THE STATE OF THE POOREST
IN BANGLADESH 2004/2005

CHRONIC POVERTY IN BANGLADESH

TALES OF ASCENT, DESCENT, MARGINALITY AND PERSISTENCE

OVERVIEW

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Introduction

This study examines what has been happening to the poorest people in Bangladesh over recent times.1[1] Around 31% of the rural population presently suffer the indignity of chronic poverty—low consumption, hunger and under-nutrition, lack of access to basic health services, illiteracy and other deprivations for more than a decade. About 24% of the total population currently live in extreme income-poverty. About 19% of rural households cannot have 'full three meals' a day; about 10% subsist on two meals or less for a number of months every year. While Bangladesh has come out of the "shadow of famine", the problem of starvation still persists. Accurate figures are not available for urban areas, but in effect between 25 to 30 million of the country's citizens are chronically poor. Here we review the present status and situation of the poorest, analyse the main factors that keep them in poverty and identify the types of policy that can help them escape deprivation and gain their full rights as citizens of an increasingly prosperous and high-stepping country.

The study looks at the state of two particular groups of the poorest—the chronically poor and the extreme poor. There is a particular focus on chronically poor people—those who remain income or capability poor for much or all of their lives, whose poverty is passed on to their children and who also often die the easily preventable death. The extreme poor are identified not by the duration of time that they experience poverty but for the depth of their poverty at a particular point in time (ie consumption levels that are below 60% of the official poverty line). Intuitively, these two groups may sound very similar, and there is indeed a significant overlap between them, but a focus on the chronically poor leads us to examine poverty dynamics and gain a fuller understanding of the poorest and of the causes of poverty. We already know quite a lot about extreme poverty because of the pioneering work of researchers at the Bangladesh Institute of Development Studies. Much less is known about chronic poverty as the panel datasets that are needed to explore this topic are only just emerging and detailed 'life histories' have rarely been collected.

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[1] The poorest is defined in this study as comprising two groups of the poor: the chronically poor (those who are in long-duration poverty-often spanning over generations—experiencing greater stress and burden of poverty) and the extreme poor (those who persist in deep-poverty-at the bottom of the poverty ladder—experiencing greater stress and burden of poverty). Although there may be an overlap it is analytically useful to distinguish between the two categories. Typically, the incidence of long-duration poverty is captured through dynamic household panel data, while the incidence of extreme poverty is measured through cross-sectional survey data.

Putting a face to the poorest is difficult as countless and varied types of people suffer this condition—casual agricultural labourers and their household members, abandoned women and their offspring, street children, street scavengers and pavement dwellers in our towns and cities, elderly women and men who do not have family support, those forced to become sex workers, refugees, the disabled and those with mental health problems and many more: old and young, women and men, working and dependent, or people living in remote rural hamlets and in the heart of Dhaka.

Contextualizing Chronic and Extreme Poverty

Chapter 1 sets the scene by posing a number of key questions and exploring important historical and contemporary influences on the poorest in Bangladesh. Four sets of questions are identified.

- How can 'differences in development' be explained? Why is it that when average incomes are rising some people see no benefits and remain income, consumption and capability poor?
- Why is it that so many poor people are permanently excluded from basic services, social entitlements and their rights as citizens?
- What are the processes that keep the poorest socially marginalized and disempowered?
- How does the 'subaltern economy' that employs the poorest operate and how is it linked to the wider national and international economy?

Such questions are not new: in a 1910 study of Faridpur J C Jacks found 18% of the people only just above indigence and 5% were absolutely destitute. He explained some of this in terms of widowhood and ageing. His estimates can be compared with contemporary data, which suggests that 10% of the population are acutely deprived in terms of almost all available indicators (low consumption, stunting, no education, high infant mortality rates and no services).

While it is clear that Bangladesh does not provide an easy context for poverty reduction the recent economic growth in the country, improvements in services and the resilience and innovation of the poorest augur well. But the need for growth and public action, and their interaction, must be noted—Bangladesh will not help its poorest if it believes that 'growth alone' should be the policy focus.

