EXPLORING THE EVIDENCE

Background Research Papers for Preparing the National Social Security Strategy of Bangladesh

Editor

Dr. Shamsul Alam

General Economics Division (GED)

(Making Growth Work for the Poor)

Planning Commission

Government of the People's Republic of Bangladesh

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This book is dedicated to all

those engaged in improving lives and livelihoods

of the poor of Bangladesh in realizing better dreams

A H M Mustafa Kamal, FCA, MP
Minister
Ministry of Planning
Government of the People's Republic of Bangladesh
&
Deputy Chairman, Bangladesh Planning Commission

Message

It is a matter of great pleasure for me to know that the General Economics Division (GED) of Bangladesh Planning Commission is publishing the background papers that had been conducted to facilitate the formulation of the National Social Security Strategy (NSSS) of Bangladesh in 2015.

These background papers not only will add to the existing knowledge on social security issues in Bangladesh but also will delineate the rationale behind the adoption of NSSS in the country. The compiled work titled *Exploring the Evidence*, depicts the historical endeavour of Bangladesh to address the issues of social protection. The papers, based on the evidence regarding poverty situation and vulnerability of the poor class, sum up the concepts and theories defining the erstwhile social security system of Bangladesh prescribing a clear outline of a new system of social protection to be adopted. The collection will be a useful reference material to the policymakers, development partners, academics and researchers in their future work concerning operation of social security programmes in Bangladesh.

In this instance, I would congratulate the Member (Senior Secretary) along with his team in GED for their hard work in editing and compiling the Background Papers of the NSSS. Also, I would like to convey my thanks to the individual authors and the teams for their brilliant efforts.

(A H M Mustafa Kamal, FCA, MP)

M. A. Mannan, MP
State Minister
Ministry of Finance and Ministry of Planning
Government of the People's Republic of Bangladesh

Message

The National Social Security Strategy (NSSS) of Bangladesh, launched in 2015 was backed by extensive research and dialogue. I am pleased to hear that the background papers will now be published in a compilation by GED.

The background papers inspired by the vision of our Honourable Prime Minister aimed at building a society free of poverty and hunger were instrumental in the formulation of the NSSS. The NSSS of Bangladesh is a unique social protection model embracing our unique lifecycle. This is an important feat to achieving a constitutional obligation to the poorer citizens.

This document, *Exploring the Evidence, Background Papers of the NSSS*, has created a wealth of knowledge on social protection and social security issues of Bangladesh. It depicts the theoretical and applied foundation on which the NSSS is built. This publication describes theories and concepts best suitable for Bangladesh's perspective and is a critical knowledge bank on reference material useful to policymakers, development partners, academia, researchers, NGOs and civil society.

I congratulate the GED for taking this timely initiative of publishing the background papers. Also, I would like to thank the Member (Senior Secretary), GED for his vibrant leadership along with the authors for the rigor and flair reflected in these papers. I hope these documented background papers will be helpful for policy planners, development practitioners, researchers, academicians, and students as well.

(M. A. Mannan, MP)

Mohammad Shafiul Alam
Cabinet Secretary
Government of the People's Republic of Bangladesh

Message

Many research studies have formed compendium volume into this document, *Exploring the Evidence, Background Papers to the National Social Security Strategy (NSSS)*. This was the precursor to the NSSS which was approved and launched in 2015.

I am pleased to hear that the background papers will now be published. It will be a useful document which will serve as a knowledge bank for those who want to know about social protection and social security issues that exist in Bangladesh. Bangladesh's unique model of social protection is the lifecycle approach which has been lauded the world over. This compiled volume provides valuable insight into how the National Social Security Strategy (NSSS) has been evolved.

My felicitations to the Member (Senior Secretary), and the officers in the General Economics Division (GED) for their perseverance in shaping this document. I also want to thank the authors and the GED team for their commitment in making this publication.

Shafiul Alam

(Mohammad Shafiul Alam)

Dr. Shamsul Alam
Member (Senior Secretary)
General Economics Division (GED)
Bangladesh Planning Commission

Foreword

The development of the National Social Security Strategy (NSSS) in Bangladesh has been a thoroughly comprehensive process, comprising a series of stakeholder consultations, experience sharing of best international practices and background research studies addressing critical areas and knowledge gaps.

Bangladesh has over the years, through an incrementally growing portfolio of social safety nets, built a reasonable foundation for social security as a core strategy to deal with the triple problem of poverty, vulnerability and marginalization. Whilst new challenges have been confronted as they emerged, the response has largely been based on flexible experimentation. There is a need to ensure that policy decisions and program initiatives are informed by knowledge of the international experience and better understanding of the dynamics of poverty, inequality and vulnerability.

Knowledge gaps that needed to be addressed in the process of preparing the NSSS were identified at the outset; in the Framework Paper that started the process of developing the strategy, which is given as a prelude to the background researches put together in this book. The immediate purpose of these research papers was informed strategy formulation which has already been served. Specific needs, gaps in risk coverage and best practices identified have been incorporated into the strategy. A trove of knowledge in the research papers has provided information for developing several chapters of the NSSS.

However, as the body of research literature on social protection related issues in Bangladesh is relatively thin, background research papers that contributed to building the NSSS are here put together as a consolidated huge knowledge product. The book is published with the intention of helping social protection actors, stakeholders and knowledge seekers. This compilation explores some of the evidence surrounding social security issues in Bangladesh.

Paper 1 in this book provides the context of poverty, vulnerability and inequality in Bangladesh and the life cycle vulnerabilities that social security needs to respond to.

Paper 2 presents the poverty dynamics in urban areas, the challenges of reaching the urban poor and the scope of including the urban poor in social protection programs.

Paper 3 outlines the situation and needs of socially excluded groups and the factors determining their participation in social safety net programs.

Paper 4 analyses the financing and affordability of a restructured social protection system with larger coverage and higher benefits.

Paper 5 offers social protection strategies to address risks and shocks, in particular common shocks like natural disasters and cyclical poverty.

Paper 6 gives an overview of the governance of social protection in Bangladesh and suggests possible reforms in supply-side and demand-side governance.

Paper 7 sets forth a system to deal with the demographic challenges in Bangladesh, built on a life cycle approach to social protection.

Paper 8 discusses implications for Bangladesh from international best practices in social protection, with particular focus on universal versus poverty targeting, food versus cash transfers, graduation and life cycle approach.

Paper 9 concludes with a review of the social protection system in Bangladesh; its evolution, performance, policies, governance and political economy.

Now, I would like to take the opportunity to convey my gratitude to the people behind this splendid task. First and foremost, I will recall the diligent contribution from Mr. Goran Jonsson, Senior Programme Advisor to SSPS Project. It is his wonderful editorial assistance that helped the publication reach its present consistent form. My thanks go further to mention the intense support provided by team GED along with team SSPS. Finally, the publication will be a success only when it served the purpose of the readers that intended to.

I believe, this book of background papers prepared to help formulate the first National Social Security Strategy of Bangladesh would be considered as one of the valuable knowledge products of GED.

(Professor Shamsul Alam, M.A. Econ., PhD)

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Acronyms/Abbreviations

4Ps	Pantawid Pamilyang Pilipino Program
ADP	Annual Development Plan
ANC	Antenatal Care
ATM	Automated Teller Machine
BBS	Bangladesh Bureau of Statistics
BDH	Bono de Desarrollo Humano
BDHS	Bangladesh Demographic and Health Survey
BDT	Bangladeshi Taka
BIDS	Bangladesh Institute of Development Studies
BISP	Benazir Income Support Programme
BMA	Bangladesh Medical Association
BN	Basic Needs
BNPL	Bangladesh National Poverty Line
BPC	Benefício de Prestacão Continuada
BRAC	Bangladesh Rural Advancement Committee
CBN	Cost of Basic Needs
CBO	Community Based Organization
CCT	Conditional Cash Transfer
CER	Cost Effectiveness Ratio
CFW	Cash for Work
CHT	Chittagong Hill Tracts
CMC	Central Monitoring *(currently Management)* Committee
CSO	Civil Society Organisation
CT	Cash Transfer
CTG	Chittagong
CUS	Centre for Urban Studies
DDS	Dietary Diversity Score
DFID	Department for International Development
ECD	Early Childhood Development
EEP	Economic Empowerment of the Poor
EGP	Employment Generation Programme
EGPP	Employment Generation Program for the Poorest
EOC	Emergency Obstetric Care
FAO	Food and Agriculture Organization
FF	Freedom Fighter
FFE	Food-for-Education
FFW	Food for Work
FLS	Food and Livelihood Security
FPL	Food Poverty Line
FSUP	Food Security for the Ultra-Poor
FSVGD	Food Security for Vulnerable Group Development
FSW	Female Sex Workers
FY	Financial / Fiscal Year
FYP	Five-Year Plan
GAPVU	Gabinete de Apoio a Populacao Vulneravel or Office for Assistance towards the Vulnerable Population

