's fiscal position. While the UE benefits from government services, the government suffers a loss in tax revenues. If the UE grows at a faster rate than the formal economy, government outlays will grow with the overall economy (UE and formal) but its revenues will grow at the slower rate of the economy from which government collects taxes. It is estimated that the size of the informal economy of Bangladesh will be around 20% to that of its formal economy.⁷

Income tax is a major tax head in Bangladesh. The history of income tax in Bangladesh goes back to the year 1860, when income tax was imposed for the first time in

⁷ See Asaduzzaman, M. (1998).

the then British India. However, various changes in the income tax law were made in subsequent years and tax under this head is presently collected according to the Income tax Ordinance 1984. The term 'corporate tax' does not occur anywhere in the relevant portions of the Annual Finance Acts which relate to income tax (see, GOB, 2003, PP. 57). According to the nomenclature used in the Bangladesh income tax law, the term income tax is used both for income tax on personal income and income tax on companies, otherwise known as corporate tax. Hence, it is obvious that income tax would account for a major share of direct taxes in Bangladesh. However, total number of income tax assesseees (that is tax payers) was reported to be 8,58,203 (see GOB, 2003, PP. 55) during the year FY01. The NBR claims that this has increased to 15,33,179 by March 2004. Even this would make the total number of tax payers at slightly more than 1% of total population of Bangladesh.

The return from land revenue, which is fixed in nominal terms per unit of land, declined over time because of the inherent price and income inelasticity of the tax. The share of land revenue to total tax has declined from about 9.8 per cent in FY70 around 1 per cent by the nineties which follows a continuation of a long term trend since the early sixties when land revenue accounted for about 65 per cent of the total direct taxes and about one-fifth of the total tax revenue of Bangladesh. The government introduced a graduated land development tax in the FY83 budget by modifying the land revenue, but it failed to mobilize additional resources from this source because of problems in implementation. It is estimated that only about half of the land development taxes are actually collected.

Agricultural income is subjected to an income tax which was introduced during the British rule. The tax was similar to that of the non-agricultural income tax except that the exemption limit of the former was fixed at a higher level than the latter. But as agricultural income is difficult to estimate, its contribution to total tax remains insignificant even though the agricultural sector accounts for around 30 per cent of the national income. Thus the contribution of the agricultural sector in terms of land taxes and income taxes remains very low.

It is obvious that without an increase in tax revenue from both land taxes and agricultural income, reflecting the share of agriculture in national income, the proportion of direct taxes in total taxes cannot be improved substantially in the near future. Taxes on income (individual and corporations) account for almost the entire direct taxes and taxes

on companies contribute around 60 per cent of the total taxes on income. Furthermore, it is alleged that around one per cent of the population pay income taxes and only a few companies pay the entire taxes on companies.

Only about six items (natural gas, petroleum, tobacco etc.) account for about three quarters of tax revenue in the domestic goods and services head and that import taxes bear the lion's share of tax yield. These weaknesses of the tax structure persists even after introduction of various tax reform measures since the 80's.

4.2 Tax Structure of Bangladesh

The tax structure of Bangladesh can broadly be divided into direct taxes and indirect taxes. In fact, Bangladesh inherited a relatively complex system of direct and indirect taxes from Pakistan. Direct taxes also categorized as taxes on factors usually differentiate among various sources of income. The incidence of such taxes cannot be shifted. Indirect taxes, or commodity taxes, on the other hand, differentiate among alternative uses, and the burden of taxes can be shifted from the individual on whom the initial liabilities of payment falls to others who bear the ultimate burden. Among the major direct taxes are: taxes on the income of individuals and corporations, and taxes on land, gift. The major indirect taxes consist of customs duty, VAT, taxes on liquor and narcotics, motor vehicles, travel, electricity, advertisement, turnover etc. An analysis of the revenue from the existing taxes show that: the indirect taxes pre-dominate the revenue yield of the country.