A Passage to Modernity: From 'Test Case' to Economic Growth and Democracy

The birth of Bangladesh was inauspicious—millions died in the War of Liberation, the national infrastructure was destroyed and apalling famine (in 1974) and natural disaster took its toll. Influential observers reported that 'nature, not man, is in charge of the situation' and permanent dependence on humanitarian and developmental foreign aid was predicted. The best use for the country might be as a 'test case' to experiment with poverty reduction paradigms.

Fortunately, we have moved ahead from the 'doomsday scenarios' and in the early 21st century Bangladesh has graduated to the medium human development 'league' and is a moderate and pluralist muslim democracy. While the country's governance has many weaknesses the government has been changed three times through the ballot box. In terms of economy there has been a 'quiet transition' to moderate growth that appears sustainable. On the other hand, there has been a 'silent ascent' to democracy, the position of women is changing and progress has been made in social development indicators and future prospects (Chapter 2).

Trends in Poverty and Social Indicators: The 1990s and Beyond

This section presents a detailed review of the most recent data available on poverty, chronic poverty and extreme poverty (Chapter 3). It examines both income/consumption measures and a range of social indicators (especially those relating to the Millennium Development Goals). A complex picture emerges from the data.

- Consumption poverty continues to decline for both the poor and the extreme poor, but high levels of vulnerability persist. The annual rate of decline was faster in the 1990s than the 1980s (2.7% against 0.6 %) and was especially better in rural areas (2.1% against 0.2%). However, subjective poverty assessments reveal that more people see their livelihoods as vulnerable to a downturn as they have moved into commercial agriculture and are subject to severe price swings.
- The Human Poverty Index (HPI), an index reflecting income poverty, illiteracy and health deprivation, has declined dramatically from 61% in 1981/83 to 47% in 1993/94 and 36% in 2000. Again, recent times have seen the most rapid progress. Over 1981-1993 the HPI declined at 1.9% annually; for 1993-2000 the figure is 3.5%. These improvements can be explained through

higher growth rates, more effective state action and the expansion of service delivery by NGOs.

- Recent data on extreme poverty is lacking, but if rural wage labour rates are used as an indicator then conditions are improving. Daily rates (in 1983/84 prices) rose from taka 20 (1983/84) to taka 24 (1991), stalled in the early 1990s (taka 23 in 1996) and then rose rapidly in the late 1990s/early 2000s to taka 28 (2003). This finding is supported by self assessed ratings—only 10% of people reported themselves as being in "always food-deficit" in 2001 compared to 23% in 1994. However, the extreme poor also reported very little improvement in their situation and high levels of risk and vulnerability.
- Against these positive indicators stands the growing inequality in the country and its potential impacts on future poverty reduction. Had growth in the country been distributionally neutral (ie the benefits shared equally across the population) the head count index of urban poverty would have declined by 3.9% annually rather than the actual 2.7% over 1991/92 to 2000. Similarly, the incidence of rural poverty would have dropped by 2.4% annually instead of 2.1% during the same period. Over the 1990s income inequality (and assets) has continued to increase and at a rapid pace. The Gini coefficient for consumption expenditure for rural areas has risen from 0.28 in 1991/92 to 0.31 by 2000. In urban areas it has soared from 0.36 to 0.41 over the 1990s. From estimating the 'inequality elasticity of poverty' it appears that poverty reduction (in headcount terms) in the 1990s was slowed down by rising inequality and that, for the poorest, the effects of rising inequality may have cancelled out any benefits from growth. If inequality continues to rise the poorest face the prospect of 'anti-poorest' growth in the future. To avoid this situation the GOB will need to pay increasing attention to policies to moderate inequality. This does not merely mean social assistance, but policies to ensure that the poor and poorest can seize the opportunities that growth creates—education and health services, access to khas land and water, micro-finance, small enterprise development and productivity enhancements such as bio-technology.
- Trends in child nutrition have been positive overall, but there is no clear pattern about the degree to which improvements are distributed amongst the poor and poorest. There is some evidence, however, that for the extreme poor group at the bottom of human asset ranking, the progress in reducing severe malnutrition has been much slower relative to the progress recorded

in others with better endowment of human assets. Maternal nutrition has improved for the extreme poor, but at a slower rate than for other poor and non-poor groups.

