



**Ninth  
South Asia  
Economic Summit**  
15-16 October 2016  
Dhaka, Bangladesh

# Reimagining South Asia in 2030

Plenary Session 4

**Towards an Inclusive, Just and Peaceful Society in  
South Asia: Who are the Change Agents?**

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16 October 2016

Organised by



CENTRE FOR POLICY DIALOGUE (CPD)  
B A N G L A D E S H  
a civil society think tank

# **Towards an Inclusive Just and Peaceful Society in South Asia**

## **1. Introduction**

*The theme of the presentation*

Whilst considerable progress has been registered across South Asia in the reduction of income poverty economic inequality and social disparities have widened across the region. While poverty reduction remains incorporated in the policy agendas of all governments in South Asia less attention has been given to the widening of inequalities or to exploring the scope for corrective action. The contemporary response to the problem of growing inequalities articulated within South Asia's policy agendas and also through the SDGs, to promote the goal of greater inclusion, remains flawed in their emphasis on addressing the symptoms rather than challenging the sources of injustice.

This paper argues that injustice remains the principal source of inequality and exclusion in South Asia and is designed to address the structural sources of injustice in South Asia with a view to refocusing policy agendas across South Asia region. Its aim is to initiate an exploration for a more relevant agenda of structural reforms designed to promote a more inclusive development process which can construct more just and peaceful societies across South Asia. My presentation is structured under the following heads:

- Structural dimensions of injustice
- Policy interventions to promote inclusive development

The assumptions underlying my focus on injustice argue that neither targetting of development resources to the excluded, categorized as the resource poor, women and minority groups, nor the extension of social protection to these groups, are likely to resolve the problem of injustice in South Asia. The excluded and particularly the poor are embedded in certain inherited structural arrangements such as insufficient access to productive assets as well as human resources, unequal capacity to participate in both domestic and global markets and undemocratic access to political power. These structural features of injustice reinforce each other to effectively marginalise the excluded and particularly the more numerous resource poor (poor for short), from fully participating in the benefits of development or to effectively share the fruits of democracy.

In the second part of this paper some important policy interventions, at the macro-level, needed to confront the issue of structural injustice, will be discussed. This addresses the issue of challenging injustice through empowerment of the excluded, by strengthening their capacity to participate in a market economy and democratic polity. While our discussion will mostly focus on the injustice visited on the poorer segments of the excluded, where relevant we will incorporate the wider community of the excluded into our suggested agendas for change.

## **2. Structural Sources of Injustice**

The focus of this paper will be on opening up discussion on the structural sources of injustice in South Asia which originate in:

- Inequitable access to productive assets
- Inequitable participation in the market
- Inequitable access to human development
- Unjust governance.

### *Inequitable access to assets*

Injustice originates in inequitable access to wealth and knowledge which disempowers the excluded segments of society but particularly the poor from participating competitively in the economic and political market place. Indeed in the economic sphere the market itself, as it operates in the real world rather than in text books, is designed to compromise the opportunities on offer to those with limited resources. In most societies, with a substantial proportion of the population living in poverty, the resource poor also tend to be asset poor.

In the rural areas of South Asia a growing segment of the population command an insufficient access to land, water and water bodies to enable them to live decent lives. Where they access such resources they do so under exploitative tenancy arrangements. Such inequities in title and access to agrarian assets do not derive from the competitive play of the market but from the injustices of history and therefore lack moral as well as social legitimacy. Such an inequitable access to productive assets in the rural economy also tends to be inefficient because small farmer's have proven to be both more productive as well as likely to spend most of their income derived from their meagre assets, in stimulating secondary activity in the rural economy. Where there is a dichotomy between the owners of land and the actual tiller of the land, this serves as a disincentive to both investment of capital, as well as more productive effort on the land.

Distribution of assets in the urban areas tends to be even more inequitable across South Asia than within its rural areas. Access to both income generating assets, particularly corporate wealth as well as residential property, is sharply skewed. As a result inequality in the urban areas remains more visible and socially provocative. The income gap between the garment workers of South Asia, living on subsistence wages, and the owners of these enterprises who enjoy first world life styles, remains offensive to any notion of justice or economic rationality. The distributive regime underwriting such disparities owes less to the laws of economics and more to who is in a position of power to define the rules of the game.

