



Poverty and Inequality across the Nations: How Can Governments be Effective in Coping?

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Abstract


The paper focuses on poverty and income inequality in low income countries with special focus on political economics of poverty and role of fiscal policies in coping those problems. The issue of poverty in low income countries and how different factors are fomenting the problems in those nations are explained. The paper links the relevancy of fiscal policies in combating poverty and income inequality presenting examples of different countries. At some point, the paper explains how multilateral organization assisted fiscal policies are hurting the poverty reduction programs in poor income countries. This paper argues that lower income countries need to focus on increasing tax base, increasing the coverage of formal market for increasing the collection of revenue. For improving the efficacy of government expenditure and to reduce the poverty, the paper suggests to focus on agriculture research and development in low income countries, majority of which are food insecure together with investment on rural electrification and education.

Keywords: Poverty, Low income countries, Fiscal policy, Tax.

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1. Introduction

The world has changed a lot since the World War Second in terms of economy and politics. The world was once divided into democracy, the follower of liberal markets and the communists, follower of government controlled market system until the beginnings of 90s. However, after the dissolution of USSR (Union of Soviet Socialist Republics), liberal market system has been the only solution for economic growth and development. Consequently, World Trade Organization (WTO), World Bank Group, International Monetary Funds (IMF) and other multinational organizations have been active world wide in advocating the liberal economic policies and globalization. Nations accordingly have formulated their policies for uplifting the livelihoods of people in alignment with the global and regional policies of open market system. As results, the population of people living in poverty has significantly decreased and other indicators of human development like access of kids to education, access to health, access to banking services, condition of child and mother death have been significantly improved. Despite of those achievements, poverty and income inequality remain major obstacles in our paths toward achieving egalitarian world. Still 897 million people live in the poverty line of daily income below 1.9\$/day which is almost 13 percentages of the world's total population and majority of them reside in developing nations of Asia and Africa (Ferreira *et al.*, 2015). Poverty and inequalities are multidimensional aspects which are dependent upon social, political, cultural and economic factors of the nations. Poverty is a relative term in terms of time and the nations. In case of developed nations, poverty doesn't mean the absolute inability of the citizens to access the physiological requirements for life which may not be the similar in case of low income nations (Ackerman *et al.*, 2010). Inequality is another problem which is hindering the uniform economic growth across the nations. Poverty and inequalities needs to be dealt as two faces of one problem, as high levels of inequalities which are prevalent more in low income countries, affect the poverty reduction activities even when, the economies are growing (UNRISD, 2010).

The core challenges for economic growth and development of the nations especially of low income countries are to minimize poverty and inequalities in terms of income, gender, ethnicity and location. In those nations, where the economies haven't undergone through full structural transformation and household economies are mainly subsistence, major quests remain on increasing the labor productivity, application of appropriate technologies and minimizing the risks of shocks in economy so that their economy become competent in global level minimizing poverty and inequalities. For that governmental spending is needed and tax revenue is a strong resource for them.

In relevance to above discussions, the paper reviews the political economics of poverty and inequalities which have kept the economies of low income nations in low level equilibrium trap. The paper emphasizes on reform in political institutions and governance in the low income countries to achieve sustainable development goals and shared growth that would cope with increasing poverty and inequalities in those nations.

2. Political Economic Reasons of Poverty and Inequality

Poverty and inequalities are multidimensional issues. Major problems in uplifting the living standard of people from poverty and in minimizing poverty arise from hastily designed and implemented state regulations, poor state organs, corruption in developmental activities from bottom to top level of policy formulation and emergence of parallel economies. These factors cause alienation of economically marginal people from society and government organs, increasing the vulnerability of the societies and the nations which is a threat to a peaceful and democratic world. Thus, it is good option to explore about political economics of poverty and inequalities in low income nations in order to understand the nature of problems there.

A) Political Culture

Political culture signifies the relationship between government and citizens and vice-versa. Similarly, it also includes the impact of government, civil societies on the national economy (Almond and Powell, 1966). A good understanding of political culture of any nations will provide information about the formation of government, the extent of involvement of citizens in decision level and the inclusiveness of the governance.

There are many issues of politics in low income countries of Asia and Africa which are hindering the development and poverty reduction activities. In those nations, strong cultural and social strengths convert the nations into hybrid states where the public resources are used by the elites leaving marginalized poor citizens far from the resources consumption and those nations have number of common characteristics. Those include; a) Political parties or rulers above the rule b) corruption c) owning all or zero type of strategies d) nepotism e) emergence of identity based nationalism f) lack of ideology in politics f) patronage as politics. Due to this, informal regulations will be made by the elites and rulers to affect the development activities rather than formal state rules. That benefits the rulers but nations become poor at the end.