GCR	Gross Compliance Ratio
GDP	Gross Domestic Product
GED	General Economics Division
GoB	Government of Bangladesh
GR	Gratuitous Relief
HDDS	Household Dietary Diversity Score
HIES	Household Income and Expenditure Survey
IFS	Integrated Food Security
IGVGD	Income Generation for Vulnerable Group Development
ILO	International Labour Organisation
IMF	International Monetary Fund
INGO	International Non-Government Organization
KSH	Kenyan Shilling
LDC	Least developed country
LFS	Labour Force Survey
LGED	Local Government Engineering Department
LPL	Lower Poverty Line
MHVS	Maternal Health Voucher Scheme
MDGs	Millennium Development Goals
MFA	Multi-fibre Agreement
MIC	Middle Income Country
MIS	Management Information System
MLS	Minimum Living Standards
MoF	Ministry of Finance
MoHFW	Ministry of Health and Family Welfare
MoPME	Ministry of Primary and Mass Education
MoWCA	Ministry of Women and Children Affairs
M-PESA	A mobile phone-based money transfer
MSM	Men who have Sex with Men
MTBF	Medium-Term Budget Framework
NAFTA	North American Free Trade Agreement
NASP	National AIDS/STD Programme
NBR	National Board of Revenue
NGO	Non-Government Organization
NIPORT	National Institute of Population Research and Training
NREGS	India's National Rural Employment Guarantee Scheme
NREGA	India's Employment Guarantee Scheme
NSPS	National Social Protection Strategy
NSSS	National Social Security Strategy
NUSAP	National Urban Social Assistance Programme
NUSPP	Nairobi Social Protection Programme
OAA	Old Age Assistance
OECD	Organization for Economic Co-operation and Development
OMS	Open Market Sales
ORS	Oral Rehydration Solution
OVC	Orphans and Vulnerable Children
PAYG	Pay-As-You-Go
PESP	Primary Education Stipend Programme

PL	Poverty Line
PLHIV	People Living with HIV
PMT	Proxy Means Test
PNC	Postnatal Care
PPP	Purchasing Power Parity
PPRC	Power and Participation Research Centre
PRSP	Poverty Reduction Strategy Paper
PwD	Person with Disability
Q	Quintile
RBME	Result Based Monitoring and Evaluation
RCT	Randomised Control Trial
RDCD	Rural Development and Co-operatives Division
REOPA	Rural Employment Opportunities for Public Assets
RERMP	Rural Employment and Road Maintenance Programme
RMG	Readymade Garments
RMP	Rural Maintenance Program
RTI	Rights to Information Act
SASSA	South African Social Security Agency
SD	Standard Deviation
SDGs	Sustainable Development Goals
SFP	School Feeding Programme
SFYP	7th Five Year Plan
SJSRY	Swarna Jayanti Shahari Rozgar Yojana
SMC	School Managing Committee
SP	Social Protection
SPSS	Statistical Package for the Social Sciences
SSN	Social Safety Net
SSNP	Social Safety Net Programme
SSS	Social Security System
TG	Transgender
TR	Test Relief
TUP	Targeting the Ultra Poor
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNGASS	United Nations General Assembly Special Session
UNICEF	United Nations Children's Fund
UNSD	United Nations Statistics Division
UPL	Upper Poverty Line
VAT	Value Added Tax
VAW	Violence Against Women
VCT	Voluntary Counseling and Testing
VGD	Vulnerable Group Development
VGF	Vulnerable Group Feeding
WFP	World Food Programme
WHO	World Health Organization

Framework Paper for Developing the National Social Security Strategy in Bangladesh

1. An Emerging Priority

The importance of a well-designed system of social safety net programmes within a comprehensive approach to social protection has found increasing acceptance within national and global policy circles.[1] Ideas such as social protection floors[2] and a net-and-ladder strategy[3] combining protective and promotive goals are serving to mainstream social protection within the development agenda. Such a policy momentum has been spurred by the global economic crisis, the debates on post-MDG agendas as well as by innovative lessons emerging from the global south. There is also a growing realization that risk reduction and social protection are important not only in themselves but also because an unaddressed risk atmosphere carry negative psychological consequences for the livelihood initiatives of the poor and for community efforts at social cohesion. In this sense, social protection is important not only for addressing vulnerability but also for the problems of entrenched poverty and marginalization. At the same time, effective social protection can also become a key policy plank of a transition to a development strategy that embraces, as Bangladesh is doing, a more forward-looking aspiration of middle income status that will prioritize social protection relevant issues such as inclusive growth and sustainable urbanization.

Bangladesh in many ways is ahead of the curve in this policy trend. The triple challenges of poverty, vulnerability and exclusion that lie at the heart of the social protection agenda have informed policy thinking and programme efforts in one way or another since the birth of the country forty-two years ago. Historically clustered around the twin themes of food rations and post-disaster relief, safety nets have over time graduated into a mainstream social and developmental concern. With an annual outlay near to 2% of GDP, a programme portfolio has evolved that addresses the key risk categories of transient food insecurity, long-term needs of population groups with special needs, and, graduation challenges of the chronic poor. However, with informal safety nets eroding, newer risks emerging from rapid processes of urbanization and global economic integration, and, stronger assertion of mitigation demands from a democratizing polity, a holistic re-thinking on the direction, scope and design of safety net policies in particular and social protection policy in general has become necessary. It is a priority increasingly reflected in core policy documents such as the 6th Five-Year Plan and Perspective Plan (2010-2021) as well as in the Vision 2021 goal of inclusive growth and middle income country status.

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1 European Report on Development, 2010, Social Protection for Inclusive Development; 2010 UN Joint Initiative to promote a Social Protection Floor; UN System Task Team on the Post-2015 UN Development Agenda, Realizing the Future We Want For All, 2012; UNICEF & UN Women, Addressing Inequalities: Synthesis Report of the Global Public Consultation on the Post-2015 Development Agenda, January, 2013; General Economics Division, Planning Commission, 6th 5 Year Plan, 2011; General Economics Division, Planning Commission, Perspective Plan of Bangladesh 2010-2021

2 ILO, 2009, Social Protection Floor Initiative

3 PPRC & UNDP, 2011 & 2012, Social Safety Nets in Bangladesh: Volumes 1 & 2, Dhaka, Bangladesh

2. Where does Bangladesh Stand on Social Protection?

2.1 Resilience Against Odds

Bangladesh began its journey as an independent nation in 1971 with an extraordinarily bleak prognosis. Poverty rate hovered around 70%.[4] Agricultural labourers who constituted the dominant group within the labour force (61% by 1981 census) on average found employment for only 122 days a year (1975/76) and that too at real wages that were virtually stagnant. [5] Other indicators too were stark in the early years. Population growth rate was 2.6%, life expectancy 42 years.[6] Child mortality was 239 out of 1000 live births. Literacy rate (1974) was only 24.3% with female literacy at an abysmal 14.8%.[7] Primary enrolment rate was 60% with girl enrolment at 41%. Secondary enrolment was less than a third of primary enrolment (18.1%) with girl secondary enrolment only 7.9%.[8]

Yet forty odd years later, Bangladesh has succeeded in forging an entirely different script. The report card speaks for itself. Poverty is down to 31.5%.[9] Food production has more than tripled to 35 million metric tonnes despite shrinking farm land. Population growth rate has been brought down to 1.1%. Irrigation, mechanization and modern farming practices have fundamentally altered the agricultural landscape. The broader economy too has undergone deep structural transformation with manufacturing power-house RMG turning into a $20 billion plus export sector from a late 70s base of a few million dollars. Uniquely for a country facing an extremely vulnerable ecology, Bangladesh has established a credible record of sustained growth within a stable macroeconomic framework.[10] Growth rates have inched upwards from a low of 1-2% in the 1970s to 3-4% in the 1980s to 4-5% in the 1990s to over 5% in the current decade.[11] Structural transformation has been equally fundamental in other directions. The rural-urban divide has given way to a rural-urban continuum.[12] A visionary system of feeder roads has connected even the remotest village to the national system in the process enabling all economic actors to be participants in an integrated national economy instead of only isolated local economies. Major strides have been made on sanitation for all.

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[4] S.R. Osmani, “Notes on Some Recent Estimates of Rural Poverty in Bangladesh”, The Bangladesh Development Studies, Vol XVIII, No. 3, September, 1990

[5] Mahabub Hossain, 1984, ‘Agricultural Development in Bangladesh: A Historical Perspective’ in The Bangladesh Development Studies, Vol XII No. 4, December, 1984 p.43

[6] World Bank, Bangladesh: Promoting Higher Growth and Human Development Vol 1, Report No. 6616-BD, 1987

[7] Abu Abdullah (ed), ‘Public and Private Social Provisioning’ in Modernization at Bay: Structure and Change in Bangladesh, UPL, Dhaka, 1991, p.72-73.

[8] ibid

[9] BBS, HIES 2010

[10] Wahiduddin Mahmud and Isher J. Ahluwalia (ed), State of the Bangladesh Economy: Pluses and Minuses, Special Issue of Economic and Political Weekly, September 4, 2004

[11] John Roberts and Sonja Fagernas, 2004, Why is Bangladesh Outperforming Kenya, ESAU Working Paper 5, ODI, London

[12] Hossain Zillur Rahman (ed), 2012, Bangladesh Urban Dynamics, PPRC, Dhaka.