- Child mortality reduced over the 1980s and has reduced even more rapidly over the 1990s. These improvements have occurred in rural and urban areas, in all parts of the country and for both boys and girls. However, while the poor-rich infant mortality ratio (ie the greater probability of a poor child dying compared to a rich child) has gone down from 1.97 (1993/94) to 1.68 (1999/2000), for under-fives it has risen from 1.89 to 1.93. The benefits of improved survival (ie not experiencing the ultimate form of poverty, the loss of all beings and doings because you died in childhood) may not be filtering down to the poorest.
- The available evidence indicates that access to education is reducing for the poor and some amongst the poorest. In terms of income levels, the rich-poor ratio for primary enrolment declined from 2.3 to 1.5 over the 1990s and from 4.5 to 3.0 in secondary enrolment. The ratio for primary completion declined from 5.6 to 2.0. As reported in many other studies, there has also been great progress in raising female enrolment rates and a 'female advantage' is appearing in some statistics.

Overall, Bangladesh is 'on track' to achieve most of the MDG targets except income poverty reduction (Goal 1/Target 1), maternal mortality, and, perhaps, under-five mortality. It is also lagging behind in respect of a key social indicator as adult illiteracy. The rising lines on graphs that predict achievement are only on paper, however, and there is a possibility that the 'easy gains' have been achieved and more effort will be needed to continue to make progress. It is also clear that MDG attainment will require that all routes to poverty reduction are pursued—economic growth, improved governance and state service delivery, continued NGO contributions and community action and cooperation.

Chronic Poverty in Bangladesh: Insights from Panel Data

In this section chronic poverty is analysed in terms of poverty that persists for a 'generation' (Chapter 4). A two-wave, rural, panel dataset with a 13 year span (1987 to 2000) is utilized. The analysis is of both income poverty and capability poverty (education and health indicators). These measures yield different assessments of the numbers trapped in chronic poverty ranging from 32% for chronic income poverty to 60% for education-based chronic poverty. As might be

expected, the social indicator sets a higher criterion than the income criterion based on minimum food requirement.

The analysis identifies four main groups with the income criterion: the chronic poor (31% of households poor for both waves), the never poor (25% of households), the ascending poor (26% of households, poor in 1987 but non-poor in 2000), and the descending non-poor (18% of households, non-poor in 1987 but poor in 2000). The ascending households are found to have improved their circumstances by accumulating human, physical and financial assets; diversifying their economic activities both within and outside agricultural arena. They pursue a number of different approaches to improving their income and not a single 'magic bullet'. A different set of factors explains descent. Descending households often experience an adverse change in household structure (an increased dependency ratio); remain focused on agriculture and are unable to adopt improved practices; experience a decline in natural and financial assets; and suffer from one or more shocks. These may be 'crisis' (health, security or natural problems), 'lifecycle' (more children, retirement, dowry) or 'structural' (deteriorating market conditions, lack of access to credit) factors. Helping them manage such shocks more effectively, through social protection schemes, better governance (especially of law and order) and changing attitudes (eg health behaviour and dowry) could keep many out of chronic poverty.

Social Marginalization and Chronic Poverty: The Muffled Voices of Present History

In Chapter 5 an analysis is conducted of 47 in-depth life histories of the poorest. We do not claim that these are "the voices of the poorest", clearly they have passed through an interpretive lens. What we seek here is to give the reader an idea of the texture of the day to day lives of the poorest—of their great labours, of their aspirations and their striving for dignity in a society that often humiliates them. These are the left behinds sleeping on pavements, living in the charlands, street children, day labourers, abandoned women, the elderly without support and others. The histories tell us many different things and reinforce the need for a moral dimension on poverty reduction. Poverty reduction is not merely about needs—it is about social justice, fairness and ensuring that no one is cast aside by society.

Transformative Structures and Transmission Mechanisms: The 'Insecurity' Dimension of Chronic Poverty

This chapter examines the insecurity that surrounds the levels of the poorest. They are not merely poor, but often are threatened by vulnerabilities that will deepen their deprivation—loss of assets, ill-health, lack of access to food, loss of employment and so forth. Such insecurity can lead to livelihood strategies that block off escapes from poverty: to stay secure one may have to stay poor (Chapter 6).