#### *Inequitable participation in the market*

Within the prevailing property structures of society the resource poor, particularly in the rural areas, remain disconnected from the more dynamic sectors of the market, particularly where there is scope for benefiting from the opportunities provided by globalisation. The fast growing sectors of economic activity tend to be located within the urban economy, where the principal agents of production tend to be the urban elite who own the corporate assets which underwrite the faster growing sectors of the economy. Even in the export-oriented rural economy, in those areas linked with the more dynamic agro-processing sector, a major part of the profits, in the chain of value addition, accrue to those classes who control corporate wealth.

The poor, therefore, interface with the dynamic sectors of the economy only as primary producers, service providers and wage earners, at the lowest end of the production and marketing chain, where they sell their produce and labour under severely adverse conditions. This leaves the poor with little opportunity for substantively sharing in the opportunities provided by the market economy for value addition to their labours.

#### *Inequitable access to human development*

In all South Asian countries, the growing disparity in the quality of education divides the rural from the urban schools as well as the majority of the people from a much narrower elite. In such societies today, the principal inequity in the education sector is manifested in the growing divide between a better educated elite with access to private as well as foreign education and the resource poor who remain condemned to remain captives within an insufficiently funded and poorly governed public education system, supplemented by poor quality private or denominational schools. In an increasingly knowledge based global economy, which is driving the IT revolution, inequitable access to quality education, relevant to the dynamics of the

market is emerging as a source of exclusion for the resource poor and projects itself as one of the principal features of an unjust society.

Insufficient and inequitable access to health care is also compounding the inequities in education. The dominant problem in most developing countries is not the complete absence of health care but the incapacity of the public health care systems to deliver quality health care or for the market to adequately meet the needs of the resource poor. Ill-provisioned public and private health services expose the poor to a life of insecurity where earning opportunities can be disrupted by episodes of ill health. Poor health and nutrition can undermine both individual as well as national productivity and can influence the lifetime opportunities of the poor. In contrast, a small elite who are positioned to avail of private and even foreign health care, enjoy first world health standards. This growing disparity between the health status of the elite and the income poor in such countries is inherently unjust because it denies all citizens equal chances of living a healthy life and compromises their capacity to compete in the market place.

#### *Unjust governance*

This inequitable and unjust social and economic universe is compounded by a system of unjust governance which discriminates against not just the resource poor but large segments of the less privileged sections of society, effectively disenfranchising them from the political benefits of a democratic process. These broader social groups, who may be collectively identified as the excluded, even where they are not directly oppressed by the machinery of state, remain underserved by available public services. Where such services are at all accessible to the excluded, they pay high transaction costs for these services. The agencies of law enforcement insufficiently protect the excluded and frequently oppress them for personal gain as well as on behalf of the elite. The judicial system denies these groups elementary justice both on grounds of poverty as well as the social bias of most Third World judiciaries.

In such a social universe the excluded remain tyrannized by state as well as money power and have to seek the protection of their oppressors, within a system of patron-client relationships, which perpetuates the prevailing hierarchies of power. With the democratic process the excluded are denied adequate access to representation in the systems of democratic governance from the local to the national level. Representative institutions tend to be monopolized by the affluent and socially powerful who then use their electoral office to enhance their wealth and

thereby perpetuate their hold over power. In such an inequitable and politically unjust environment, the benefits of democracy remain the privilege of the elite supported by small collectives of sectional power.

### **3. Policy Interventions to Challenge Injustice**

In the second part of this paper we address the issue of policy interventions, at the macro-level, needed to confront the issue of structural injustice. This discussion addresses the issue of correcting injustice through empowerment of the poor, by strengthening their capacity to participate in a market economy and democratic polity. The proposed policy interventions are discussed under the following heads:

- Expanding the ownership and control of the resource poor over productive assets
- Strengthening the capacity of the poor to compete in the market place
- Democratizing their access to a knowledge based society
- Ensuring quality health care for all
- Redesigning budgetary policy to reach public resources to the poor.
- Restructuring monetary policy to deliver credit and provide savings instruments to the poor
- Designing institutions for the excluded
- Empowering the excluded

#### **Expanding the ownership and control of the resource poor over productive assets**

Agrarian reform, which was once an important political concern across South Asia, has been absent from the radar screen of policy makers for at least three decades if not longer. This possibly reflects the transformation in the political economy within all South Asian countries.