Until a bigger flood engulfed the whole country in early 90's, the institutional capacity of the state through safety net instruments such as VGF cards and epidemic preventing innovations such as ORS had progressed to such an extent as to enable the rural economy to rebound in a matter of weeks with negligible casualties. An extensive system of safety net programmes has virtually eliminated post-disaster secondary cycles of death and hunger. Indeed, a country whose abiding imagery had been that of being at the mercy of disasters is nowadays being held up as a disaster-management role model on the global stage.

At a comparatively low level of economic development, achievements on the social indicators have been no less astonishing. Average number of children born per women has come down from 6.9 to 2.55. Life expectancy has risen to 69 years from the 1971 base of 42 years. Under-5 mortality rate has been brought down to 48 from the base year high of 239 per 1000 live births. Primary net enrolment ratio has risen to 89%. More strikingly, gender parity has been achieved not only at primary level but also at secondary level. Women, in particular poor rural women empowered by microcredit, are transforming the base of the economic pyramid with millions of new stories of self-employment. Work force in the readymade garments sector, the country's biggest export earner, is overwhelmingly female.

2.2 The Evolving Focus on Social Safety Nets

Social safety nets have been a key component of the above story of resilience and transformation. Spurred by the devastation wrought by the 1971 war of liberation and the experience of the 1974 famine, the state and the political class as well as social actors at large including NGOs unleashed an ongoing process of programme innovation and experimentation on social safety nets. This led over the preceding four decades to a substantial programme portfolio that has served to temper the extremes of poverty and provide a crucial cushion to the growth process by ensuring disaster resilience. The table below captures the timeline of this demand-driven process of innovations.

Table-A: Innovations and Experimentation on Social Safety Nets: A Timeline

Time Period	Innovations	Contextually Relevant Factors
Mid to late 1970s	**VGF** **Scaled-up FFW** **Micro-credit**	Innovations a response to the famine of 1974
Mid 1980s	**VGF transformed to VGD (later to IGVGD)** to re-orient focus from relief to relief + development	There were concerns that feeding alone was not enough to reduce chronic hunger and criticism from civil society that poor were being made dependent spurred new initiatives to add training for income-generating activities and bring NGO collaboration
Late 1980s	**RMP: Workfare Innovations** - adding promotional goals to protection goals - extending workfare projects beyond earth-work e.g. social forestry, road maintenance	Innovations a response to the devastation of consecutive floods of 1987 and 1988 which saw new policy emphasis on all-weather infrastructure in place of seasonal earthen infrastructure

Time Period	Innovations	Contextually Relevant Factors
Early 1990s	**CCTs** Food-for Education Programme	Introduction of FFE was driven by two contextual factors: i) a political factor contingent upon the return of parliamentary democracy in 1991 that saw elected leaders seeking new sources of political support; ii) an instrumental search for new use for food aid on the phasing out of Palli Rationing programme
Late 1990s	**VGF Card** **Old Age Allowance** **Widow Allowance**	VGF card was an innovation occasioned by the devastating flood of 1998 when rapid deployment of a food security programme was urgently necessary. The two allowance programmes were innovations driven by competitive populist politics
Early 2000s	**Graduation Goals** A series of successor programmes to RMP and VGD with more explicit combination of protection and promotional goals	A discourse shift from protection goals to protection + promotion goals
Mid 2000s	**Geographic Targeting** Monga, chars	Greater recognition of poverty pockets
Late 2000s	**Employment Guarantee**	The food price hike of 2007-08 spurred a new initiative that saw a major innovation in terms on introduction of employment guarantee (bulk employment during slack seasons) in workfare programme

Three factors were at work behind this above process of innovation and experimentation. The first has been the embedded humanitarian ethos that has always been a hallmark of Bangladeshi society and that prioritized relief for temporary food insecurity whether due to disasters or lack of employment. Two foundational programmes arose out of this ethos – the VGF (Vulnerable Group Feeding) programme in 1974 that involved food transfers to extreme poor households and the scaled-up FFW (food-for-work) programme in 1975 that was a food-based workfare programme. These foundational programmes became the cornerstone of an expanding portfolio of programmes that addressed the core concern of temporary food insecurity.

However, by about the second decade of the new country's existence, a second driver of programme innovation and experimentation also came into play, namely a concern to introduce 'ladders' besides the 'nets' of safety net programmes so that beneficiaries could move beyond temporary relief to more sustainable gains. Introduction of such 'ladder' components whether through human development (training, education stipends, awareness-building), financial strengthening (savings, income supplement, access to micro-credit), employment guarantee or asset transfers led to a succession of programme experimentations and innovations that continues till date.

The third driver in the growth of the safety net portfolio has been a more universal social protection approach of addressing population groups with special needs such as the old, disabled and vulnerable women. This segment of the safety net portfolio essentially got its start from the 1990s when electoral democracy had a new beginning.

There have also been a great deal ongoing experimentation and innovations on process issues. These have included a move from food to cash, entitlement cards, use of banking channels, use of local governments in implementing programmes, geographic targeting and monitoring mechanisms.

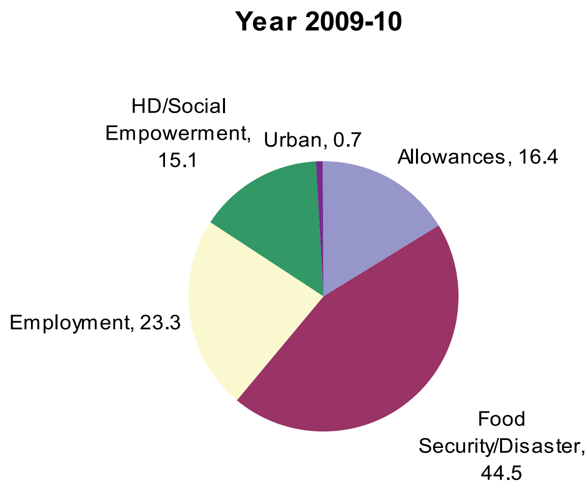
There has thus been a significant demand-driven element in the growth of the social protection agenda in Bangladesh both as response to crisis events or as responses to new democratic aspirations. Bangladesh also appears to have pursued a pragmatic path of incremental programme experimentation rather than a legalistic path of abstract rights in developing its social protection agenda. The original food security-focused VGD programme and the public works RMP have inspired many follow-on programmes such as IGVGD, FSVGD, TUP, REOPA, RERMP that have incrementally embraced more complex goals of graduation in their design and reach. Programme growth has also run in parallel to the vulnerability discourse with a focus on identifying segments of the poor who were missing out in existing programme coverage. This underlay the later focus on marginal communities such as the char-dwellers as well as the broader geographic targeting agenda initially with the Monga belt and now with the Haors and coastal communities.

2.3 The Social Protection Portfolio

Bangladesh's social protection spending as a proportion of GDP is among the highest in the South Asia region averaging at 1.8% between 1996 and 2008. The allocation saw a spike in response to global food and energy price crises to about 2.6% of GDP in FY11 but subsequently too, allocation has stood above 2%. The portfolio of programmes includes allowances for population groups with special needs, food security and disaster assistance programmes, workfare programmes and programmes focused on human development and empowerment. The highest allocation – 44% – is for food security and disaster assistance programmes.[13]

[13] PPRC & UNDP, 2011, Social Safety Nets in Bangladesh Volume 1: Issues and Analytical Inventory

Figure A: Social Protection Portfolio's Major Spending



Source: Author's own source

Bulk of the programmes is implemented through government channels. However, non-government channels play an important supportive role particularly in those programmes focused on sustainable graduation. Though there are nearly 100 safety net programmes in operation, 80% of allocations are spent through ten major programmes.

Table-B: Ten Major SSNPs that Utilize 80% of Allocations (2010-11)

Type	Number	Programmes
Allowances	2	Old Age, Insolvent FFs
Food Security and Disaster Assistance	4	VGF, OMS, TR, VGD
Public Works/Employment	2	FFW, EGPP
Human Development and Social Empowerment	2	Primary Stipends, Secondary Stipends

Source: PPRC & UNDP, 2011, *Social Safety Nets in Bangladesh: Volume 1: Review of Issues and Analytical Inventory*

Overall coverage remains low at around 25% though recent years has seen an increase in coverage consistent with increase in expenditures. However, within the limits of a relatively low overall coverage, proportional coverage is higher for the poorest areas and poorest groups indicating a progressive incidence of safety net benefits.

3. Why a National Social Protection Strategy (NSPS)?

3.1 For a Sum Greater than its Parts

Though Bangladesh has laid reasonable foundations for a social protection agenda in terms of financial commitment and a portfolio of social safety nets, the system as a whole remain significantly below potential in terms of its impact on poverty and vulnerability. Overage coverage remains low. Benefit levels are inadequate and are often misappropriated. Many programmes suffer from high levels of mis-targeting. Beneficiary perceptions though generally positive indicate moderate rather than strong impact.[14] A proliferation of small programmes reinforces an impression of tokenism. Yet, programme level evaluations indicate considerable variation in performance suggesting when implemented well, safety net programmes can bring about noteworthy improvements in beneficiary welfare.[15] Current social protection portfolio thus is truly a case of a sum lesser than its parts.