Table 4.2
Tax Structure of Bangladesh FY91 to FY06 (B)
(Per cent of Total Tax)

Year	Direct Tax ¹	Indirect Tax			VAT ⁴	Supplementary Tax ⁵
		International trade ²	Domestic Goods/Services ³	Total Indirect Tax		
FY91	22.30	48.16	26.53	74.69	0.00	-
FY92	21.30	51.15	23.98	75.14	21.96	0.65
FY93	22.80	50.67	23.42	74.09	28.00	11.06

FY94	24.40	49.02	24.40	73.43	28.24	12.88
FY95	19.40	53.54	24.39	77.93	30.50	13.49
FY96	19.30	54.94	24.25	79.18	31.71	14.98
FY97	18.80	53.92	25.07	78.99	32.25	15.39
FY98	19.86	54.54	24.64	79.18	31.25	15.55
FY99	22.23	53.44	23.40	76.85	30.37	15.47
FY00	22.54	51.26	25.29	76.56	32.10	16.46
FY01	23.01	50.48	25.60	76.07	32.09	16.95
FY02	22.26	49.29	27.20	76.49	32.84	16.92
FY03	22.45	48.11	28.28	76.40	30.90	17.57
FY04	22.06	47.86	28.34	76.20	30.30	19.19
FY05	21.87	46.65	29.58	76.23	33.19	17.52
FY06(B)	22.11	46.30	29.66	75.96	33.97	17.15

Notes: B=Budget

Direct taxes consists a. Direct Tax (NBR Portion) b. Land Revenue and Stamp duty (Non Judicial) from Non-NBR Portion

1. International Trade consists a. Import duty b. VAT (import) c. Supplementary duty (import)
2. Domestic Goods and Services consists a. Excise Duty b. VAT (Domestic) c. Supplementary Duty (Domestic)
3. VAT consists of VAT on Imported Commodities and VAT on Domestic Products and Services
4. Supplementary Tax consists of Supplementary Duty on Imported Commodities and Supplementary Duty Domestically Produced

Source: Calculated from Appendix Table-1 and Table-2.

Note: Narcotics and Liquor duty, Taxes on vehicle were not included in the direct taxes and Indirect Taxes

Table 4.2 shows that the share of direct taxes to total tax fell from around 22 per cent in FY91 to less than twenty per cent by FY98 and rose thereafter again to around 22 per cent by FY06. In other words, it may be concluded that the share of direct taxes remained similar during the entire period covering the nineties to the early twenty first century.

In fact, Table 4.2 shows that the overall composition of taxes fluctuated slightly but largely has remained similar over the entire period covering the nineties and early twenty first century. Indirect taxes accounted for around 75 per cent of total taxes and around 50% of the total tax revenues were collected from imports in the form of customs duty, sales tax, development surcharge, license fees, and regulatory duty. It is clear that the existing system of taxation is characterized by an overwhelming reliance on imports as it was in early nineties. The Table further shows that since FY92 when VAT was introduced its share in total taxes rose from around 20 per cent in FY92 to 32 per cent by

FY97 and stagnated around that figure until FY04 and then it is rising and expected to contribute around 34 per cent to total tax yield by FY 06. However, supplementary taxes became a major tax head since FY92 when its share was less than 1 per cent to as high as around 19 per cent by FY04.

4.3 Non-Tax Revenue

As pointed out earlier the public sector of Bangladesh extends far beyond the normal functions of the central government and comprise of a large non-financial state-owned enterprises (SOEs), a dominant public financial enterprises (the nationalized commercial banks-NCBs – and the development finance institutions – DFIs), and the Bangladesh Bank (BB). The important non-tax revenue earnings of the government of Bangladesh comprise of net profits of the nationalized banks and financial institutions, earnings of the SOEs, interest from government bonds, registration fees of different types including passport and visa fees, tolls on roads, bridges and ferries, rent from local resources, and income from telephone, telegraph and postal departments and the Railway. Fines and penalties also fall in this category.