It is, however, argued in this paper, that even within the prevailing inequitable social dispensation across South Asia, there is no reason why we cannot explore agrarian reforms which are politically feasible as well as economically sustainable. Within such a perspective, four areas of agrarian reform could be considered:

- Transforming tenancy rights into either ownership rights for the tenant or through right of permanent tenancy.
- Redistribution of ownership of uncultivated land

- Giving title to lands and water courses owned by the State to the resource poor.
- Correcting injustice, inefficiency and corruption in the system of land administration

### **Strengthening the capacity of the poor to compete in the market place**

The capacity of the subsistence farmers to operate on more equitable terms in the market place, through their capacity for collective action, is no less important for home based or small scale entrepreneurs and even service providers such as transport operators or street cleaners. The weakness of the resource poor within the market place, in all areas of economic endeavor, originates in their individualization and isolation. We thus need to invest the small holders/artisans with the capacity to develop the financial and organizational strength to sell their products and services, at a time and in a market, which offers them the best terms, rather than to sell their produce out of distress or the need to subsist. To this end we need to develop institutions which aggregate small holders for purposes of collective action, in the form of marketing cooperatives or corporate bodies. Such collective entities could, thereby enhance their competitiveness through availing of many of the advantages derived from the externalities available to large scale enterprises. Such institutions would need to be imaginatively conceived and calibrated to meet the special needs and concerns of its hitherto vulnerable members, inexperienced in their exposure to the upper tiers of a market economy.

### *Adding value to the labour of the poor*

Across South Asia social institutions such as cooperative and NGOs as well as some public institutions are already providing marketing services to the poor, for particular commodities, in particular markets. These institutions are helping small scale producers to add value to their labours by moving upmarket through linkages with agro-processing enterprises owned by them or through contractual ties for marketing their produce to corporate agro-processors or retailers. The pioneering role of Amul Dairy in India and more recently, BRAC, in Bangladesh, which has enabled small dairy farmers, or just poor households who own a cow, to become part of a large scale milk processing chain, enables them to initially receive a fair price for their milk and ultimately share in the profits from selling pasteurized milk or cheese in the metropolitan market.

Such collective endeavours by the small farmers remain modest, in contrast to the rapid spread of the largely unequal contractual relations with the corporate sector. It is accordingly suggested that opportunities be provided for small scale producers, through financial support and professional guidance, to evolve into equity stakeholders in the upstream corporate enterprises which add value to their produce or labour.

Others areas where small scale artisans can come together to derive externalities available to the corporate sector, include household enterprises on the lines of *Lijjat*, which has aggregated 40,000 poor household based women into India's largest *papadom* producing enterprise. The *Lijjat* model could be extended to empower collectives of handloom weavers, to aggregate themselves into larger scale corporate entities, interfacing with the buyers of their fabrics in the local garment exporting sector as prospective equity partners, sharing in the value addition process. Such collectives could also be equipped to directly market their produce abroad. Other artisans or small scale manufacturers could be similarly organised.

On similar lines South Asia's principal source of external earnings, its disempowered migrant workers, now held captive in the thrall of rapacious manpower agents, can be empowered through aggregating them into corporate service exporting enterprises. Such collectives of migrant workers could also be encouraged to aggregate some of their remittances as members of a dedicated Mutual Fund which can be incentivized to acquire a stake in listed corporate enterprises located in the upper tiers of the market. Such collectives of migrants could eventually evolve into setting up their own large scale enterprises.

### **Equitable opportunities for human development**

#### *Democratizing educational opportunities*

Most budget allocation and GDP ratios for human development (HD) across South Asia have, in recent years, shown some improvement as have their HD indicators. Today some MDG goals for HD in particular South Asian countries have been met or remain within reach. However, such quantitative gains in HD budgets and goals have done little to bridge the growing societal divide within the education and health care system of many of these countries. We must move, therefore, beyond quantitative target setting by placing emphasis on democratizing access to education and health care through enhancing the quality of HD services directed to the excluded at all levels and particularly the poor among them.