In low income countries, state organs are used by the political parties and rulers as milking cow and exploit the resources. During the elections, political parties distribute different needy things to the people for vote and after election they never come back to the place. For example, leaders of different political parties give some cash to voters and organize party for poor people before election in Nepal. But this type of activities never going to improve the poverty condition of such nations as thus elected leaders use governmental treasury to compensate that amount of money.

From the side of ordinary people, they prefer to accept the present hegemony of elites hoping loyalty to them will provide them with some good outcomes in their life. In this way, there is a web of poverty and inequality in poor nations.

B) Corruption

There are ample and growing evidences that the corruption in Least Developed Countries (LDCs) is high. In 2014, Transparency International Corruption Perception Index, of 174 countries ranked by the extent of corruption,

LDCs like Somalia, Sudan, Bangladesh, Afganistan, South Sudan, Eritrea, Yemen, Haiti, Myanmar and Nepal show miser performance. Overall, the position of LDCs aren't satisfactory beside the position of few of them. Increasing or high level of corruption has direct positive impact on inequality and poverty by reducing the economic growth, progress of tax system, the level and effectiveness of government spending on public sector (Gupta *et al.*, 1998). In view of Sindzingre and Milelli (2009) the relationship between corruption and economy may not be linear and subject to threshold effects which are built up by social, economical and political condition of the nations. Chetwynd *et al.* (2003) divided the effect of corruption on poverty and inequality in two models; economic model and governance model. According to economic model, corruption increases the income inequality reducing the growth and ultimately increasing the poverty. Similarly, corruption gives birth to permanent distortions due to which some group of people may get more benefit from government than the poor citizens. In this way, the income inequality and poverty both increases.

From above, it is clear that poverty and inequality condition both are worsened with the increase in corruption. Therefore, it is important to understand the reasons behind the corruption in low income countries. According to Tanzi (1998) there are direct and indirect drivers of corruption across the nations. Direct drivers involve; monopoly of government officials in authorizing activities of citizens giving ample space for them to ask bribery from citizens to authorize their work, tax payment in poor nations require the direct contact between tax payer and tax officer that gives space to the latter to have bigger money, government spending on infrastructures and other sectors in poor nations provide an opportunity to a group of officials to earn money. Indirect sources of involve; quality of the bureaucracies which says that the less is recruitment and promotion based on merit, the higher is corruption in bureaucracy (Rauch and Evans, 2000). Such trend is prevalent in low income countries. Other sources include; low level of wage to public servants and activities of leaderships in poor nations. According to Khan (2006) there are four types of corruption in developing nations and include; neoclassical corruption driven by legal power of states, statist corruption creating rents and market restrictions, political corruption and the last one is theft or primitive accumulation in which government officials grab public resources through the private factions.

There has been lots of debates about minimizing corruption in low income countries for the economic growth of those nations and minimizing inequality of those nations. In developing nations, there are different structural drivers enhancing corruption due to weak fiscal coverage and weak property rights. In the low income countries, structural drivers are aggravated by the weak institutions and governance capabilities (Khan, 2006). Those nations have weak institutions and governance due to weak economic condition, political instability, poor presence of state power and lack of social welfare (Rice and Patrick, 2008). The governments, political parties and all the stakeholders need to focus on implementing participation of citizens, rule of law, transparency, responsiveness, consensus, equity and inclusion, effectiveness and efficiency and accountability as highlighted by United Nations Economic and Social Commission on Asia Pacific. Similarly, in the poor nations, there are vagaries of regulations which allows the supremacy of government officials over citizens which help in increasing corruption and decreasing the trust of people towards government. Therefore, in order to improve the corruption level, Governments should try to limit the vagaries of regulations. Similarly, the advancement of technologies can also minimize the corruption and improve the governance condition (Magno and Serafica, 2001). Information technology helps in good governance in many ways. It helps by facilitating in participatory decision making process, by enhancing the proper delivery of public and private services and by enhancing transparent decision making process.

At last, learning the good governance activities of other developed economies can help reduce corruption and improving the governance condition and ultimately paving path for poverty and inequality reduction. For instance, the good governance activities of countries like New Zealand, Denmark, Sweden and Finland which are consistently on top of the Corruptions Perceptions Index. Those nations have managed to engage public in corruption minimizing by the system of disclosure of information. The good governance programs in those nations is in bottom-up fashion rather than top-down approach just like in many poor nations. Different studies suggest that the integrity systems in those nations are relatively well.