The major receipt accounts of Non Tax Revenue (NTR)⁸ are subdivided into more than a hundred sub-heads. The NTR cell is located in the Ministry of Finance with a skeleton number of officers and staff. NTR is classified by 150 economic codes which are spread over 56 Ministries/Divisions. Collection process of NTR involves 72 Directorates/Departments. The NTR cell has no authority to reinforce the field offices to achieve their respective targets. Present NTR cell lacks proper access to computer facilities and frequent differences exist between Ministry-data and Comptroller and Auditor General’s (C&AG) data.

Table 4.3
Proportion of Non-Tax revenue to Total Revenue in Selected Countries
(Percentage)

Country	Fiscal Year		
	1998	1999	2000
Bangladesh	20.11	19.52	19.19
Bhutan	55.65	60.72	55.25
India	23.01	24.88	25.24
Nepal	18.14	17.72	16.12
Pakistan	7.50	14.11	23.30
Sri-Lanka	15.81	13.60	-

Source: GOB (2003)_b.

⁸ See GOB (2003)_b for details.

The contribution of non-tax revenue to total revenue varies in the South Asian countries. The contribution is lowest in Sri Lanka. Non-tax revenue makes highest contribution in Bhutan where the share of non-tax revenue varied from 55 per cent to 60 per cent during the period from FY98 to FY00. The average share in Bangladesh is around 20 per cent. The reason for extraordinary share of non-tax revenue in Bhutan is its high sales revenue it gets from Chukha hydropower plant.

V. Tax Reforms

Since the mid 80's, Bangladesh has undertaken a major program of macroeconomic stabilization and structural adjustment under the guidelines of the World Bank and the IMF. The structural adjustment program put strong emphasis on enhancing domestic resources through improving the tax effort, subsidy reductions and public sector pricing policies. A domestic public revenue target was set at 10.5 per cent of GDP in FY89 from its pre-reform level of 9 per cent. Increases in the development expenditure-GDP ratio were considered to be contingent upon the revenue-GDP target.

Apart from short-term measures to maintain fiscal balance, a restructuring of the tax system was planned to be carried out in order to reduce heavy dependence on trade-related taxes, and move towards domestic output/consumption based taxes. Reform efforts also aimed at overhauling the country's tax system with the main objective of providing increasing amounts of resources for development from domestic sources. To this end, wide-ranging systematic, structural and administrative improvements have been introduced in respect of all the major taxes in the country.

The introduction of the *value added tax* (VAT) in 1991 was the centerpiece of the tax reform efforts. VAT is a form of indirect broad sales taxation in which the producer pays tax in proportion to the value he added to the product. VAT was introduced in Bangladesh in 1991 by replacing the sales tax at the import stage and excise duty in case of most domestically produced goods. VAT has a wider tax base than the taxes it replaced. Many items previously excluded from sales tax and excise have been brought under VAT. Many economic services have also been brought under the VAT. Thus, there are fewer exemptions and exclusions from VAT than under the previous systems. Three items, two goods and one service have, however, currently remained under excise.

The VAT in Bangladesh has a single rate of 15 per cent. As indicated earlier, the average rate of taxes replaced by the VAT was around 8 per cent. Taking into account the element of cascading under the previous excise system and the corresponding mechanism for crediting of input tax under VAT, a rate of around 13 per cent would have been revenue neutral. Thus, the rate of 15 per cent has been moderately revenue augmenting. In fact, this feature and the base broadening mentioned above are indeed the immediate causes of a rise in revenue following the introduction of VAT. The single rate has certain administrative and accounting advantages. The problems of classification does not exist and calculations become much simpler with a single rate.

The VAT is widely considered to be a regressive tax, given the single rate. However, equity aspect of VAT in Bangladesh has been sought to be taken care of in the following way: goods that form the consumption basket of the poor, e.g., unprocessed agricultural products, fisheries, livestock and forest resources have been excluded from VAT. Further, supplementary duties at varying rates have been imposed in a trade neutral manner on luxury and non essential goods for imparting progressivity on the system.

