

The State of the Poorest 2005/2006

Chronic Poverty in Bangladesh:

Tales of Ascent, Descent,
Marginality and Persistence

Structure of the Presentation

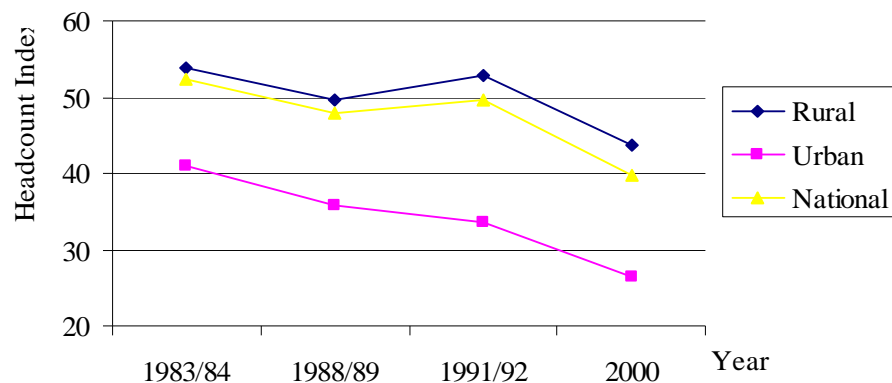
- Why a focus on chronic poverty?
- Need for a Trap-centric view of Chronic Poverty
- Monetary and non-monetary measures of Chronic Poverty
- The Insecurity-dimension of Chronic Poverty
- The Opportunity-dimension of Chronic Poverty
- The Spatial-dimension of Chronic Poverty
- Targeting Poverty-traps: Rethinking Policy and Institutional Reforms

Why a focus on chronic poverty?

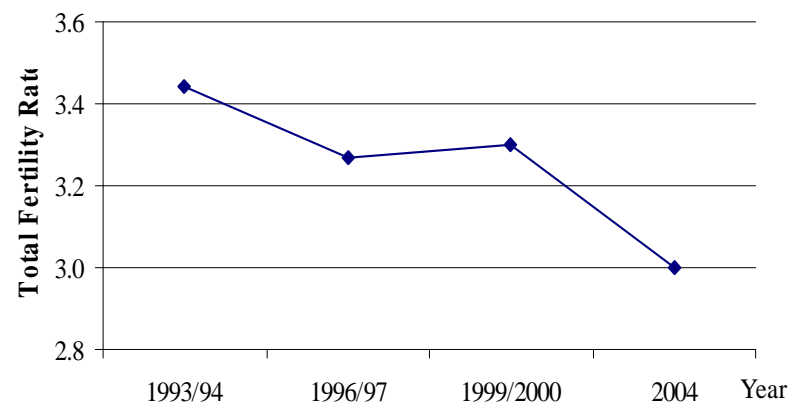
- 'Differences in development': Rising tide since 1990 did not lift all boats
=>implications for in equality and pro-poorest focus
- Lack of minimum citizenship: Excluded from service delivery and basic rights as citizens; improvement was at a much slower rate than for other poor and non-poor groups
=>implications for social policy

Long-Term Trends

Trends in Poverty: Consumption Expenditure Data, 1983/84 to 2000



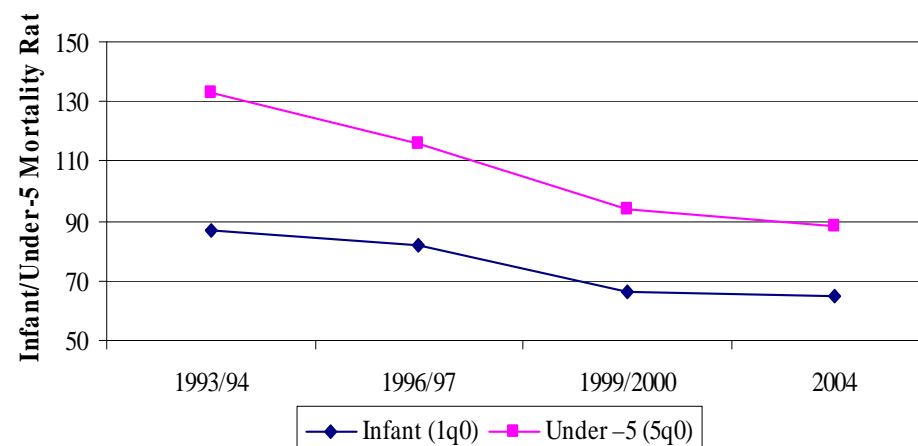
Trends in Total Fertility Rate



HPI decline (%)

	HPI decline (%)
1981/83	61
1993/94	47
2004	36

Trends in Early Childhood Mortality as obtained by the BDHS



Why focus on Chronic Poverty?