C) Civil Societies in Low Income Countries

Civil society is the collective term used for non-governmental institutes and organizations raising the voices of people. The role of civil societies in poverty reduction can be divided into three ways; advocacy, policy change and enhancing the speed of service delivery (Ibrahim and Hulme, 2010). Ideally, the positive transformation of any nations specially of the developing and low income countries depend upon how well the state problems of poverty and governance are responded by people and government and how well they are interconnected. Therefore, it becomes obvious to explain about the civil societies in the low income countries.

In most of the low income countries, majorities of population live outside the urban areas. In the rural areas, people aren't supplied with supply of facilities like communication, road ways and power. These factors make the poverty and inequalities those nations unheard because most of the media and NGOs focus on urban areas and the elites of rural areas, proving them unreliable. In most of the Sub-Saharan African nations, people don't depend upon civil society for service delivery rather they depend upon local landlord or patrons (Handley *et al.*, 2009). In some low income countries like Nepal, the civil societies are divided on the basis of political parties making them ineffective and dividing civil societies as ruler and opposition civil societies (Shah, 2008). This has increased the inequality in the nation as NGOs and civil societies work extensively in areas of voters of their political parties and neglecting the problems in other areas. In poor countries of Sub-Saharan Africa from Swaziland to Ethiopia, political parties and states support those civil society organizations which are biased towards them rather than those organizations who advocate for radical policy changes (Handley *et al.*, 2009). Apart from these, most worrying problem in poor low income countries is that in many countries, different political parties including ruling parties have paramilitary structures of youth groups which are used to mull critics. For example, paramilitary structures of communist parties of Nepal and practice of parallel government, Malawi's Young Pioneers which are/were used by

political powers to punish their opposite voices. The civil societies can't thrive into such conditions and already existing civil societies are being biased for security and economic purposes. In this way, the weaker civil societies and poverty are related in a positive way.

The question remains how can civil societies be made more responsiveness to the problems of poverty in those nations. Off course, good politics and unbiased civil societies are supplementary to each other. Therefore, politicians need to empower the civil societies so that the latter can push the former with the voices of poor and historically marginal people in those nations. The difficult conditions as above mentioned in poor income countries often come due to the distance between governments and people due to lack of participatory policy making and implementing activities as a result societies always become turbulent in those nations. Therefore, it is necessary to include the civil societies in the process. In those nations, where civil societies are divided on the basis of politics, political and communal attempts need to be done to formulate civil societies not on the basis of politics and enough opportunities need to be created beside the politics.

D) Media in Low Income Countries

Media like radio, TV and newspapers are the most widely used tools for communication. The status of media in democratic societies are well studied and the role of media in uplifting the people from poverty are also well discussed subject especially in poor and fragile economies. Media make policy makers and leaders more accountable towards the policies of nation. In many poor nations in Sub-Saharan Africa and Asia, large media houses are owned by political parties and the former act as mouth pieces of latter (Handley *et al.*, 2009). News published in such newspaper can be according to the want of educated middle class people of urban areas. Such newspaper rarely publish the failure of government and political parties to address the issue of poverty and inequalities on the basis of income, religion, gender and culture. In some poor countries, each political parties have own news station and they are dominant. The duty of such media is to write against other parties and write paeans of own party. For example, in Nepal, big media houses are near to either of political parties and their affiliation can be known by the type of articles. In fact, such trending is helping the nation to have more inequality increasing the chance of violence.

A neutral media can help in poverty reduction by acting as a bridge between the people in needs and the policymakers or politicians. There are three attributes of neutral and free media; independence, quality and reach. In one cross country study, Roy and Siegel (2011) found a strong relationship between political instability and lack of financial market leading to poverty and inequality. Another literature by Roy (2011) suggests that media in low income countries which are political unstable needs to empower media because media helps in political stability. Lack of resources in media and media workers are the major reasons behind the biased media in poor and fragile income countries. Therefore, it is necessary to make media and media workers resourceful in those nations. The first step towards that is to make journalism profession an admiring profession in those nations. Media workers which lack proper compensation for their job in fragility, needs to be provided with quality training and monetary compensation and insurance. Second step is to form a network of independent media groups from grass root levels to the national levels so that poverty and inequality related issues can get space in national media on the platform of networks. Third step is to publish and broadcast the failure of governments and political parties about their failure in addressing the problems of poverty and make the civil societies aware about the status. Fourth and last step is to form an independent council of independent news broadcasters so that critical issues related to journalism, status of people in the nations and governance can be discussed and advocated for policy change from media level.