A commission set up on Reforming the Public Revenue System to recommend ways and means for further augmenting domestic resource mobilization has given report. However, the government has already taken up various measures to rationalize and improve tax policy and tax administration some of which have already been announced in the budgets of FY03 and FY04. Measures are being taken to modernize Customs, VAT and Income Tax administration. NBR has embarked on the program of imparting local and foreign training of its officers to improve their professional skills and efficiency. The process of computerization and networking of all VAT offices with the NBR is well on its way to being implemented. Exchange of information among customs, VAT and Income Tax departments will enormously facilitate the efforts to raise revenue collection and minimize evasion. Information technology in the management of bonded ware house system is expected to yield substantial additional revenue. However, it should be noted many other recommendations yet remain to be implemented.

Other reforms in indirect taxation include rationalization of the structure of customs duty. For minimizing distortions and for greater transparency, end user discriminations and multiplicity of duty rates have also been reduced drastically. In the realm of direct taxation, reform measures were aimed at reducing both individual and corporate income taxes, and bringing larger number of assesses under tax net. The

number and the rates of exemption have been reduced and the tax return and assessment procedures have been simplified.

VI. Conclusion

An important aspect of rights based development is the progressive realization of rights. It requires that the government must prepare a clear time-bound plan of action for achieving various rights within a specified time-frame setting out a series of final and intermediate targets. All policies and resource allocations must be guided by the overriding objective of achieving these time-bound goals. All the policy objectives on economic development of Bangladesh prepared since the inception of the country has given highest priority to poverty reduction. Successive Five-Year Plans adopted by the government of Bangladesh have routinely set targets and proposed policies and programs with the ostensible objective of achieving those targets. A more detailed exercise of this kind has recently been undertaken by the Poverty Reduction Strategy Paper (PRSP).⁹ It has taken the Millennium Development Goals as a frame of reference and set out a number of targets to be achieved by the year 2015 and the progress in various areas to be measured by comparing them with the situation pertaining in 1990. According to the PRSP, expenditure in core social and economic sectors such as education, health and infrastructure are projected to rise substantially in real terms during FY05-FY07. The government is also committed to increase the overall pro-poor expenditure by about 1 per cent of GDP every year. Besides, Bangladesh actually made legally binding commitment to implement various elements of human rights that together make up the concept of the right to development. Hence, the justification to analyze the Bangladesh's development performance by applying the framework developed for human rights based approach for development.

Evaluation of SNPs in Bangladesh indicates that the resources for carrying out social protection programs for the economically and socially vulnerable individuals and groups could be augmented by reducing the prevailing large amount of diversion of resources from the existing anti-poverty programs and also by improving the current dismally low tax effort of the country compared to the potential of the economy. It was found that the Public Food Distribution System (PFDS) played an important role in

⁹ See GoB, 2004.

discharging the obligation to provide and improve access to and consumption of foodgrains to various target groups. However, all the channels of PFDS were slowly closed down as they were found to be ineffective in reaching the target group and the administrative cost of the programs was quite high. An evaluation of the three transfer programs, viz, FFW, VGF, VGD were found to be efficient in reaching the target in a very cost effective way. However, a recent survey report indicated that a large amount of budgeted resources allocated to VGF, VGD and FFE do not reach the intended beneficiaries. Hence, it is clear that simply by running the existing anti-poverty programs in a more cost-effective way will release substantial resources for expanding social protection programs. In fact, our findings based on field level investigation of 64 village census plus with respect to the existing safety-net programs, indicate that if the leakages can be minimized, the potentiality of widening the coverage of the programs (FFW, VGF, VGD and old age/widow allowance) go up by about 33 per cent immediately.

Share of social sector (health and education) in total public expenditure of Bangladesh has been increasing throughout the 1990s. Yet per capita public expenditure on health and education in Bangladesh is much lower even by South Asian standards. Sri Lanka is of course an exceptional country in this regard, but even India devotes a much larger absolute amount. This suggests that scarcity of resources, arising from the low levels of per capita income and of public spending generally, is a major limiting factor in improving basic services for the poor in Bangladesh.