Bangladesh has already recognized and acted on the importance of social protection as a core strategy to address the triple problems of poverty, vulnerability and marginalization. Today's concern is truly a step beyond this first-order level of engagement. The challenge is for greater coherence in the policy framework and improved design and implementation that can ensure a sum greater than its parts.

3.2 Purpose of the Framework Paper for Developing the NSPS

The purpose of this Framework Paper is to guide the preparation of a NSPS through elaborating the key steps that will be necessary for developing the NSPS. The major steps include the following:

i. Key issues in developing the NSPS.

ii. A framework of building blocks on which the NSPS can meaningfully be developed.

iii. Identify the critical knowledge gaps that require to be addressed.

iv. The fiscal challenge of a sustainable system of social safety nets

v. Highlight core operational concerns.

4. Key Issues in Developing a NSPS

4.1 Initial Considerations

It is important to be clear that developing a NSPS for Bangladesh is not primarily a task about radical re-thinking. Bangladesh has built reasonable foundations for social protection albeit with many gaps and weaknesses. The appropriate perspective on which to approach the task of developing a NSPS is to i) build on achievements thus far, ii) prioritize systemic coherence and policy visibility, iii) pursue incremental but systematic improvements in programme performance, iv) continue in the responsive strategy of innovations and experimentation that addresses challenges as they emerge and v) ensure that an active understanding of poverty and vulnerability dynamics inform programme initiatives.

As an overall consideration, it is essential to ensure consistency and coordination of the NSPS with directions of the Sixth Five-Year Plan, the Perspective Plan, the National Sustainable Development Strategy and the Extreme Poverty Map currently being formulated by BBS.

4.2 The Question of Scale

Nearly a third of the population (31.5%) lives below poverty, of which about half are in extreme poverty. Exacerbating this problem of poverty is the problem of vulnerability due to a range of shocks. The impact of shocks on poverty is of particular concern for Bangladesh

[14] PPRC & UNDP, 2012, Social Safety Nets in Bangladesh Volume 2, Dhaka

[15] Ibid

given the large size of vulnerable population living around the poverty line. Studies show that a small shock – 5% shock to consumption – would increase the percentage of the poor by 29% and that of the extreme poor by 68%.[16] The question of scale and the institutional and administrative capacity to respond quickly to shocks is thus of particular concern in developing a NSPS for Bangladesh.

4.3 Data-Base on the Extreme Poor

A crucial plank for a scaled-up social protection strategy is a national data-base on the extreme poor. Government of Bangladesh is already embarked on this task but what has to be underlined is that the task is not merely a technical and an organizational one. Definitional issues, unless comprehensively resolved at the outset, may come to cloud the utility of the data-base. The other crucial issue is access to this data-base and ensuring that such access does not fall a victim to the familiar problem of bureaucratic red-tape. A third and final concern is about updating. Poverty realities are not static and hence data-base on the poor need to be regularly updated through a well thought-out plan.

4.4 Complexity of the Graduation Path and the Importance of Promotional Interventions

The PPRC-UNDP Study of 2012 brought out the complexity of the graduation path in which success has been relatively easier in reducing the intensity of poverty compared to graduating out of it. Such complexity underscores the importance of promotional components, i.e. graduation platforms and ladders, which ensure sustainable change beyond the project cycle. Search for effective promotional components that will enable sustainable escape from the poverty trap has to be an integral dimension of scaling up the social protection strategy but there is an important conceptual clarification which merits attention here. One arena for such promotional interventions is the household context, i.e. graduation platforms such as savings, assets etc. In this context, it would also be crucial to explore possibilities of linkages and synergies between social protection programmes and the widely disseminated micro-finance services, including a platform for the delivery of micro-insurance.

There is another arena too that is equally relevant, namely the meso-context within which the household pursues its graduation goals. This extra-household context has not been brought into sufficient focus as an integral element of the social protection scaling up strategy.

The complexity of the graduation path reinforces the importance of linking the social protection agenda to overall economic policies, in particular inclusive growth policies that can make the market work also for the poor.

4.5 Review of International Experiences on Approaches to Social Protection

Preparation of the NSPS should take into account relevant lessons from approaches to social protection as practiced in other countries. Critical policy debates such as those on life cycle approach and risk reduction approach should be reviewed for appropriate lessons. The issue is less about adoption of any one approach but rather of assessing which policy elements and ideas are likely to be most effective in consolidating the foundations of a sustainable and effective NSPS in alignment with the broader development and poverty reduction strategy and within the specific policy and capacity limitations of Bangladesh. As Bangladesh makes

[16] World Bank, 2008, Bangladesh Development Series, Paper No. 26, Dhaka (p.90)

a transition in its aspiration for a middle income status, so should the social protection approach align more effectively with this aspirational transition. Risk coverage, graduation and coverage of life contingencies as differing focus of social protection need to be considered within such a transition framework.

4.6 Lessons on 'Good Practices' and 'Failures' in National and International Practice

An important focus of NSPS will be utilize the lessons on 'good practices' and 'failures' available in social protection strategies both within and outside the country. This will ensure that the proposed NSPS is grounded in field realities from the outset since poor outcomes can often weaken policy and social support for a NSPS. A review of the practices of NGOS and CSOs involved in the implementation of safety net programmes will be an important element of this focus.

4.7 Rationalizing Allocations for Regional Disparities, Excluded and Marginal Groups

Ensuring proportionately greater coverage of groups and areas marked by greater vulnerabilities and poverty intensity is an important feature of an effective social protection system. The accuracy of poverty maps used to determine allocations is an important issue in achieving this objective. Current unit of disaggregation for poverty mapping is the upazila. In some instances, this may disadvantage poorer pockets within such a unit. This issue of poverty mapping and rationalizing allocations for regional disparities will require due consideration in the preparation of the NSPS. A related issue to consider is the adequacy of attention to marginal groups such as vulnerable women (including widows and divorcees), physically challenged citizens, high risk groups, dalits, homeless, displaced and street children.

5. Addressing Critical Knowledge Gaps

There are a number of critical knowledge gaps that need to be addressed towards the preparation of a viable and effective NSPS. These include:

5.1 Nutritional Security

A key finding of recent poverty trends is the contrast between relatively rapid progress on hunger indicator and the persistence of high child malnutrition as indicated in the two indicators of stunting and low birth weight. Unlike the hunger indicator, the challenge of high child malnutrition is not restricted to direct interventions but also impinges on behavioural change in terms of food habits and awareness, social factors such as low age of marriage which lead to low birth-weight. How social protection approach should address this key off-track MDG represents a major knowledge gap.

5.2 Urban Poverty

Analytical understanding of the growing phenomenon of urban poverty is very limited. In particular, the differential characteristics of urban poor vis-à-vis the rural poor has not been adequately captured. The face of urban poverty may also differ across the urban spectrum – from mega-cities to secondary towns. While an overwhelming majority of the rural poor are employed in the informal sector, the urban poor are increasingly being employed in the formal sector, which brings labour market interventions designed to promote protection of workers and their integration into social protection to the fore. The typical targeting strategies that have worked so well in dealing with rural poverty may not work when it comes to dealing with the different kind of vulnerabilities faced by the urban poor. Addressing this knowledge gap will be a priority towards the development of the NSPS.

5.3 Promotional Safety Nets and Graduation Process

Protection and promotion are increasingly recognized as dual goals of a comprehensive social protection strategy. However, the graduation consequences of promotional safety nets, in particular, understanding of the graduation strategies pursued by poor household themselves over and beyond specific project timelines is a conspicuous knowledge gap.

5.4 Poverty Trends in Poverty Pockets

An important feature of poverty in Bangladesh is its concentration in certain poverty pockets. Areas such as the monga belt in northern districts have been in policy focus for some time. Updated understanding of poverty trends in such pockets is an important knowledge gap. Such updated analytical understanding can provide important inputs in the design of the NSPS.

5.5 Climate Change and Vulnerability

Climate change poses new vulnerabilities to a land already burdened with various vulnerabilities. Communities particularly at risk may include coastal population, population in the low-lying haor areas, and, urban settlements in vulnerable environments. A researched understanding of these risks will be critical in planning for redressal measures that need to be indicated in the NSPS.

6. Building Blocks of NSPS: A Four -Tier Framework

The following will be the building blocks of the proposed NSPS:

6.1 Consolidation and Rationalization

The existing social safety net portfolio contains significant opportunities for consolidation and rationalization around key vulnerabilities. The question is not about bureaucratic rationalization of programmes but rather strategic consolidation of a menu of programme options to address the diversity of risk and vulnerabilities, rationalization of implementation procedures across programmes and resource rationalization in terms of enhancing cost-effectiveness and ensuring value-for-money. Identifying these opportunities with particular emphasis on scalable models will be a key priority for the NSPS. At the same time, while the NSPS will convey a vision for social protection of the future in Bangladesh, it needs to offer exit plans for programmes of the current social safety net portfolio that do not remain in a menu of future consolidated options.