3. Policies for Minimizing Poverty and Inequality

As mentioned above, there are still 897 million people living below the poverty line of 1.9\$/day. Most of them live in developing or low income nations of Sub-Saharan Africa and Asia. Poverty in those nations are associated with number of socio-economic and political factors as mentioned above. It is obvious fact that, the world can't achieve sustainable development goals without increasing the life standard of people in those nations and without minimizing the inequalities. However, there are many hurdles in those nations owing to political instability and lack of well developed institutions. However, those nations can uplift the living standard of people by adopting fiscal policies wisely. Fiscal policies, their effectiveness and fiscal short comings are discussed as below.

4. Fiscal Policies

Fiscal policies are the governmental decisions about governmental spending and taxation so that national economies can be strengthened and contracted according to the condition of economies. According to the Keynesian economics, when there is change in fiscal policies, aggregate demand and overall economic activities are affected. Fiscal policies are one of the major policy tools of governments to address the social problems caused due to poverty and income inequalities. There are ample literature about fiscal policies in combating against the poverty and inequality. However, such policies have been working differently in low income and developed countries. In order to understand such differences, it is necessary to understand the nature of fiscal policies. In most of the developed countries, counter cyclical fiscal policies are used while in developing nations, pro cyclical fiscal policies are used. Pro-cyclical fiscal policies are those policies which motivate public spending and reduction in tax revenue during boom in economy. Counter-cyclical fiscal policies are just opposite of this. The nations which are fiscally pro-cyclical are found to have low economic growth and high inflation (Mcmanus and Ozkan, 2015). Economic growth is negatively related to poverty while inflation is positively related to poverty (Chani *et al.*, 2011).

Heavy revenue needs to be generated in order to minimize the macroeconomic vulnerabilities and to promote economic growth in low income and fragile nations. Different papers on economics suggest that a consistent economic growth with rate of 5-6%/year is necessary to minimize poverty from least developed countries. Tax is one of the viable revenues for the Governments. However, governments in low income nations aren't being able to raise

tax in proper way. In case of Asian low income countries, the average tax to GDP percentage is 8.41 when processing the data found in website of Heritage foundation for 2015. In the data, tax to GDP percentage of East Timor was not given. Similarly, in case of African low income countries, average tax GDP is 13.76, 21.06 in Oceania and 9.4 in case of Haiti. Altogether, the average tax GDP percentage in low income countries comes to be 22.3 but with standard deviation of 60.9. But the average of the same has been found to be 35.69 in case of OECD nations with the standard deviation of 7.26. This finding echoes the finding by [Tanzi \(1992\)](#) which says the tax revenue share are found to be lower in developing worlds than those in industrialized countries. Low tax revenue in the nations which are yet to achieve development, has important meanings. Less tax revenue means lower investment in education, health and infrastructures in governmental level ([World Bank Group, 2015](#)). This may further trigger, the poverty in the nations and further increasing the Gini coefficient. Weak performances of low income countries fiscally are related to number of reasons belonging to social, cultural, political, economical and sometime due to international rules as well.

In most of the low income and developing nations, centralized fiscal policies are enjoyed. Centralized fiscal system may make the central government biased towards some of its places regarding the distribution of public sources like education, health, transportation and others ([Son, 2006](#)). Therefore, continuation of centralized fiscal policies and thus resulted biasedness may foment the political instability in low income fragile nations where regional disputes are ongoing. As we all know that such unrest increases the poverty and inequality. However, proper consideration must be given while decentralizing the fiscal system because it may cause the conflicts between the local and central governments. Such conflicts may arise due to the ambiguity about handling and collecting of tax revenues. Ambiguity may also arise due to vagueness of taxable resources. In order to avoid such probable conflicts, governments may unify the groups of taxable goods and have a well understood agreements between central and local governments. Regarding the decentralization, fiscal decentralization in China may provide valuable lessons to low income countries. In China, local and central governments have developed transparent way of dealing with the fiscal policy. In China, central government has provided local governments with incentive in collecting tax revenue which is on the rise after tax reform in 1994 ([Shen et al., 2012](#)).

Preferred sectors of investment by the central and local governments need to be separated. However, investment on poverty reduction like; investment on education, health, technological skills learning and entrepreneurial skills learning should be under the duty of local government as wells as that of central government so that effectiveness in poverty reduction programs can be made visible in public level.