Capacity of the government of Bangladesh to mobilize domestic resources is severely constrained by the country's narrow tax base and very low ratio of tax to non-tax payers. Moreover, the size of the informal sector which falls outside the tax net is also quite high relative to the GDP of the country. In general the tax effort of the country is very low compared to its potential. It was found that the tax effort of Bangladesh is lower compared even with Nepal whose per capita income is lower than that of Bangladesh. Hence, it appears that low per capita income is not the binding constraint for raising tax effort of the country. Narrow tax base is the primary reason for low tax effort of the country. Only about 1% of the population pay taxes. Agricultural sector accounts for around 30 per cent of the national income but the contribution of this sector in terms of land taxes and income taxes remains very low. It is alleged that only a few companies pay the entire taxes on companies. Only about six items (natural gas, petroleum, tobacco etc) account for about three quarters of tax revenue in domestic goods and services head.

Finally, direct taxes account for less than a quarter of total tax yield and the rest compose of indirect taxes, which are generally regressive in nature. Thus the overall tax system is regressive indicating that the richer people who can afford to pay taxes pay relatively less compared with the rest of the population. In other words the tax-structure of Bangladesh is anti-poor.

To remove the deleterious effects of the existing tax structure it is essential to carry out a major reform which would: (1) increase the tax-revenue-to-GDP ratio; (2) provide appropriate incentives for savings, investment, exports and efficient production; (3) ensure some progressivity in incidence; and (4) strengthen and build on existing administrative capacity. These objectives can be most easily achieved by (1) a broad-based taxation of consumption rather than imports; and (2) a shift in the pattern of taxation by moving away from the taxation of inputs and towards outputs so as to minimize distortions in production choices. Domestic taxes and subsidies, not trade taxes are the best way of correcting domestic distortion. Thus a major share of tax revenue will have to come from direct taxes and taxes on domestic goods and services, which will improve equity and efficiency of the existing tax system of Bangladesh.

An important issue related with domestic resource generation problem that has yet to be addressed seriously is how to exploit the enormous potential of local governments to mobilize significant revenues for the country. In fact, generation of revenues at the local level should be brought into the mainstream of national revenue generation effort. Currently, it contributes only around 3 per cent to entire revenue collection effort of the country.

The institutions of local level government in Bangladesh has a long history. The functions and responsibilities at various levels of local government were increased, powers to raise revenues were expanded and grants from the centre increased. However, the resource mobilization effort of the local bodies of the government of Bangladesh continues to remain unsatisfactory despite various changes in the tiers, structures, powers to raise resources since the independence of the country. Our review shows that the local government bodies of Bangladesh virtually enjoy no power or authority to execute or plan any development programme at the local nor to raise resources. In fact, properly decentralized and empowered local governments with devolution of key service functions and power and authority are better suited to implement various anti-poverty programs based on education, health and nutrition efficiently and in a more cost-effective way.

Thus it indicates that properly decentralized and empowered local governments with devolution of key service functions and power and authority can address the twin problems of resource augmentation and poverty reduction faced by the country as a whole.

Finally, it should be noted that rights-based development require that the richer countries also have obligation to help realize the right to development in poorer countries through their international policies and programs.

Table 3.1
Participation in Anti-poverty Programs

(Percent)

Anti-poverty programs	Participation rate
Food for Work (FFW)	0.8
Vulnerable Group Feeding (VGF)	6.5
Vulnerable Group Development (VGD)	2.7
Old-age/Widow Allowance	3.0

Table 3.2
Selected characteristics of households by participation in anti-poverty programs

(Percent)

Household characteristics	Status of participation in social safety nets		All
	Participant	Non-participant	
Household Size	4.25	4.96	4.88
Number of earners	1.21	1.42	1.40
Number of agricultural workers	0.31	0.22	0.23
Cultivable land (in decimals)	15.89	74.18	67.80
Homestead land (in decimal)	6.74	10.00	9.65
Average years of schooling	3.04	4.49	4.33
Amount of bank loan (in Taka)	752.76	2369.21	2192.25
Amount of NGO loan (in Taka)	2246.54	2346.06	2335.16
Amount of Money-lender loan (in Taka)	1072.35	1992.67	1891.92
Amount of loan from Friends/Relative/Neighbours (in Taka)	1452.92	3393.46	3181.01
Amount of total loan (in Taka) per household	5524.58	10101.40	9600.34