The chapter analyses food insecurity and child malnutrition: a major means by which poverty is transmitted to future generations; health shocks and the way in which they cause slides into long-term poverty; the unsustainable livelihoods of urban rickshaw pullers who destroy their human capital to make a living; and the violence, both domestic and more broadly (the mastanocracy) that pervades the lives of many of the poorest.

Reducing livelihood insecurity—through social protection policies, food security measures, accessible health services and improvements in law and order—must be a central strand of strategies to create a livelihood base from which the poorest can take advantage of the opportunities that a growing economy may offer.

Transformative Structures and Transmission Mechanisms: The 'Opportunity' Dimension of Chronic Poverty

The dominant, contemporary development narrative advises that if an economy grows the poor and poorest can seize opportunities and escape poverty. This partly explains Bangladesh's poverty reduction success in the 1990s, but it must be noted that there are many barriers to the poorest's participation in benefiting from opportunities and these demand interventions to ensure that the chronic and extreme poor get access to new opportunities. Chapter 7 examines a number of factors that stop the poorest from fully benefiting from the growth.

It commences with an analysis of the influence of women's agency on the intergenerational transmission of poverty (the transfer of poverty status from parents to children) and explores both direct and indirect mechanisms. The direct impact of strengthened women's agency occurs through the ways in which it increases household income and investment, reduces family size, and improves child nutritional status and schooling. The indirect influence comes through the ways in which agency improves the mother's well-being and, through this, the

child's well-being. The findings are complex, but it is clear that maternal nutritional status is a strong predictor of child nutritional status (and thus later educational achievement and productivity)—interestingly, far stronger than the economic status of the household. Thus, women's health and well-being is an important factor for stopping the transmission of poverty between generations. Women's agency, assessed in terms of a number of surrogates, is shown to have a strong influence on both the well-being of the women and their children. While primary education has little effect, secondary education has a powerful positive impact on women and children. A policy stance that combines income poverty reduction with women's empowerment (and especially improved well-being for women) is likely to be highly effective in the Bangladesh context.

Improving human capital raises the potentiality of people to be able to seize opportunities and offers a major route out of persistent poverty. The Government of Bangladesh has pursued this path through its primary education stipend scheme (for boys and girls) and its secondary stipend scheme for girls. Unfortunately an 'interest group' model appears to shape the outreach of these schemes. While the schemes partially reach the moderate poor they do little to improve the access of the poorest. In particular, only 3.4% of the extreme poor access the secondary stipend scheme compared to around 15% of the moderate poor and 36% of the 'middle class' (ie non-poor).

During the 1980s microfinance was heralded as the device that could help the 'poorest of the poor' escape from poverty through self-employment and micro-enterprise. This thesis was challenged in the 1990s and the revisionist argument became the norm—good microfinance can reach the moderate poor but not the extreme poor. Recent evidence, however, shows that some of the extreme poor do participate in formal microfinance. This research shows that analysis needs to move beyond the 'yes they do, no they don't' stage to examine the forms of participation of the poorest in MFIs and closely monitor the results of the new generation of ultra-poor microfinance schemes. The problem of exclusion of the poorest among the extreme poor, however, still persists.

The changing sectoral composition of markets in Bangladesh explains much of the recent reduction in poverty. However, a fine grained analysis reveals that the poorest have gained the least from such changes—they are less able than the non-poor and the moderate poor to gain access to newer, higher value-added markets (such as fisheries, health and social services and ready-made garments) and, when they do gain access, they earn less per hour, and often

much less than the moderate poor and non-poor. Several factors underpin this double disadvantage, but especially significant are the lower educational levels of the poorest, their lack of physical assets, limited access to collective physical infrastructure and lack of supportive social networks. The sectoral shift in the country's markets has contributed to poverty reduction—but, it has helped the poorest least.

Spatial Disparity, Adverse Geography and Chronic Poverty

While it has long been recognized that the poorest are not equally spread across Bangladesh new research is showing the ways in which the geography of chronic and extreme poverty are changing. Chapter 8 examines the spatial factors that underpin these changes and the role that adverse agricultural environments play in these processes.

An analysis of changes in the human poverty index (HPI—see text for the components) shows that every district in the country has a lower HPI score in 2000 than in 1995. However, rates of change have varied enormously from a negligible 0.1% for Cox's Bazaar to 4.6% for Bandarban. While it is possible to crudely argue that certain regions have the deepest and most persistent poverty, for example the Rajshahi Division, the patterns vary considerably between and within these large units. Both analysis and the targeting that informs policy must go beyond such broad brush pictures and focus on the variations at district level and the pockets of poverty that can be found within most rural districts and in urban areas.