Decentralization in fiscal system also helps to make local governance effective and resourceful. In poor income countries, local government authorities are often considered to have lack of resources and central governments are blamed to work in monopoly manner. By providing the responsibility of revenue and expenditure to the local authorities, people in the ground also feel integrated to the nation which makes easier to implement poverty related programs to both local and central governments.

In case of low income countries, low tax revenue is also due to smaller proportion of tax payer. According to the World Bank report published in 2015, less than 1 percentage of population were found to pay income tax in Nepal, 1 percentage in Bangladesh and about 8 percentage in Bhutan ([WBG, 2015](#)). Presence of strong informal sector in the economy is one of the reasons behind low income tax. The population of people working in informal sector is higher than working in formal sector giving sense to the low number of population with low income countries. In order to avoid this condition, Governments of less developed countries need to bring the informal economy under formal channel. Different literature suggest that major problems for converting informal economy into formal is the boring administrative procedure and high cost of entry into formal economy. Problem also persists from the part of tax payer as well who aren't as aware as the same in developed nations due to social, political or economic reasons. Giving local authorities up to villages level also help the registering the number of firms and workers being employed in local level. Local authorities enforce the use of keeping records of local business and they can charge tax accordingly as per the volume of individual business. Governments need to design taxation system according to the level of income and wealth. The higher the income, the higher is the taxation rate. In doing that, a certain class of people owning below certain standards may be exempted for taxation.

Low tax base in least developed countries is one of the reasons behind low tax revenue in those nations. Tax base means the goods and services which is taxable. Lower tax base means low area of tax collection. In this case, low income countries need to transform the structure of tax system. Some of the sectors which haven't been taxed but has the potentiality of higher revenue, needs to be taxed. For example, in many of the LDCs like Nepal, agriculture isn't taxed. In many of the districts of the nation, food insecurity is in chronic level. So simply by taxing the agriculture sector, food insecurity will be escalated. For making agriculture sector taxable, governments in Nepal and other low income countries need to promote commercial scale (large scale) and value addition though subsistence agriculture don't need to be taxed. Like in case of Nepal, other low income countries may have different sectors in high preferences and taxation should be fixed accordingly.

In addition, governments in least developed countries are recognized for weak administrative capacity in collecting taxes. They lack the educated human resources and proper technologies to handle this. Therefore, administration and human resources should be enhanced with technologies and relevant administrative training.

Apart from these issues, international economic trends and agreements are playing important role in determining how much to raise as revenue, where to spend and from whom to raise the money. Presently, the World Bank, IMF and other multilateral agencies are helping low income countries formulate fiscal policies on the condition of former's aid. These organizations have been lobbying for low tax and tariffs across the world since 1980/90 This is good for international trade. However, less developed countries are losing significant amount of revenue from taxation due to this trend and only a few countries have been able to get rid of this shock. Due to lowering of trade tariffs and followed by 2008 economic crisis, least developed countries are left with deficit of \$64.4 billion in their budget ([Green et al., 2010](#)). After lowering of tax rates world wide upon the recommendation of multilateral

agencies, there has been significant decrease in the revenue of low income developing countries while revenue amount in developed nations being unaffected (Itriago, 2011). According to some researches, there has been a reduction of 20 percentages in corporate tax amount of least developed countries between 1990 to 2001. Another issues arising from international condition affecting the economy of least developed countries are; tax ignorance and capital flights. Froberg and Wari (2011) suggest that developing nations were losing between \$850 million to 1 trillion during 2006. The rate of flight of capital from developing nations to developed nations was found to be increased by 18% per year from 2002-2006. Capital flights harasses the investment, reduces tax collection, escalates income inequality and drains hard-currency reserve of the nations (Froberg and Wari, 2011). In this way, international contexts are also affecting the tax revenue in developing nations. Least developed nations are affected badly due to their political structure, smaller size of economy and inability of administrations to handle any shocks resulted in economies. Of course, least developed countries need assistance from multilateral organization and agreements. However, such assistance shouldn't be restricting the governments ability to formulate national fiscal policies. Assistance of multilateral organizations shouldn't be based on the precondition of acceptance of their terms by least developed countries.