Table 3.3
Average household income from different sources by participation in anti-poverty programs

(Taka (percent))

Sources of income	Status of participation in social safety nets		All
	Participant	Non-participant	
Crop Agricultural Income	3411 (16.46)	11104 (27.00)	10262 (26.39)
Non-crop Agricultural income	955 (4.61)	1924 (4.68)	1818 (4.68)
Total Agricultural Income	4366 (21.06)	13028 (31.68)	12080 (31.06)
Agricultural wage income	3680 (17.76)	3513 (8.54)	3531 (9.08)
Non-agricultural wage income	4062 (19.60)	4362 (10.61)	4329 (11.13)
Total wage income	7742 (37.36)	7875 (19.15)	7860 (20.21)
Income from Trading & business	4948 (23.88)	8557 (20.81)	8162 (20.99)
Income from service	1795 (8.66)	6408 (15.58)	5903 (15.18)
Remittance income	1874 (9.04)	5254 (12.78)	4884 (12.56)
Total Non-agricultural income	8617 (41.58)	20218 (49.17)	18948 (48.72)
Total household income	20725 (100.00)	41121 (100.00)	38888 (100.00)

Note: Figures in parentheses indicate column percentages, i.e., percentage of total household income.

Table 3.4
Participation in anti-poverty programs by poverty status

(Percent)

Poverty status (food availability)	Anti-poverty programs				All programs
	FFW	VGf	VGD	Old-age/Widow allowance	
Shortage throughout the year	28.3	29.5	38.4	48.3	35.6
Temporary shortage	41.3	40.2	40.9	33.3	38.8
Neither shortage nor surplus	15.2	22.3	17.0	17.2	19.5
Surplus	15.2	8.0	3.8	1.1	6.0
Total	100.0	100.0	100.0	100.0	100.0

Table 3.5
Extent of leakages (in terms of participation) in anti-poverty programs

(Percent)

Extent of leakage	Anti-poverty programs				
	FFW	VGf	VGD	Old-age/widow allowance	All programs
Extent of leakage: proportion of poor households deprived of access to anti-poverty programs	30.4	30.3	20.8	18.4	25.5
Extent of leakage: proportion of extreme poor households deprived of access to anti-poverty programs	71.7	70.5	61.6	51.7	64.4

Table 3.6
Poverty correlates: household head's occupation and program participation

(Percent)

Household head's occupation	Anti-poverty programs				Total
	FFW	VGf	VGD	Old-age/widow allowance	
Farmer	14.3	16.1	20.5	19.8	17.5
Agricultural labourer	45.2	31.3	28.2	22.1	30.3
Non-agricultural labourer	11.9	9.0	19.7	17.4	12.8
Transport worker	7.1	11.9	11.1	5.8	10.5
Small professionals	2.4	11.9	6.0	14.0	10.3
Small traders	7.1	10.6	10.3	10.5	10.3
Businessman	2.4	3.2	1.7	4.7	3.1
Salaried job / Professionals	9.5	5.8	2.6	5.8	5.4
Total	100.0	100.0	100.0	100.0	100.0

Table 3.7
Poverty correlates: number of rooms in the dwelling of the household and program participation
(Percent)

Number of rooms in the dwelling	Anti-poverty programs				Total
	FFW	VGf	VGD	Old-age/widow allowance	
No house	0.0	1.3	1.3	1.1	1.2
One room only	43.5	46.9	56.6	54.6	50.5
Two rooms only	50.0	37.3	33.3	31.6	35.9
More than two rooms	6.5	14.5	8.8	12.6	12.4
Total	100.0	100.0	100.0	100.0	100.0

Table 3.8
Poverty correlates: house type (wall material) and program participation
(Percent)