The priority for the next decade should move towards substantially enhancing investment, for the purpose of upgrading the quality and governance of schools serving low income groups, to a level where they do not feel disadvantaged compared to the more expensively educated members of society. Such a goal carries formidable implications as to costs and governance. What may, therefore, be more feasible is a phased series of investments in upgrading these public facilities so that the budgetary impact and governance problems could be more easily managed. Such interventions remain interim measures. The ultimate goal of a genuinely democratized education system must be the construction of a common schools system built upon making high quality education available to all.

### *Universalising Access to Quality Health Care*

The lifetime injustice inherent in the wide disparities in access to quality health care which divide a societies across South Asia need to be addressed through:

- Universalizing access to quality health care through a publicly organized insurance system targeted to the lower income households of South Asia
- The ultimate goal for South Asian countries is to move towards a publicly driven single payer system which guarantees quality health care to all citizens, irrespective of their means.
- To progressively realize the above goals significantly enhanced public investments in health care will need to be prioritized, backed by significantly improved and accountable governance of the health sector

### **Redesigning budgetary policy to reach public resources to the poor**

#### *Inducting the poor into the budgetary process*

Apart from targeting public expenditure to the poor the more serious limitation of the budgetary process across South Asia lies in the absence of consultation with the poor. A quite disproportionate amount of time is spent consulting business leaders and economists on budget design. Much less, if any, effort is invested in consulting the poor about what they expect from the budgetary process. Some consultative exercises, often at donor initiative, have tended to produce some rather self-conscious exercises where the sponsors end up hearing what they want to hear. A number of civil society initiatives to consult the poor have yielded more promising results. However, unless such efforts are institutionalized and can serve to influence policymakers, they degenerate into episodic exercises in providing some catharsis for the grievances of the poor. South Asia is a long way from approximating the pro-poor budgetary

consultative process of Porto Allegro in Brazil which has been institutionalized and has earned global recognition.

All such efforts at making budgets more transparent and consulting the poor will be meaningless if they do not end up reprioritizing public expenditures to put resources into those sectors that serve the poor. This process will have to precede the task of ensuring that allocated resources actually reach the poor. However, redirecting budget priorities is not a zero sum game and the political economy of a society needs to be taken into account in any discussion on the budget.

### *Fiscal policy*

The instruments of fiscal policy in many developing countries are usually not designed to address the concerns of the poor or to realize a redistributive strategy. The recent focus on issues of inequality provided by Thomas Piketty in his best selling volume on the growth of inequality, *Capitalism in the 21<sup>st</sup> Century* and the more recent work by Anthony Atkinson, on *Inequality: What can be done*, put considerable emphasis on redistributive taxation at the national and even global level, in order to reduce inequalities. Such an agenda appears far removed from the fiscal policies on offer across South Asia where the compulsion to provide investment incentives to the corporate business sector further tends to accentuate inequalities. Such efforts to incentivize entrepreneurs remain meaningless unless these same corporate and landed elites can at least be compelled, to pay their share of the taxes which are already legislated. Effective and uncorrupted tax collection would greatly enhance the resource base for redistributive public investments.

We need to explore how fiscal policy can also be redesigned to do more than provide incentives for business enterprises and relief to the poor. The poor are also producers of goods and services and remain sensitive to the incentives offered by a well-designed fiscal policy. The instruments of direct as well as indirect taxation need to be calibrated to make better use of their distributive and poverty reducing capacity.

## **Restructuring Financial Policy**

### *Taking micro-credit out of the ghetto*

The financial systems of all South Asian countries remain inherently unjust. The instruments of monetary policy appear to be exclusively targeted towards ensuring macro-economic stability, moderating inflation and meeting the credit needs of the corporate sector. The financial needs of the poor, once left to the informal sector, have now been segregated into the micro-credit market. This apartheid within the monetary system remains a major anomaly in the global development discourse. The micro-credit movement has, in many ways, revolutionized the banking system of many countries such as Bangladesh by moving a large segment of the rural population from the informal to the formal capital market through access to institutional credit. No less important, the micro-credit system has established the creditworthiness of the poor and laid to rest the myth that only men of property should be eligible to access the institutional banking system. Today micro-credit borrowers have significantly lower default rates compared to the corporate sector but the financial system continues to channel the bulk of their credit to the corporates and particularly the largest among them. Such a financial dispensation is neither just nor efficient and reflects the unequal distribution of power and opportunity rather than the logic of the market.