6.2 Performance Improvement at Programme and System Levels

Existing levels of expenditures on social safety nets can generate significantly greater impact if many of the design, implementation and monitoring weaknesses are addressed effectively. Opportunities for such performance improvement can be at the level of design, benefit package, instrument choice e.g. food/cash, implementation procedures, monitoring strategies, sequencing and collaboration and division of responsibilities amongst various implementation actors including central agencies, local governments, NGOs and community groups. Identifying such opportunities will be a key priority for the NSPS. The utility of current social protection programmes could be researched and based on the findings directions be suggested on possible alternative service providing systems for optimal impact.

6.3 Policy and Framework Coherence

Over and beyond programme level issues, a key task of NSPS will be about a more coherent projection of a portfolio of programmes that serve to keep in focus the overall map of needs as well as various segments of the clientele. Such policy coherence itself has to be can be a key objective of a NSPS. Among other things, establishment of such policy coherence would serve to benefit each individual programme by ministry-level oversights leading to rationalization of implementation guidelines, targeting criteria, beneficiary data-base and monitoring mechanisms. An additional benefit of policy coherence would be at the ground level where the local government bodies tasked with beneficiary and scheme identification for various programmes can distribute these more rationally across the various programmes. It would, in this context, be important to underscore the critical role of strong and accountable local governance in the delivery of social protection programmes and services.

6.4 Gaps and New Vulnerabilities

Notwithstanding the considerable portfolio of social safety nets, there are several outstanding gaps that will have to be a priority of the NSPS. Some of these relate to off-track MDGs such as child malnutrition and school drop-out rates. Some relate to new vulnerabilities in particular urban poverty, climate change and youth unemployment. Some relate to unaddressed entrenched risks such as the burden of out-of-pocket health-care costs. Extending current programme portfolio to address these new areas – ***nutrition, urban poverty, health finance risk reduction, youth unemployment and climate change*** – will have to be a core concern of the NSPS. A crucial necessity will be to overcome the knowledge gaps that pertain to these areas. Purposive and focused studies on these topics may be undertaken to ensure the robustness of the NSPS.

7. Operational Concerns

Development of the NSPS will have to address some priority operational concerns. These include:

7.1 Institutional Implementation Framework

The roles of implementing ministries, institutions and other stakeholders concerned need to be identified in an institutional implementation framework. This will include the responsibilities for controlling, maintaining and updating the data base on the extreme poor. The framework should, within a Plan of Action for priority action on implementation of the NSPS, provide a roadmap for institutionalization of the whole system of social protection service delivery in a medium-term future.

7.2 Targeting

Effective targeting is one of the core challenges of delivery success on social protection. This is one of the core operational concerns that will have to be addressed by the NSPS. The issues here pertain to several levels – efficacy of targeting approaches such as proxy means testing, field relevance of specific targeting criteria in use and implementation arrangements that impinge on targeting success.

However, the issue of targeting is not exclusively an operational concern; it also has the policy implication of applying a needs-based approach. The NSPS should look at opportunities for Bangladesh to move towards a rights-based approach to social protection, in line with provisions of the country's Constitution, in order to support inclusive growth and the level of eradication of extreme poverty that will be required for Bangladesh to attain Middle Income Country (MIC) status. This would, in turn, require a parallel analysis of fiscal space.

7.3 Monitoring

An effective system of monitoring is essential to build accountability and ensure desired outcomes in social safety net programmes. Preparation of the NSPS will have to review the issues pertaining to the monitoring challenge including the issues of instruments, responsibilities and standardization across programmes. For an accountable service delivery system to evolve, programme beneficiaries are to be considered as equal stakeholders and monitoring may include provisions to gauge client satisfaction (e.g. through citizen report cards), as well as grievance procedures. Programme design changes such as direct Government to Person electronic benefit transfers through use of banking channels, including banking services now available through post offices, and new technologies that contribute to more effective monitoring should be reviewed for their potential to be a more integral part of monitoring systems.

8. Financing and Fiscal Space

Though reasonable by international comparison, Bangladesh's allocation to social protection sector can be raised considerably to reach international norms. However, this will depend on the fiscal space available. An analysis of this fiscal space will be a priority for the NSPS. Sources for financing social protection to be included in the analysis would comprise public expenditures, international aid, NGO, community, CSO and private financing. The dominant sources for financing formal safety net programmes in Bangladesh currently are public expenditures and international aid through development partners and INGOs. Community financing is important for many informal social protection efforts. CSO financing is an emerging trend particularly for education-related social protection programmes. The financing challenge can also be addressed through the route of social insurance, particularly for health-care related expenditures. Use of national and international philanthropic funds in light of international practices may also be assessed.

Analysis of financing opportunities and the fiscal space for social protection will have to look at the dynamics of these sources. Such analysis may not only look at scope for additional resources but also rationalization of existing expenditure allocation to avoid duplication and incentivizing better performance and more cost-efficient delivery of programmes. The analysis also needs to consider demographic dynamics, representing both the opportunity of capitalizing on the current window of a demographic dividend with an increasingly young population entering the labour market and the future challenges of aging out of the demographic dividend. This will require a progressive response to changes and prospective needs to ensure that the future burden on economy and resources can be sustained.

1. Poverty, Vulnerability and Inequality in Bangladesh

*Dr. Bazlul H Khondker

Introduction

Bangladesh has made good progress in reducing poverty during the last decade. A range of factors has contributed to this success, although the increase in GDP growth appears to be the dominant factor. Despite this impressive progress, vulnerability is still pervasive in Bangladesh and a high proportion of the population is either poor or is vulnerable to falling into poverty. Indeed, there are strong arguments that the poverty line in Bangladesh is set too low. Furthermore, poverty rates tend to vary by areas of residence, divisions, gender, and age groups. Although, vulnerabilities can be classified as two types-economic vulnerability and social vulnerability, the issue of economic vulnerability is only addressed in this paper. The social vulnerability like dowry, early marriage of girls, violence against women, migration, climate change has been addressed in paper four of the NSPS background paper series.

Social protection aims to both tackle poverty and build resilience among individuals and families so that they are less vulnerable to falling into poverty. Designing an effective social protection system depends on a comprehensive understanding of the poverty and vulnerability situation. Thus, the purpose of the paper is to undertake an in-depth assessment of poverty profiles by different attributes such as areas of residence, divisions, gender and age groups, and by different poverty lines, with the objective of designing the most appropriate social protection programmes.

Poverty analysis in this paper is mainly based on the latest available Household Income and Expenditure Survey (HIES) 2010 data. HIES 2010 data is complemented by various studies and reports. The Foster–Greer–Thornback measure[1] has been used to assess the poverty situation in Bangladesh.

Box 1.1: Note on Poverty Measure

Poverty rates in Bangladesh are calculated using per capita equivalence scales. This means that the consumption of each person in the household is estimated as the equivalent of an adult. This has implications for poverty rates, in particular when different age groups are compared. For example, by counting each child as an adult, the poverty rates of households with children will be higher than if children were regarded as a proportion of an adult (for example, 0.5 of an adult, as is the practice in the Pacific region). When comparisons are made with other categories of the population, adult equivalent scales generate higher poverty rates for households with children than households with adults, in particular elderly and people with disabilities. A simplistic interpretation of poverty rates can lead to mistakes in policy-making.

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[01] This measure composed of three measures: (i) the simplest measure of the prevalence of poverty, headcount ratio, is the proportion of population with a per capita income below the poverty line. (ii) The depth of poverty is measured by the poverty gap index (PGI). The poverty gap measures the average short fall in consumption relative to the poverty line and thus overcome the first limitation of the head count ratio. (iii) The average of the squared poverty gap for each poor person is the (SPGI). This is a dispersion measure about the severity of poverty. Severity measure is sensitive to the consumption distribution among the poor. That is, it weights the deficit in consumption relative to the poverty line more heavily the poorer the person is.

Since 1995-96, Bangladesh Bureau of Statistics is using the Cost of Basic Needs (CBN) method as the standard method for estimating the incidence of poverty. In this method, two poverty lines are estimated: (i) Lower poverty line; and (ii) Upper poverty line. Annex 1.a provides a description of CBN poverty method and estimated poverty rates by divisions.

As a result of the assumptions used in the analysis of the household survey, this report will take care not to compare different demographic categories unless the results are driven by the underlying data rather than the assumptions. In the report, some alternative results will be provided in footnotes for an equivalence scale of 0.5 for children aged 0-14 years, such as using a poverty line of BNPL x1.2.[02]

It should be borne in mind that no equivalence scale or economy of scale measure is correct. It is, however, important to test the sensitivity of results to different assumptions.

Poverty Trend in Bangladesh

In recent years, Bangladesh has made impressive progress in reducing poverty. While the national poverty rate was 49 percent in 2000, it had reduced to 31.5 percent by 2010 (BBS 2010). A range of factors has contributed to this success with the dominant factor being strong economic growth: real GDP per capita has more than doubled in the past ten years. The main factors supporting GDP growth have been: the increase in the rate of private investment – facilitated by a stable and market-friendly environment – from 10 percent of GDP in the early 1990s to 18 percent; the growth in the garment industry; a ready supply of low-cost labour; a flexible labour market, with few restrictions on hiring and firing workers; significant increases in remittances; and a rapid expansion of financial services. Along with these, increase of real wages also contributed in the reduction of poverty in the country. Moreover, decline of economic dependency as a consequence of reduction of population growth also contributed to this process.