House type (wall materials)	Anti-poverty programs				Total
	FFW	VGf	VGD	Old-age/widow allowance	
Ordinary	20.0	16.9	19.8	21.2	18.8
Mud/Bamboo/Wood	25.7	30.3	31.7	40.4	32.8
Tin	51.4	51.4	46.0	34.2	46.1
Brick	2.9	1.4	2.4	4.1	2.3
Total	100.0	100.0	100.0	100.0	100.0

Table 3.9
Poverty correlates: homestead land and program participation
(Percent)

Homestead land	Anti-poverty programs				Total
	FFW	VGf	VGD	Old-age/widow allowance	
No homestead land	23.9	33.0	28.3	19.0	28.2
Very little	34.8	36.5	41.5	37.9	37.8
Large	41.3	30.6	30.2	43.1	34.0
Total	100.0	100.0	100.0	100.0	100.0

Table 3.10
Poverty correlates: cultivable land and program participation

(Percent)

Cultivable program	Anti-poverty programs				Total
	FFW	VGf	VGD	Old-age/widow allowance	
Landless	73.9	74.8	74.2	70.7	73.7
Functionally landless	19.6	17.7	18.9	16.7	17.8
Small farmer	2.2	4.3	4.4	7.5	4.9
Medium farmer	4.3	2.1	2.5	4.0	2.8
Large farmer		1.1		1.1	.8
Total	100.0	100.0	100.0	100.0	100.0

Table 3.11
Poverty correlates: borrowing and program participation

(Percent)

Cultivable program	Anti-poverty programs				Total
	FFW	VGf	VGD	Old-age/widow allowance	
Needed to borrow in past one year	69.6	75.6	69.8	58.6	70.1
Wanted but failed to borrow in past one year	33.3	43.8	44.6	38.6	42.1

Table 3.12
Level of satisfaction with the anti-poverty programs

(Percent)

Anti-poverty programs	Level of satisfaction			Total
	Satisfied	Neither satisfied nor unsatisfied	Unsatisfied	
Food-for-work	71.7	10.9	17.4	100.0
VGf	72.9	6.2	20.9	100.0
VGD	57.2	3.8	39.0	100.0
Elderly/Widow allowance	79.3	7.5	13.2	100.0

Appendix Table: 1
Some macro-economic indicators of selected countries, 2003

Serial no	Country	GDP (in Million of current US\$)	GNI per capita atlas method (Current in US\$) y	Openness of the economy (export+import as a percentage of GDP) x	Tax as a percentage of GDP t	Tax Effort ranking
1	Algeria	68019	1930	63	32.0	1
2	Argentina	129596	3840	39	9.4	22
3	Australia	522378	21960	42	24.1	5
4	Bangladesh	51914	400	34	8.1	26
5	Canada	856523	24470	79	14.1	14
6	China	1416593	1100	66	8.3	25
7	Denmark	211888	33580	80	30.1	2
8	France	1757613	24750	51	22.6	6
9	Germany	2403160	25270	68	11.5	18
10	Ghana	7624	320	92	20.2	9
11	India	600637	540	30	9.1	24
12	Indonesia	238525	940	57	13.0	16
13	Malaysia	103737	3880	207	17.6	10
14	Mongolia	1274	480	148	22.6	6
15	Nepal	5851	240	46	9.4	22
16	Nigeria	57622	350	91	14.2	13
17	Pakistan	82350	520	40	10.9	20
18	Philippines	79330	1060	99	12.3	17
19	South Africa	165434	2850	54	25.1	4
20	Sri Lanka	18246	930	78	14.0	15
21	Tanzania	10297	310	45	11.0	19
22	Thailand	142953	2190	125	15.4	12
23	Tunisia	25037	2240	90	20.6	8
24	United Kingdom	1794878	28320	53	27.2	3
25	United States	10948547	37870	24	9.9	21
26	Vietnam	39164	480	128	16.4	11

Source: * World Development Indicators 05, The World Bank
* The World Bank online source, web: www.worldbank.org/
* International Financial Statistics, Year Book, IMF

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