5. Revenue Mobilization in LDCs

According to Itriago (2011) significant improvement in taxation system of developing nations would raise an additional revenue by \$269 billion. In that study, African low income countries like Benin, Congo Republic, Tanzania, Burkina Faso, Burundi, Chad, Guinea, Madagascar, Mali, Mauritania, Mozambique, Niger, Senegal, Zambia and Asian low income nation Bangladesh could collectively raise additional revenue of \$967.3 million if underground economy could be reduced by 7.5 percentage in countries from Benin to Tanzania, 4 percentages from Botswana to Senegal & Bangladesh and 1 percentage in Zambia. In least income countries, revenue collection and utilization both are arduous thing and depends strongly upon political will of the leaders. The Istanbul Program of Action for Least income countries has envisioned domestic saving as requisite for investment in order to stimulate 7% increase in GDP of those nations. Poverty is the most important challenges in those nations as mentioned above. Therefore, governmental spending needs to be focused on poverty reduction programs in short term, medium term and long term policies agenda. Tax revenue, remittance income and foreign investment are the capital resources of least developed economies. However, different literature suggest that foreign direct investment increases the inequality in the host nations. Therefore, low income nations need to focus on utilizing the internal resources i.e. Tax revenue and remittance income.

Least developed countries are those countries which aren't undergone significantly through structural change. Conventional agriculture is backbone of many least developed countries and higher fraction of population are engaged in agriculture. Despite of these facts, many least developed countries are food insecure. Investment in agriculture is one of the most viable options for boosting the economy of poor income nations and minimizing poverty. In developed nations, investment in agriculture accounts for more than 20 percentages of total national budget while in developing world it accounts for less than 10 percentages (Fan and Rao, 2003). In case of some low income countries, the percentage of agriculture budget may account for less than 4 percentage as well and mostly focused on administrative aspects. Different researches report that, of all the agricultural investment, investment in agriculture research and development is most crucial for agriculture growth and food production. Governments in low income countries need to realize the potentiality of agriculture and need to invest more on agriculture research and development. This means, governments need to invest in different parameters of agriculture like; preparation of technologically sound labor force, management of land resources, fertilizer or manures, commercialization tools, animal production, road infrastructures and investment in agricultural education and irrigation.

Fan *et al.* (2004) suggest that public spending on rural electrification had most impact on poverty reduction in rural areas of Thailand and the result of that study can be linked up with low income countries. Electrification in rural life paves way for rural entrepreneurship and value addition in agricultural crops in rural level. This helps in poverty reduction in rural areas where most of the poor people are residing.

Biggest challenges for low income countries for accelerating their economies and reduce poverty in long term is production of skilled and educated human capital. The major determinant of living standard of nations depends upon success in developing and utilizing knowledge, skills and educating the people (Roberts, 2011). This highlights the importance of education in modernizing economies of least developed countries. Different literature suggest that high income countries invest more in education than low income countries do. Investment in education has helped developed countries to combat with different types of inequalities and providing them with market oriented education has helped developed nations to combat with poverty. Though, investment by governments in low income countries in education has been increasing and access of the children to formal education has also been increased. However, the governments need to focus on providing quality and competitive education as well.

Institutional reform is another preferred sector for least developed countries to channelize the revenue. Those nations need to give more autonomy to the institutions and need to make institutions more resourceful together with making more responsible. Avoiding politics in administrative and development activities may help this issue. For this, strong civil societies need to be formed. For that, all the responsible stakeholders need to come.

6. Conclusion and Recommendations

Because of globalization and trade facilitated by multilateral organizations like World Bank Group, IMF, Asian Development Bank etc., the number of people living below the poverty line has been drastically reduced from the globe. However, poverty and income inequalities have been the burgeoning issues of the low income countries in Africa and Asia. There are many political economic drivers of poverty and income inequalities in those nations due to which the nations are in low level equilibrium trap. As the world is heading toward the implementation of post

2015 sustainable development goals, reduction of poverty and income inequalities in poor income nations are national as well as global responsibilities. Proper collection of internal revenues like tax and its proper utilization can minimize the poverty of those nations, as the history of many countries show. However, existing economic problems are smaller number of tax bases, dominance of informal markets, centralized systems, administrative shortcomings for which political economics drivers are also responsible.

Low income countries need heavy governmental spending to improve the living standard. For that priority sectors need to be identified. Investment in agriculture seems the viable and the primary option for such nations to proceed further together with maintaining food security. Therefore, the governments need to increase investment in agriculture research and development. Similarly, government needs to increase the investment in education, rural electrification, infrastructures so that poverty minimization can be done. However, all the poverty reduction attempts and their success depend upon will power of political leadership. Therefore, all the stakeholders including political leadership needs to come together and forge a poverty reduction activities on consensus basis especially in fragile nations.

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