Table 1.1: Bangladesh Poverty Trend

	2000			2005			2010		
	Head Count	Gap	Severity	Head Count	Gap	Severity	Head Count	Gap	Severity
National	48.9	12.9	4.6	40.0	9.0	2.9	31.5	6.5	2.0
Urban	35.2	9.5	3.4	28.4	6.5	2.1	21.3	4.3	1.3
Rural	52.3	13.8	4.9	43.8	9.8	3.1	35.2	7.4	2.2

Source: Household Income and Expenditure Survey (HIES), BBS, 2000, 2005, and 2010

HIES 2010 Poverty Analysis

Poverty by Location, Gender and Residence

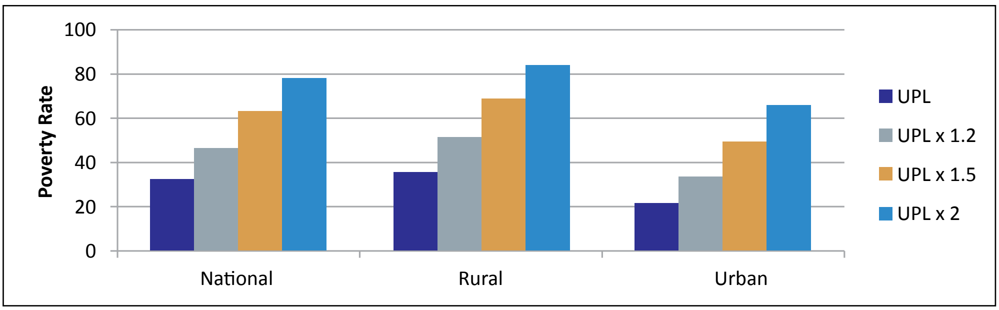
The fall in poverty rates should not disguise the reality that a very high proportion of the population of Bangladesh is either poor or vulnerable to falling into poverty. If the poverty line were set at PPP$1.25 per day, the poverty rate would increase to 43 percent (World Bank 2012b). Around 84 percent of the population in 2010 was living under the equivalent of PPP$2 per day, which many would regard as a more reasonable measure of poverty (World Bank 2012b).

[02] The poverty rate for BNPL x1.2 is provided when an equivalence scale of 0.5 is used for children as this is relatively close to the BNPL poverty rate with adult equivalent scales. The use of equivalence scales of less than adult equivalent for some population categories necessarily reduces national poverty rates.

Recent research by the World Bank (2009; 2012a) in Pakistan and Indonesia has demonstrated that large numbers of households regularly move in and out of poverty. For instance, although in Indonesia the poverty rate in 2011 was 12 percent, around 43 percent of the population spent some time in near poverty – under Upper poverty line (UPL)[3] x1.2 – between 2008 and 2010. Household incomes in the informal and subsistence sectors tend to be volatile and idiosyncratic shocks – such as illness – can throw households into poverty.

Poverty line (PL) has been manipulated to assess the sensitivity of poverty line to poverty rate. Three variations in poverty lines have been considered – (i) an upward increase of PL by 20 percent (i.e. PL x 1.2); (ii) a fifty percent increase in PL (i.e. PL x 1.5); and (iii) a 100 percent increase in PL (i.e. PL x 2) Although there is no accepted threshold for near poor or vulnerable population, in this paper, individual whose per capita consumption is less than the PL x 1.2 may be considered near- poor. On the other hand, individual whose per capita consumption is less than the PL x 1.5 may be considered vulnerable. Figure 1.1 using the UPL x1.2 poverty line and 63 percent using the UPL x1.5. Therefore, a majority of the population can be regarded as either poor or highly susceptible to falling into poverty.

Figure 1.1: National, Urban and Rural Poverty Rates, Using Various Poverty Lines (UPL; UPL x 1.2; UPL x 1.5; and UPL x 2)



Source: Author's estimation based on Household Income and Expenditure Survey (HIES), BBS, 2010

HIES 2010 Data on poverty status by locations; gender and divisions is shown in Table 1.2. Poverty is significantly higher in rural location compared to the urban location by all measures of poverty. According to HIES 2010, almost 36 percent of rural population is poor according to the Upper poverty line (UPL) compared to 22 percent of urban population. Analogous to the head count poverty rate, other measures such as poverty gap and severity are also substantially higher in rural locations. The level of extreme poverty[4] is about 8 percentage points higher in rural location compared to the urban location. The incidence of food poor is also high in rural location. Almost 6 percent of rural population is food poor while the proportion is around 3 percent in urban location implying that incidence of food poverty in urban location is half of that of the rural location.

[3] BBS, since 1995-96, is using the Cost of Basic Needs (CBN) method as the standard method for estimating the poverty incidence. Under this method, two poverty lines are estimated: Upper poverty line (UPL) and Lower poverty line (LPL), See Annex 2 for further discussion.

[4] Income or cconsumption of a person is less than the lower poverty line. Please see annex for different poverty lines used in Bangladesh for 2010.

Table 1.2: Bangladesh 2010 Poverty Profiles by Location, and Division (Percent)

	Upper Poverty Line (UPL)			Lower Poverty Line (LPL)	Food Poverty Line (FPL)	Near Poverty Line (UPL x 1.2)
	Head Count	Gap	Severity	Head Count	Head Count	Head Count
Location						
Rural	35.35	7.86	2.52	19.89	5.73	51.27
Urban	21.49	4.51	1.43	11.52	3.13	33.32
Gender						
Men	31.3	7.0	2.3	17.2	5.2	46.2
Women	31.8	7.3	2.4	17.8	5.4	46.2
Division						
Barisal	39.22	10.06	3.62	26.59	12.16	51.23
Chittagong	26.17	5.24	1.59	13.10	1.95	42.12
Dhaka	30.50	6.77	2.13	15.46	4.40	44.53
Khulna	32.03	7.04	2.32	15.37	3.52	47.49
Rajshahi	33.37	7.39	2.31	19.12	5.96	49.98
Sylhet	28.08	5.48	1.57	20.73	4.78	42.22

Source: Household Income and Expenditure Survey (HIES), BBS, 2010

Although the analysis of the household survey shows that poverty rates vary between rural and urban areas, with 35 percent of the rural population poor and more than half vulnerable to poverty, there is growing scepticism that poverty is less prevalent in urban areas. The World Bank (2012) notes that a different measure of poverty – using Direct Calorie Intake – indicates that urban poverty rates are 6percentage points higher than rural poverty rates.[5] UNICEF (2010) argues that living conditions in slums – where 5 percent of the population reside – are worse than in most rural areas. High rates of continuing migration to cities are likely to exacerbate poverty in urban areas, in particular in the slums.

Regarding the gender dimensions of poverty (measured by headcount rate), although men and women are equally likely to be poor, the HIES 2010 data show that male-headed households (32 percent) likely to be poorer than female-headed households (26 percent). In contrast to this general pattern, older women are poorer (around 31 percent) than older men (26 percent). Relatively disadvantageous position of older women compared to their male counterparts is indicated by all other measures of poverty.

Poverty profiles by six divisions of Bangladesh suggest that poverty is still highest in Barisal division (39 percent) followed by Rajshahi (33.3 percent) and Khulna (32 percent) – the less integrated regions in terms of connectivity with major growth centres of the country. Poverty levels are less than 30 percent in Sylhet (28 percent) and Chittagong (26 percent) divisions –relatively better integrated regions of the country. Dhaka division, although is a well-integrated division, did not experience significant reduction in poverty (30.5 percent) – perhaps due to increase in net migration to Dhaka and the surrounding areas in relation of its growth.

5 This finding was based on an analysis of 2010 household survey data. The household survey methodology which uses a cost of basic need approach gave the urban poverty rate as 14 percentage points lower than the rural poverty rate.

Regional variations in poverty rates may be analysed by considered two time periods – (i) between 2000 and 2005; and (ii) between 2005 and 2010. According to World Bank (2008), during the first period variations in poverty incidence across divisions are mainly due to level of connectivity of divisions with main growth poles of the country. The rivers Ganges and Brahmaputra divide the country, with areas to the west of the Brahmaputra and to the south of the Ganges being less integrated to the national economy (i.e. Barisal, Rajshahi and Khulna). Since 2000 the disparity between the less integrated West and the East has grown, with the eastern region benefitting from proximity to the growth poles of Dhaka and Chittagong. Poverty analyses based on HIES 2010 reveal a changed Bangladesh (World Bank, 2013). More specifically, during the second period the Westerns divisions (Barisal, Rajshahi and Khulna) experienced greater reduction in poverty along with achieving levels of poverty in line with the Eastern Divisions (Chittagong, Dhaka and Sylhet).