The chapter explains the complex dynamics that interact to produce these patterns but some elements have clear explanations. Most obviously, the Jamuna Bridge has integrated the North and Southwest regions into the country in a profound way and has impacted beneficially on both economic and social indicators. The 'peace process' in the CHT during the late 1990s has also had a clearly beneficial impact on poverty in that region. But there are also factors that are commonly left out of analysis and policy that are evident. In particular, cross-border effects are very important for explaining changes in much of the country—all too often analysis fails to appreciate the positive and negative effects of the country's economically and socially porous borders.

Unfavourable agricultural environments continue as a significant explanatory factor for spatial variation. The conventional wisdom, that adverse environments and remoteness are major factors, still has validity, especially in the chars and

areas subjected to river erosion. But, the influence of adverse environments on the depth and persistence of poverty is weakening as people increasingly shift into non-farm livelihood strategies, as water management improves in drought prone areas and new uses are found for salinity prone areas. Increasing inequality has become a major issue. The benefits of technological change in agriculture and diversification outside of agriculture have not been shared across all of the population. The severely poor have benefited least from these changes and some of them 'lose out' through such aggregate improvements.

While data and analysis of poverty in Dhaka and other major cities is beginning to emerge there is a lack of panel data and/or long-term studies on urban poverty. There is a real need for more research on poverty and the poorest in urban areas, especially in smaller cities and towns.

Outlining a Framework for an Assault on Chronic Poverty in Bangladesh

The poorest are not like the poor but a 'little bit poorer'. They may benefit from policies to help the poor, but they also need other forms of support. There are many specific policy recommendations in the individual chapters: here, we try to bring these together into an overarching strategic framework. There are four main elements to this framework.

Firstly, growth is essential if the poorest are to be helped out of poverty. But, the quality of growth is as important as the quantity of growth. If economic growth in Bangladesh continues to be so unequal, and if the degree of inequality associated with growth continues to accelerate, then growth will create few opportunities for the poorest. Broad-based growth, that is not highly unequal, must be the strategy.

Secondly, growth alone will not be sufficient for the poorest to escape their poverty. Public action, by the state, NGOs, communities and private citizens, is needed to reduce the livelihood insecurity that keeps poor people poor and drives the vulnerable into chronic poverty. The accessibility and quality of health and education services must be upgraded and innovative schemes designed to help the poorest manage vulnerability and then proceed to seizing opportunities. Fortunately, these innovations are already underway in the country and an expanding knowledge base is available to policy-makers.

Thirdly, infrastructural support is necessary for both rural and urban areas. This includes not only traditional infrastructure such as roads and bridges (where Bangladesh has done well) but also electricity and ports (where it has

significantly lagged behind). Other new forms of infrastructure such as access to ICT, adequate urban services for the growing number of urban chronically poor, risk mitigating and management systems in the ecologically vulnerable areas are also under-developed and require critical attention.

Fourthly, efforts must be made to permit the poorest to achieve some minimum level of citizenship. Empowerment is perhaps too grand a term for this minimal level of citizenship, but better governance that improves law and order and strengthens the public accountability of state, market and civil institutions is an essential component of this framework. There is no single 'best way' to help the poorest attain their rights. This struggle will involve bonding (forging links amongst the poorest through social movements), bridging (promoting linkages between the poorest and pro-poor local elites) and advocacy and lobbying at local, union, district and national levels.

Historically, the poorest have always been a major component of humanity in Bangladesh. Many have improved their lives through their personal agency and struggles, but the progress on this front has been too slow. With greater resource mobilization and prioritization of the needs of the poorest by the government and its development partners, an assault on chronic and extreme poverty is feasible today. The resources—finances, knowledge and human—can be found domestically and internationally if those who have power and influence make the commitment.

The full report will be available in June 2004 from the Bangladesh Institute of Development Studies, Dhaka or Chronic Poverty Research Centre, IDPM, University of Manchester, UK. It can be downloaded from:
www.prcpb-bids.org www.chronicpoverty.org