- 'Bounded within subaltern economy': Limited integration with visible macro-economy brings little rewards notwithstanding survival innovations, areas of resistance and creative agency
=>implications for productivity-raising, integrative economic policies and institutional reforms
- 'Rethinking the poorest': Gives a comprehensive understanding of 'the poorest'
=>implications for pro-poorest growth augmented by social action.

A 'Trap-Centric' View of Chronic Poverty

- Not just a matter of 'inadequacy' or 'shortfall': It is not enough to say that "chronic poor are like average poor, but only poorer"
- The report embraces a trap-centric view: there are distinct poverty traps that keep the poor in chronic poverty. Traps, by definition, suggest a 'non-linear view' i.e. certain minimum threshold conditions need to be met before generating self-generative dynamic of upward mobility/poverty-reduction process

A 'Trap-Centric' View of Chronic Poverty

- Poverty traps are many and of different origins: this explains why it is difficult to overcome the stubbornness of chronic poverty
- Literature suggests many examples of poverty-traps
 - ❑ Asset-inequality
 - ❑ Adverse family/kinship circumstances
 - ❑ Poor neighborhoods/unfavorable geography
 - ❑ Malnutrition/ill-health/disability
 - ❑ Lack of access to service delivery (education, finance, infrastructures, anti-poverty programs)
 - ❑ Unsustainable livelihoods
 - ❑ Violence/insecurity
 - ❑ Lack of voice, participation, collective action, trust, citizenship
 - ❑ Lack of aspiration
 - ❑ Environmental degradation

Monetary and Non-monetary Measures of Chronic Poverty

- Severity
 - Long-duration
 - Multiple and overlapping disadvantage
 - Examples:
 - Income: Severity (24%)
 Duration (31%)
 Severity-Duration (17%)
 - Health: Severity (13%)
 Duration (17%)
 - Education: Severity (28-36%)
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Monetary and Non-monetary Measures of Chronic Poverty

- Multi-dimensional measures, as expected, indicate more distressed conditions of chronic poverty
 - 'Descent is not a mirror image of Ascent'
 - Heterogeneity of faces and causes of specific chronically poor groups
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Factors Explaining Ascent

- Accumulation of human, physical and natural assets facilitated by:
 - an increased number of workers and reduced number of dependents
 - accumulation of natural assets, such as land
 - Diversification in economic activities both within and outside the agricultural sector
 - Better adoption to new technology in agriculture
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Factors Explaining Descent

- Adverse change in household structure (increased dependency ratio)
- Failure to diversify into more productive non-agricultural activities
- Decline in natural and financial assets and a resulting decline in income earning potentials
- Adverse effects of one or more shocks such as
 - Crisis factors (health, security or natural problems)
 - Life-cycle factors (more children, retirement, dowry)
 - Structural factors (deteriorating market conditions, lack of access to credit)

From Life Histories of the Chronic Poor

- The following were found to be some of the major contributors and maintainers of chronic poverty:
 - ❑ Lack of social assets, for e.g. amongst street children and agricultural laborers.
 - ❑ Disproportionate burden on the non-working household members such as children, women and the elderly due to the loss of the main breadwinner
 - ❑ Sporadic hunger experienced by those especially in areas of riverbank erosion and *charlands*
 - ❑ Health shocks and unsustainable livelihoods (e.g. rickshaw pulling) through a gradual erosion of work capacity. Other than economically, this also has a psychological bearing on the family members.
 - ❑ Natural Disasters such as riverbank erosion causing sudden poverty
 - ❑ Increasing dowry rates across the country
 - ❑ Violations of law and human rights by the police

Insecurity Dimension of Chronic Poverty

- Four channels of insecurity that underlie the social reproduction of chronic poverty are specifically identified below:
 - ❑ Extreme food insecurity
 - ❑ Maternal and Child Malnutrition
 - ❑ Health shocks
 - ❑ Violence
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Women's Agency Matters....

Greater women's agency matters not only for her own well-being, but also that of her children

- ❑ The 'exposure to media' and education proxies for women's agency have clear positive effects on child nutritional status

Mastanocracy and Chronic Poverty – A Faustian Bargain?