Poverty by Land Ownership, Education and Nutrition

Poverty situation in rural areas by land ownership pattern has been provided in table below. Land ownership and poverty data suggests strong negative association between poverty incidence and asset base of rural population. Although, overtime poverty rates are declining for all categories of land ownership, smallholdings are associated higher level of poverty.

Table 1.3: Trends in Rural of Poverty by Land Ownership

Land Ownership Pattern by Land Size	**Poverty Rate (Percent)**		
Land size	2000	2005	2010
Landless <0.05 acre	63.5	56.8	45.6
Functionally landless 0.05-0.5 acre	59.7	48.8	34.6
Marginal 0.5-1.5 acres	47.2	35.1	25.0
Small 1.5-2.5 acres	35.4	23.7	16.8
Medium/large: 2.5 acres or more	20.7	12.8	9.7

Source: Household Income and Expenditure Survey (HIES), BBS, 2000, 2005, 2010 and World Bank, 2013

Somewhat counter-intuitive outcomes have been observed for the relationship between education level and poverty level. The association between education level and poverty rates is reported in the table below. Although it is generally argued that a more educated population helped to reduce poverty, in the case of Bangladesh improvements in the educational structure of the workforce accounted for a relatively small amount of the observed poverty reduction over the 2000-2010 period (World Bank, 2013). More specifically, those households headed by an individual with no education (or less than primary education) reported the largest reduction in poverty over the decade. This counter-intuitive outcome has been linked to the increase of the relative price of unskilled labour due to the rise of the wages of agricultural workers to offset the price shocks.

Table 1.4: Education Level-wise Poverty Rate and Population Share

Education Level	Poverty Rate (Percent)			Population Share (Percent)		
	2000	**2005**	**2010**	**2000**	**2005**	**2010**
No Education	63.2	54.7	42.8	73.2	68.7	70.5
Primary	40.3	35.1	29.7	12.5	14.2	12.7
Secondary	30	21.4	17.3	6.7	8.4	8.0
Higher Secondary	8.8	8.5	7.2	4.0	4.2	4.6
Graduate and above	3.1	4.3	3.1	3.6	4.5	4.2

Source: Household Income and Expenditure Survey (HIES), BBS, 2005, 2010 and World Bank, 2013

Despite impressive achievement in reducing poverty, malnutrition and stunting remain key concerns in Bangladesh. Usually anthropometric measures are used to assess the nutritional status. However, such measures are not available and hence dietary diversity scores (DDS) has been used for this purpose. Rah et al. (2010) find that good dietary diversity is strongly negatively associated with stunting among children aged less than five years. Similarly, low dietary diversity is often associated with higher prevalence of infections (Waterlow 1994).

According to HIES 2010 data suggests that improvement with regard to nutrition is slow. In 2010, around 38 percent of the population is considered to be moderately food deficient, dropping just 6 percentage points over the 2000 to 2010 period. Moreover, low dietary diversity, as measured by the Household Dietary Diversity Score (HDDS), has also been found a persistent problem in Bangladesh (World Bank, 2013). Accordingly, it has been concluded that Bangladesh is unlikely to meet the MDG of reducing moderate food deficiency (access to fewer than 2,122 kilocalories per person per-day) to 24 percent.

Inequality

The picture of inequality in Bangladesh varies according to the measure used. When income is measured, inequality is very high with the Gini co-efficient at 0.46 (anything over 0.4 should be regarded as high inequality).[6] Figure 1.2 shows how total income was distributed across deciles in 2010, with over 35 percent received by the richest decile of the population. In fact, BBS (2010) stresses the significant discrepancy between the poorest 5 percent of the population – who receive a mere 0.78 of national income – and the richest 5 percent who receive 24.6 percent. However, when expenditure is used as the measure of inequality, the Gini co-efficient is much lower at 0.32 (BBS 2010).

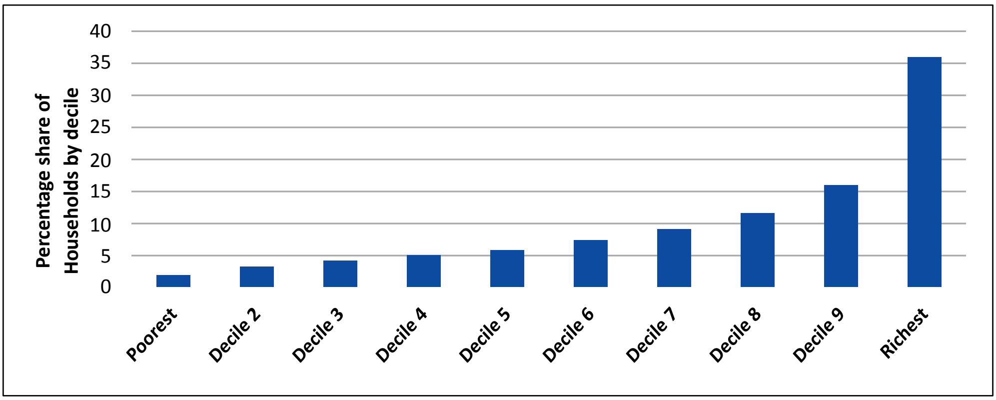
The difference between the two measures may be due to hosts of factors such as remittances (private transfers) and public policies including micro-credits and safety net programmes that build up consumption prospects of the poor beyond what are possible from income. Another possible explanation is the larger measurement errors associated with estimating income.

[6] The Gini index is the most frequently used inequality index. It varies between 0 and 1 with 0 suggest perfect equality and 1 perfect inequality. The reason for its popularity is that it is easy to understand how to compute the Gini index as a ratio of two areas in Lorenz curve diagrams. As a disadvantage, the Gini index only maps a number to the properties of a diagram, but the diagram itself is not based on any model of a distribution process. The "meaning" of the Gini index only can be understood empirically. Additionally, the Gini does not capture where in the distribution the inequality occurs. As a result, two very different distributions of income can have the same Gini index.

High levels of inequality are a growing concern in developing countries. High inequality can reduce economic growth and also limit the impact that economic growth has on poverty reduction.[7] The high level of income inequality in Bangladesh probably reflects the low levels of taxation and redistribution in the country. One recent positive factor for Bangladesh is that inequality does not seem to be rising: the income Gini co-efficient reduced slightly between 2005 and 2010 from 0.47 to 0.46.

In order to reassess the trend in inequality Theil index[8] has also been estimated using HIES 2005 and 2010 information. More specifically, the Theil Inequality index has been calculated using the consumption expenditure data of HIES 2010 and 2005. The values suggest that inequality has reduced slightly from 0.21 to 0.19 during this period.

Figure 1.2: Share of Total Income in Each Decile



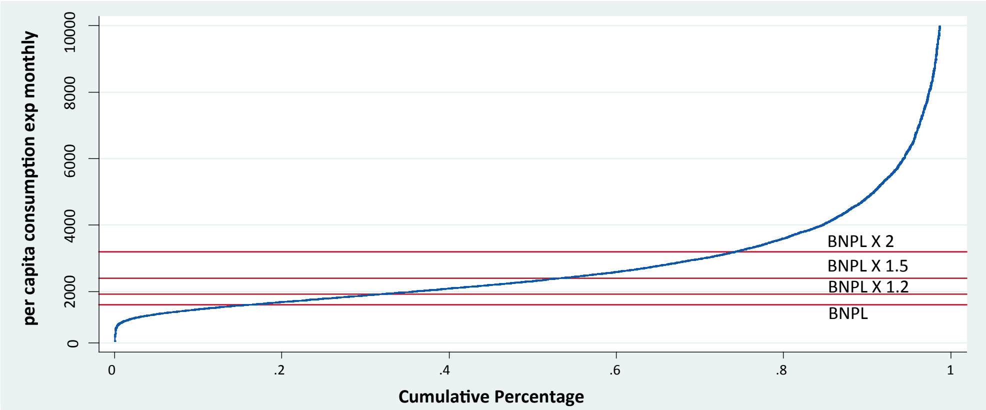
Source: Household Income and Expenditure Survey (HIES), BBS, 2010

Figure 1.3 indicates, there is little difference in consumption between those in the 2nd and 7th consumption deciles and shocks – illness or flooding – mean that the majority of families are in danger of falling into absolute poverty. In order to illustrate the sensitivity of the distribution to changes in income or consumption (i.e. due say to a shock), if the BN poverty line is increased by a mere 20 percent, the poverty rate would rise by 59 percent (to 50 percent). In 2012, around 63 percent of the population was living within 50 percent of the MPL and around 80 percent were within 100 percent of the PL. Shocks and crises could, at any time, have a significant impact on the incomes of around 60-70 percent of the population, potentially throwing them into poverty.