### *Democratizing ownership of corporate wealth*

Financial instruments should be developed which enable collectives of the poor, rural communities and other groups of small savers to invest some of their increasing volume of savings in up-market assets. Real estate developments, banks, corporate trading houses, could create investment instruments to accommodate the special needs and saving capacities of the resource poor to own equity in their enterprises. The two institutional instruments to make this possible remain the Mutual Fund and the need for private limited companies to transform themselves into public limited companies. Here monetary and fiscal policy can provide incentives to encourage the corporatisation of private wealth along with the reservation of space for equity ownership of this wealth by the poor.

It may be suggested that the opportunities for democratizing ownership of corporate wealth should not be limited to the rural or urban poor but could be extended to workers, to own shares in the enterprises where they work. The 4 million women, mostly from the rural areas, who earn monthly wages of around \$50, provide the substantive value addition in Bangladesh's

principal export of readymade garments, are no less deserving of being made stakeholders in the most dynamic sector of the economy, than are the rural poor. Similarly, workers in the plantation sector could be given an equity stake in the enterprises where they work. Institutions and financial instruments to preserve the collective identity of the workers should be designed to protect the investments of the workers in these enterprises from being taken over by their owners or more wealthy financial speculators.

### *Mutual Funds for the Poor*

The poor remain formidable savers. The monetary system needs to design special financial instruments to attract these micro- savings of the poor into the corporate sector, particularly where it can be structured to serve the poor. The concept of Mutual Funds for the poor provides a significant institutional mechanisms to move the poor out of the village economy and into the more dynamic corporate sector, to a stage where a significant share of corporate wealth could be owned by the poor. The savings of the poor can not only augment the savings base but also broaden the investment capacity of the economy, whilst transforming the poorest rural household into stakeholders in the process of national economic growth.

The channeling of the savings of the poor into corporate investments should be matched by the channeling of urban savings to finance the corporate as well as micro-credit needs of the poor. An integrated monetary system is a two-way street where financial intermediation by the banks should be able to channel the savings of the rich to underwrite the investment needs and creative capacity of the poor. Within such a perspective, credit from the commercial banks should also be made available to organizations of the poor to leverage their investments in the corporate sector.

Such an integrated financial system carries obvious risks associated with the nature of the market mechanism as well as the probity of the corporate sector, which will demand special safeguards to protect the interests of the poor. But unless these opportunities for linking the poor to the corporate sector are explored through widening the horizons of monetary policy, the poor will remain permanent captives in the ghetto of the micro-economy.

## **Institutions of the Poor**

### *Collective action by the poor*

The poor survive as individuals with no institutional persona. The primary task of building institutions for the poor should be to enable them to rediscover their collective identity. The forging of such a collective identity does not, however, develop out of abstract notions of identity but is likely to emerge out of a process of collective action. Such collective action tends to be constructed around particular social actions or through shared participation in pursuit of economic gain. Here, if the poor are to be mobilized for collective action, special institutions of the poor, may need to be constructed. Such institutions based on collective action need not be limited to the resource poor but can also be designed to serve other groups of the excluded such as women or tribal communities who are willing to band together in dedicated income generating institutions. Two such institutional arrangements are discussed below, designed to serve the poor:

### *Corporations of the Poor*

Over the last two decades South Asia's NGOs have come to play a growing role, principally as delivery agents, contracted by donors, to deliver certain services targeted to the poor. Whilst we may argue about their institutional efficacy, systems of accountability and even cost-effectiveness, it is generally accepted that NGOs tend to be more effective in delivering resources directly to the poor than the machinery of state. It has, however, been argued that the emergence of the NGO as an aid contractor, keeps them heavily dependent on aid. This external dependence is increasingly compromising the role of NGO's as social mobilizers and advocates of the poor.