- Misrepresentation by the government cause the chronic poor to turn to alternative forces.
 - The chronic poor, and devoid of education and social networks, tend to remain at the margins of *mastonacracy*.
 - The poorest often seek assistance (although with high transaction cost) from the *mastans* because the services they need cannot be accessed directly from public agencies.
 - The disruption of such links can have damaging, long-term consequences on the livelihoods of the chronically poor (e.g. in case of slum evictions).
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Opportunity Dimension of Chronic Poverty

- Factors that stop the poorest from fully benefiting from growth are:
 - ❑ Lack of access to education (i.e. lack of human capital development)
 - ❑ Lack of access to financial services
 - ❑ Nature of markets

Poverty Focus of the Stipend Programmes

Poverty Indicators	Primary Dropout	Secondary Girl Stipend
Occupation of household head		
Agricultural labourer/Fisherman	18.5	3.5
Non-agricultural labourer/ Rickshaw puller	22.2	3.4
Business	29.6	34.2
Service-holder	-	32.5
Farmer	18.5	14.5
Others	11.2	12.0
Self-Rated Poverty		
Always in deficit	48.1	9.4
Sometimes in deficit	40.7	24.8
Breakeven	7.4	36.8
Surplus	3.7	29.1
Poverty Status		
Extremely poor	48.1	3.4
Moderately poor	37.0	15.4
Lower Middle class	11.1	36.8
Middle class	3.7	35.9
Rich	-	8.5

Micro-finance as a way out...

- The key issue is the quality of participation by the extremely poor, and how it differs from that of other poverty groups
 - Instead of long-term single or multiple MFI participation, the extremely poor tend to change membership frequently.
 - Long-term dropouts are common among the extremely poor
 - As a recent survey shows (Razzaque, 2005), no more than 10 per cent of members of MFIs funded via PKSF's Microfinance II Project are willing to take a much larger loan in order to scale up their operations.
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Markets, Mobility & Chronic Poverty

- The sectoral shift in the country's market has contributed to the recent poverty reduction—but it has helped the poorest the least
 - They are less able than the non-poor and the moderately poor to gain access to newer, higher value-added markets
 - When they do gain access, they earn less, often much less, per hour than even their moderately poor counterparts

Returns to Labour and the Extent of Involvement in High-Productivity Activities by Different Income Groups: Rural Areas 1999/00

Description of activities	Fraction of Time Allocated to Each Activity (%)			Productivity of Time (Tk./hour)		
	Moderate Non-Poor	Moderate poor	Extreme poor	Moderate Non-Poor	Moderate poor	Extreme poor
Other trade	26.79	25.34	8.58	12.22	10.09	7.28
Road transport	10.13	17.87	10.64	10.34	8.54	7.40
Fishery	6.71	8.52	2.42	18.12	9.60	8.84
Food processing	5.50	3.89	2.02	10.36	7.80	4.28
Construction	5.40	6.45	3.57	10.27	8.99	8.93
Educational services	5.23	2.75	1.00	13.65	13.72	8.71
Cloth production	5.05	5.09	4.40	8.50	7.55	6.52
Health and social welfare	4.71	1.84	1.51	9.90	6.91	4.31
Furniture and miscellaneous manufacturing	4.48	1.09	2.80	13.21	10.34	6.95
Hotel/restaurant	4.08	2.49	1.71	7.21	6.75	5.77
Ready-made garments	3.95	4.17	1.64	10.53	7.90	7.40
Public administration	2.99	2.56	0.95	13.22	11.98	8.60
Marine transport	1.73	1.23	1.67	10.20	6.83	7.34
Petty trading and repair service	1.54	0.87	0.56	9.77	11.01	6.51
Wood products	1.42	1.15	0.77	14.01	11.83	10.40

Spatial Dimension of Chronic Poverty

- ❑ There is considerable diversity in the ranking of various social indicators implying a complex pattern of linkages between growth, income poverty and social indicators
- ❑ Certain regions have the deepest and most persistent poverty, e.g. Rajshahi division, the patterns vary considerably between and within these large units.
- ❑ One needs to go beyond division and district to identify pockets of severe distress in case of both analysis and targeting that informs policy

Targeting Poverty-traps: Rethinking Policy and Institutional Reforms

- 'Rising Tide' is necessary but not sufficient condition for attacking chronic poverty, although it is easier now to tackle it than 15 years ago.
- 'Creative Agency' is not a sufficient condition for crossing the poverty line either (without effective policy and institutional support).

Targeting Poverty-traps: Rethinking Policy and Institutional Reforms

- Policy recommendations have been brought together to form an overarching strategic framework consisting of:
 - First, a broad-based growth strategy that is not highly unequal and that includes the poorest must be pursued.
 - Second, public action, by the state, NGOs, communities and private citizens, is also needed to reduce the livelihood insecurity that keeps poor people poor and drives the vulnerable into extreme poverty.
 - Third, infrastructural support is necessary for both rural and urban areas.
 - Fourth, the Government of Bangladesh must take reform of the tax system seriously to finance public investments in poverty reduction for the poorest.
 - Fifth, access to financial and other assets is critical for the graduation of chronically and extremely poor people.
 - Sixth, efforts must be made to help the poorest achieve a minimum level of citizenship.
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Thank You