

## Eliminating extreme poverty by FY2031

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Inspired by the exemplary development performance under the Sixth Five Year Plan (FY2010-FY2015), whereby Bangladesh sharply reduced modest and extreme poverty, improved human development and increased gross domestic product (GDP) growth rate to an average of 6.0% plus per year that helped to achieve lower middle income status in 2015, based on the World Bank (WB) classification, Bangladesh now aspires to reach upper middle income status and eliminate extreme poverty by fiscal year (FY) 2030-31 (per capita income of more than US\$4136). The solid foundation laid during the Sixth Plan is a comforting factor; yet many fundamental policy and institutional challenges remain.

At the same time, Bangladesh faces substantial downside risks from the interface of its deltaic geographical configuration, very high population density, and regular episodes of a range of natural disasters including flooding, river bank erosion, sea level rise, salinity intrusion, cyclones and water-logging.

Data from Household Income and Expenditure Survey (HIES) show that a particularly positive feature of the development experience since 2000 is the rapid decline in moderate poverty (defined by the upper poverty line or UPL) and extreme poverty (defined by the lower poverty line or LPL).

Although the data from the latest round of HIES for 2015 is not yet available, projections from a variety of research sources including the General Economics Division (GED) of the Planning Commission suggests that the decline in moderate and extreme poverty is likely to have continued after 2010, possibly at a more rapid pace owing to higher GDP growth.

Research shows that a major driver of poverty reduction in Bangladesh was the rate of GDP

growth. Importantly, the effectiveness of GDP growth to reduce poverty improved sharply during 2000's as compared with 1991-2000. The result is illustrated in Figure 1.



The poverty elasticity of GDP increased dramatically in 2000-2010 over 1991-2000 (data from HIES 2010 is the latest available). What is remarkable is that the poverty elasticity value exceeds 1.0 for extreme poverty and is significantly higher than for moderate poverty.

This suggests that the government's target to achieve 8.0% GDP growth rate by the end of the Seventh Five Year Plan (FY2020) and to maintain this growth rate until FY2031 will play a major role in helping secure the target of eliminating extreme poverty.

There is no doubt that higher GDP growth will be a determining factor. But the rate of GDP growth alone will not be able to deliver the result. How inclusive is the growth strategy will be an important determinant as well. The importance of this determinant is self-evident from the experience of Bangladesh, also illustrated in Figure 1.



The GDP growth rate was much less effective in reducing both moderate and extreme poverty in 1991-2000. Paying attention to the inclusiveness of growth is very important for poverty reduction, especially for the reduction of extreme poverty.

The challenge for inclusive growth as a core element of the strategy for eradicating extreme poverty can be best illustrated by looking at the location of the extreme poor. Figure 2 shows the poorest 15 districts based on HIES 2010 (the last available) and using the UPL. The incidence of poverty ranges from 42% to 64%, which is much higher than the national average of 31.5% in 2010.

Research done for the Bangladesh Delta Plan shows that 90% of these districts are highly prone to a range of natural disasters including flooding, sea level rise, salinity, river erosion, drought and water logging.

Further insights on the relationship between poverty and vulnerability to natural hazards can be gauged by looking at the poverty level at the sub-district level.

Detailed analysis of poverty profile done for the Bangladesh Delta Plan shows that the incidence of extreme poverty is much higher in the rural areas (mostly hard to reach and ecologically vulnerable areas), which are heavily dominated by traditional agriculture as the main means of livelihood. Figure 3 shows the poverty incidence for the extreme poor (LPL) for the 15-poorest of the poor sub-districts (upazilla).



When these upazillas are mapped against natural hazard risk rating, the results are very striking. Some 90% of these upazillas belong to risk-category 1 (highest risk). More specifically, these are: Bhurangumari, Char Rajibpur, Chilmari, Nageshwari, Phulbari, Rajarhat, and Ulipur (Kurigram District with risk rating of 1); Bakerganj, Hizla, Mehndiganj and Muladi (Barisal District with a risk rating of 1); Haim Char (Chandpur District with a risk rating of 1); Dewanganj (Jamalpur District with a risk rating of 1).

One poorest of the poor upazilla (Gowainghat) belongs to the district of Sylhet (risk rating of 3). Only one upazilla (Nandial) is in the low-risk district of Mymensingh.

The situation in Kurigram is most telling. Located on the mouth of the mighty river Brahmaputra's entrance in Bangladesh, all upazillas of this district are very poor, to a large part due to heavy exposure to natural disasters caused by a combination of substantial flooding and river erosion. The population is heavily dependent on traditional agriculture for livelihood.

A large part of the population there lives on the char areas that frequently get inundated due to river flooding causing immense hardship to the population. Even the urban area, Kurigram sadar upzilla, suffers from high incidence of poverty (extreme poverty rate of 40.5% in 2010). There is very little manufacturing base and private sector activities are primarily informal in nature concentrated in trading and transport. Significant economic diversification is yet to happen. The access to international migration is also very limited in these areas.

This analysis shows that securing rapid growth of GDP in the commercial urban centers of Dhaka, Chittagong, Khulna, Rajshahi, Gazipur and Narayanganj alone will not solve the extreme poverty problems of the 15 poorest Upzillas or the 15 poorest districts illustrated above. This may have some pull effects by continuing to attract migration, but the flip side is that this will further worsen the urbanization problem.

Unplanned rapid urbanization can itself constrain the growth momentum through further land price increases, traffic congestion, housing problems, urban infrastructure constraints, slum growth, sanitation and health hazards.

The growth strategy must be better aligned to sustainably address the extreme poverty issues by tackling the root causes of poverty. One major challenge in this regard is to systematically address the interface between climate change, natural disasters, water management, environmental management, land management and agriculture, and integrate these issues into the national development framework.

This is the context of the Bangladesh Delta Plan being developed by the Government of Bangladesh (GoB) that seeks to provide this integrated approach. The Delta Plan seeks to identify the full range of regulations, policies, investments, governance and institutional reforms that will help to systematically address the long-term risks faced by districts like Kurigram and other high poverty and vulnerable districts with a view to improving the environment for better livelihood and economic growth.

The Delta Plan will be one major instrument. Other policies and programmes defined in the Seventh Five Year Plan will also be necessary. But without the combined policy package that includes the Delta Plan, the ability to eradicate extreme poverty by FY2030-31 will not likely materialize.