It is suggested that the long term sustainability of the NGO, as a financially autonomous institution of civil society, lies in its reinvention as a corporation of the poor. The future of the NGO as a social institution lies in its ability to use its institutional capacity, which has extended into rural communities across the South Asia, thereby giving them direct access to vast numbers of the poor, to use this reach to link the poor to the market. This can be done through transforming NGOs into corporations of the poor, where their micro-beneficiaries are transformed into the owners of a corporate NGO. Through such a measure, the individual weakness of the poor could be aggregated into the legally recognized power of the many. Initially only a small number of NGOs would have the organizational capacity and resources

to evolve into nationally competitive corporate bodies. However, smaller NGOs can also evolve into more modest corporate entities.

This suggested reconfiguration of South Asia's NGO's would also make them accountable to their myriad owners. Such an institutional transformation could lay to rest the critique of NGOs that they are accountable only to their external donors and perpetuate the patron-client system which they were designed to challenge. An NGO owned by and accountable to two million members or even 2000 members could emerge as a socially powerful organization at the national or local level with no less social legitimacy than a representative institution.

#### *Community based organizations of the poor*

A South Asia's NGOs are not the only agency for forging collective solidarity within the poor. Community based or self-help organizations of the poor, cooperatives and activity based organizations (CBO), which bring groups of the poor together, should aspire to forge an institutional identity. In the state of Andhra Pradesh in India, one of the world's largest community based programmes, targeted towards reducing poverty, has mobilized over 10 million of the rural poor, mostly women, in CBOs to collectively participate in economic activity which includes, farming, trade and small scale production. These numerous local CBOs can be further aggregated into larger corporate entities which can compete in higher tiers of the market as well as invest in enterprises adding value to their primary produce.

#### *Empowering the excluded*

The entire process of building a collective identity for the excluded through specially constructed institutions, derives from the need for the excluded to claim a place in society which is more commensurate with their numbers. The excluded remain disempowered because they are isolated. Bring them together and they emerge as a major force in the economy, in society and eventually in the political arena. Incorporating the excluded, around opportunities for collective economic benefit, may invest them with a sustainable sense of solidarity which may not have been possible through more episodic participation in various class actions. However, in the final analysis, it is only when the excluded are sitting in the representative institutions of the state, in local elective bodies as well as in Parliament, that they will be able to ensure that their special concerns will be mainstreamed within the policymaking process.

It is argued that a society populated by a large number of corporate bodies of the excluded, bound together by opportunities for economic gain, could aggregate into a powerful political force which could transform the balance of power in many parts of South Asia. This vision, however, lies in the distant future and we should not tantalise ourselves with the prospect of instant social transformation. The purpose of raising the issue of empowering the excluded of South Asia is designed to lay out a broad continuum for policy action. This approach demands a change in the perspective of South Asia's policymakers which moves beyond poverty alleviation to recognizing the injustice of poverty as well as inequity and seeks to correct these injustices through structural changes which moves us towards a more egalitarian social order across South Asia.

### *Building peaceful societies*

A more just order, built around the democratization of economic and political opportunities would not only broaden as well as deepen the development process but would strengthen the foundations of an increasingly fragile democratic order. Today the democratic process remains under threat from a variety of non-state antagonists. The legitimacy of social disparities attributed to the unjust nature of our societies is increasingly coming under challenge in our information age where such inequalities have become visible to all. This enhanced social awareness of the injustices of society is contributing to the perpetuation of societal violence which has re-occasionally tended to spill across national boundaries.

If we aspire to build more peaceful societies we must recognize that a social order where millions of people remain condemned to lives of insecurity, poised on the margins of subsistence, where the quality of their education condemns them to a life of toil, where an episode of ill health could drive their entire family into destitution, is neither just nor sustainable. An economic order where millions of young women are condemned to earn USD 50 a month, whilst a handful of people can aspire to a first world life style because such low wages make their enterprises more export-competitive, is neither just nor sustainable. A political order where those with wealth can use it to capture and perpetuate themselves in power, while those millions who vote them to power have no opportunity to either share this power or to determine how its fruits are consumed, is unjust and hence unsustainable. We live in dangerous times which are likely to become even more dangerous if we do not correct the injustices which divide our society. A stable democratic order will only be sustainable if enough people across South Asia can be invested with a sufficient stake in defending this order against challenges from a variety of extra-democratic forces.