

TERMS OF REFERENCE #9

for the research proposal to be funded under NFPCSP Phase II on

Improving the targeting effectiveness of social safety nets in Bangladesh

1. Background and Rationale

Despite long-standing and impressive spending in social safety nets (SSN)¹, government support still does not reach many poor and vulnerable households in Bangladesh. Launched in 1975, SSNs now account for 2.5% of GDP (FY 2009-10) and reach 11.6 percent of the population and 30 percent of the poor and food insecure². However, since around 40 percent of Bangladeshi households live in poverty³, the programs leave out 35 million poor people. To increase the benefits that a safety net program can achieve within a constrained budget or to minimize the cost of reaching a given impact, the government should focus resources on the poor and food insecure⁴. While capacity constraints may explain some of the low coverage, targeting errors⁵ -- inclusion and exclusion—also account for the gap. The 2005 HIES data suggests that, though the percentage of beneficiary households decreases gradually for the highest quintiles, 40 percent of beneficiary households belong to the top three quintiles⁵. This inclusion error, in turn, reduces the resources available to support the poorest and most food insecure households in the lowest two quintiles.

Recent studies have identified four potential sources of targeting errors. First, geographical allocations of resources do not seem to match poverty rates⁶. For instance, Sylhet Region has the highest percentage of SSN beneficiaries while its poverty headcount rate is second only to Dhaka. Second, indicators used in the targeting process may not reflect the true welfare of households⁷. For example, while literacy and land tenure are relevant to analyze poverty in rural Bangladesh, they are not very useful to identify the extreme poor. Third, even if the design of the targeting mechanism is sound, political economy and implementation issues at the local level may override it⁸. The reliance of

¹ For the purpose of this research, safety nets include the programs listed under Section 1 Part C of the HIES 2010.

² World Bank 2009, The FY10 Budget: Highlights and Assessment

³ Household income and expenditure survey (HIES) 2005. Bangladesh Bureau of Statistics. The upper poverty line is measured by the Cost of Basic Needs method. 25 percent of the population is below the lower poverty line.

⁴ Grosh, M. E. (2008). For protection and promotion : the design and implementation of effective safety nets. Washington, D.C., World Bank.

⁵ World Bank. 2008. "Bangladesh Poverty Assessment: Creating Opportunities and Bridging the East West Divide" and Ahmed, S. S 2007. "Social Safety Nets in Bangladesh" Background Paper for Bangladesh Poverty Assessment. Mimeo (draft).

⁶ Refer to additional reference in section 5 of this ToR, in particular: Chapter 9 in Narayan and Zaman, eds. 2009; Ravallion and Wodon, 1997; UNICEF, 2010.

⁷ Refer to additional reference in section 5 of this ToR, in particular: Sen and Begum, 2002; Sen and Begum, 2010; and Iffath, 2009

⁸ Refer to additional reference in section 5 of this ToR, in particular: Iffath, 2009 and Hulme and Moore, 2010

targeting on local authorities for beneficiary selection makes the process prone to elite capture, nepotism and political interference. Fourth, institutional issues at the central level foster overlaps and gaps in coverage. Fifteen ministries run close to 70 programs, with no clear information on number and profile of beneficiaries, multiple recipients and impact assessment.

While these studies provide helpful insights in understanding elements of the targeting process, no comprehensive review is available that assesses the most critical aspects of the process and provides policy-makers with a comprehensive set of recommendations on the whole process and its nationwide implications. This research will provide this comprehensive review and will enable the GoB to improve the targeting of its SSN so that it better reaches the food insecure and the poor. In turn, this will contribute to the achievement of the major national goals in the National Food Policy (2006) and National Food Policy Plan of Action (2008-2015).

2. Objectives

The objectives of this research project are:

- a. To map the major sources of targeting errors in social safety nets in Bangladesh and assess their relative contribution
- b. To recommend ways to decrease inclusion and exclusion errors at the program-level based on experiences in Bangladesh and in the South Asia regions
- c. To identify potential ways forward for building a SSN system in Bangladesh.

3. Scope of the study

More specifically, the study will address the following issues:

- Targeting of social safety nets in Bangladesh: describe the main characteristics of the targeting process of public SSN programmes in Bangladesh and the targeting performance (outreach to the poorest) of public SSNs; present targeting mechanisms adopted in large non-government organizations programs. For comparison purposes, the analysis can use the index developed in Grosh, Coady and Hoddinott (2004) and the methodology developed by Handa *et al.* (2010). The research will use existing household survey data (such as the HIES 2005 and 2010 if available), budget data, poverty and food insecurity maps as well as existing secondary sources on targeting effectiveness in Bangladesh. If available, the researchers will analyze HIES 2010 Section 1 Part C, which asks about 30 government schemes. If not available, the researchers will use the 2005 data and the programs' eligibility rules to assess design-related errors. This research will also rely on a review of literature (refer section 5 of the ToR for some key reference material; literature published and unpublished e.g. planning and programming documents, publications, assessment reports). Researchers should also discuss questions and preliminary findings with main stakeholders such as program

managers, local and central government staff, beneficiaries to make sure the options discussed are relevant, acceptable and feasible in Bangladesh.

- Inclusion and exclusion errors: profile the excluded households (in relation to poverty, location, gender and age of head, dependency ratio, and data permitting, food security and nutrition status) and identify the programs that the food-insecure households access, the inclusion errors, and the factors accounting for errors in different regions, programs and targeting methodologies.
- Addressing Errors: review of good practices and challenges facing programs to address inclusion and exclusion errors in Bangladesh and in the South Asia region for programs similar to the 30 included in the HIES 2010 questionnaire. Identify complementarities between geographical, household-level and community-based targeting, potential roles of information technology, of grievances and accountability measures to improve targeting outcomes given existing administrative and political capacities and mechanisms in NGO programs that can be adjusted/scaled-up to government-run programmes.
- Effective targeting in Bangladesh: identify options for improving the effectiveness of targeting, in particular decreasing exclusion errors, in Bangladesh, institutional issues of coordination between programs at the local level and line ministries at the central level and the relevance and feasibility of a nationwide targeting/identification system, with a potential road map.

The study will deliver:

- A draft inception report within 3 weeks from the date of signing of the contract. The inception report will detail the research programme, the literature and data requirements, methodology and expected outputs.
- A final inception report within 2 months from the date of signing of the contract. The NFPCSP will provide feedback to the draft inception report within 3 weeks of its submission. The research institution will then have 2 additional weeks to finalize and submit the final inception report.
- An interim report, within 5 months from the date of signing of the contract, presenting interim findings. The interim report should include the full literature review and data sources, preliminary findings, annotated table of contents for the final report and revised research program.
- A draft final report, within 10 months from the date of signing of the contract. The draft final report (length between 25,000 and 30,000 words -excluding an executive summary not exceeding 2,500 words, and annexes) should be based on the data analysis and program and literature review and should include:

- Description of the purpose, relevance and background of the study and methodology used.
 - Literature review of secondary sources with a focus on (a) programs similar to the ones listed in HIES 2010, (b) the experience of public programs in South Asia, and (c) relevant information from NGO-run programs.
 - Data analysis and statistical tools used
 - Recommendations for improving the targeting effectiveness of the SSNs at the program level and suggestions for improving the social safety net system at the central level.
- A final report, 12 months from the date of signing of the contract. The final report will incorporate the feedbacks and adjustments required by the NFPCSP

4. Duration and funding available

- Maximum duration: 12 months
- Maximum funding available: US\$40,000

5. Key References:

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- UNICEF (2010). "A Case for Geographic Targeting of Basic Social Services to Mitigate Inequalities in Bangladesh."