07 See UNDP (2005) and World Bank (2005).

08 The Theil Inequality index which belongs to the class of entropy index, it is used to measure the "disorder" or deviations from perfect income equality. As for any resource distribution and with reference to information theory, "maximum entropy" occurs once income earners cannot be distinguished by their resources, i.e. when there is perfect equality. A Theil index of 0 indicates perfect equality. A Theil index of 1 indicates that the distributional entropy of the system under investigation is almost similar to a system with an 82:18 distribution

Figure 1.3: Cumulative Expenditure Among Households and Different Poverty Lines

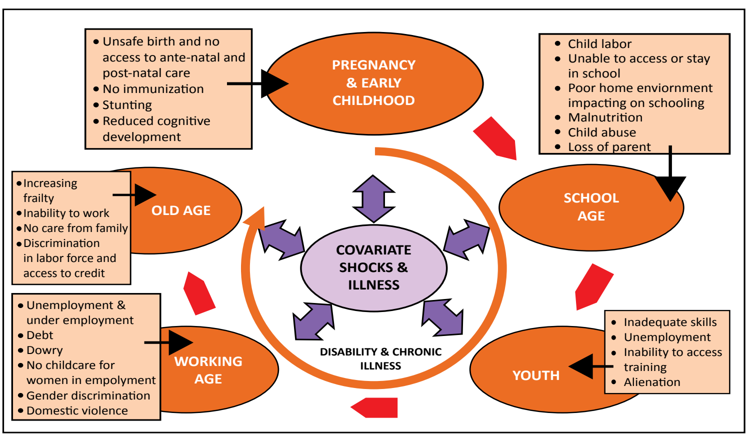


Source: Author's estimation based on Household Income and Expenditure Survey (HIES), BBS, 2010

Understanding Poverty Profile from Lifecycle Perspective

Social protection aims to both tackle poverty and build resilience among individuals and families so that they are less vulnerable to falling into poverty. Here we examine the factors underpinning vulnerabilities within Bangladesh. It uses the lifecycle as a framework for discussing these vulnerabilities, focusing on the challenges faced by people and families in Bangladesh at different stages of their lives. However, because people live in families, households and social networks, it should be borne in mind that a shock hitting one person at some point in their lifecycle also has implications for others with whom they have social and kinship relations, particularly for those within the same household. Figure 1.4 summarizes the risks faced by families in Bangladesh across the lifecycle, from pregnancy and early childhood through to old age. In addition, there are shocks that can hit people at any time of their lives such as natural disasters and illness. These challenges are discussed below as a prelude to examining Bangladesh's social protection system and potential areas for policy reform.

Figure 1.4: Risks Across the Lifecycle



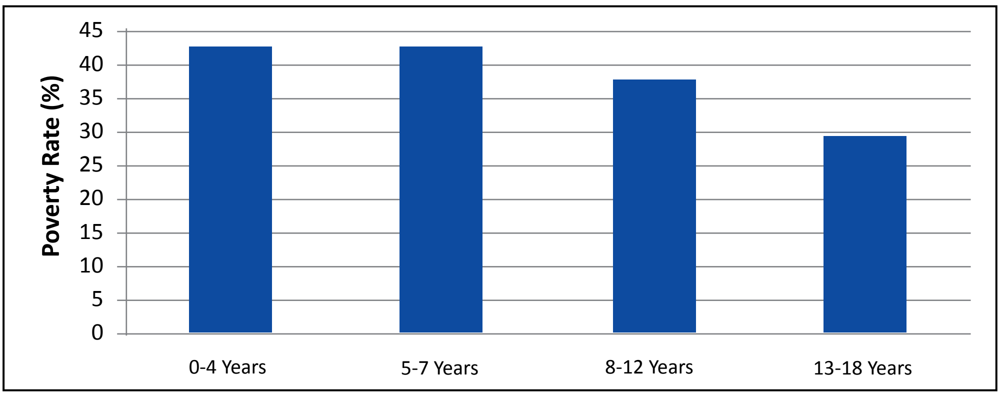
Source: AusAid, 2013

Pregnancy and Early Childhood

The risks faced by children begin in the womb, especially if their mothers are unable to access an adequate diet. Indeed, 40 percent of rural families are unable to afford a minimum-cost nutritious diet (Sabina 2012) and it is common for women to eat less well than their husbands. Children – and mothers – are also put at risk when they are unable to receive adequate pre-natal care or give birth with the help of medical personnel. Only 26 percent of women have at least 4 antenatal visits while only 32 percent give birth with the assistance of someone with medical training[9] (NIPORT *et al.* 2013). Under-five mortality is high at 53 children per 1000 live births, although it has improved from 94 per 1000 in the late 1990s (NIPORT *et al.* 2013). Around 86 percent of young children receive a full complement of vaccinations, with only 2 percent receiving no vaccinations at all (NIPORT *et al.* 2013).

As Figure 1.5 indicates, headcount poverty rates in 2010 in households with children aged 0-4 years are – at 41.7 percent – much higher than national poverty rates, indicating the challenges and additional expenses caused by having young children, in particular if mothers are unable to work. Indeed, some women – including many in the garment industry – have to give up work once they have children. Around 57 percent of households with children aged 0-4 years could be regarded as poor or vulnerable to poverty, using a poverty line set at UPL x1.2.

Figure 1.5: Poverty Rates of Households with Children of Varying Ages[10]



Source: Author's estimation based on Household Income and Expenditure Survey (HIES), BBS, 2010

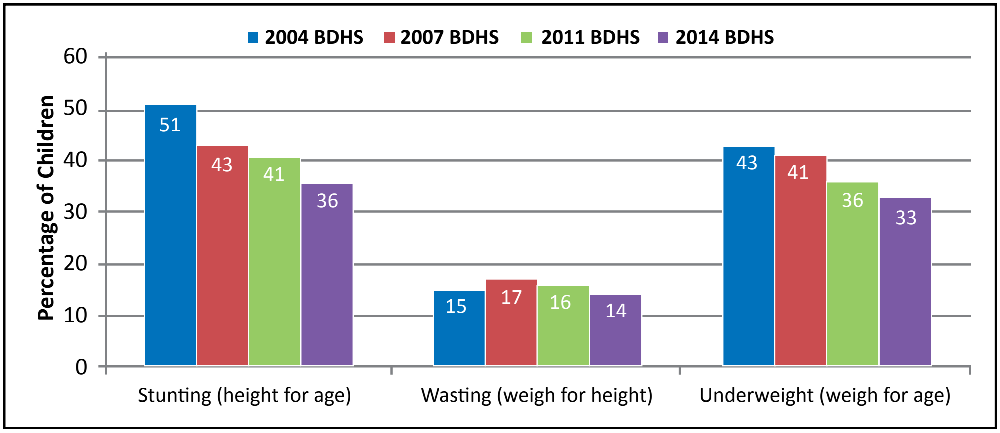
Despite recent progress in reducing undernutrition, a high proportion of young children suffer from undernutrition, which impacts on their cognitive development, affecting them throughout their whole lives. Figure1.6 shows the progress on stunting and underweight children between 2004 and 2011. Stunting rates, estimated at 68 percent in 1990, fell to 41 percent in 2011. Indeed, the World Bank (2013) argues that Bangladesh has made "remarkable" progress in reducing stunting. Even so, it is evident that the challenge remains significant, especially in rural areas where stunting levels – at 43 percent – are significantly higher than in urban areas (at 36 percent).

09 Post-natal care from a medically trained provider within 2 days of giving birth is received by only 27 percent of women (NIPRT et al. 2013)

10 These figures use adult equivalent equivalence scales.

The causes of stunting are complex but, in the past 20 years, there appears to have been a strong correlation between poverty reduction and improved nutrition, suggesting that higher incomes are helping reduce undernutrition.[11] This is further underlined by the fact that the highest rates of stunting are among poor families (NIPORT *et al.* 2013)[12]. Low incomes are likely to impact negatively on nutrition because they restrict dietary options and increase the proportion of rice in the diet (c.f. World Bank 2013). By continuing to tackle poverty and improve family incomes, Bangladesh will likely continue to make progress in improving nutrition among young children. However, since undernutrition is caused by multiple factors, it will be important to ensure that public policy actions address these multiple factors in order to improve nutrition.

Figure 1.6: Progress in Reducing Under-nutrition in Bangladesh (2004-11)



Source: Bangladesh Demographic and Health Survey 2014, NIPORT, Ministry of Health and Family Welfare

School Age

As children grow, increasingly the greatest challenge they face is attending school. In recent years, school enrolment has increased. For example, school enrolment among poor children aged 6-10 years increased from 72 percent in 2005 to 78 percent in 2010, while among those aged 11-15 it increased from 54 percent to 70 percent (BBS 2010).[13] Enrolment among girls is higher than for boys in both age groups. The increase in enrolment is an encouraging trend but it is evident that much still needs to be done, in particular in upper primary and secondary schools.

[11] There appears to have been little progress in tackling wasting. However, there are indications that wasting rates are related to seasonality and may reflect challenges in areas such as sanitation and health services (Helen Keller International: undated).

[12] The Demographic and Health Survey indicates that the stunting rate in the poorest quintile is 54 percent and 26 percent in the richest quintile (NIPORT et al. 2013). However, wealth in the DHS is measured using an asset index which will have a relatively weak correlation with income and expenditure. So, it is not possible to know the actual stunting rate among expenditure (income) quintiles and it is possible that stunting rates among the better off are lower than those found in the DHS.

[13] Overall enrolment rates among children aged 6-10 years was 84.8 percent in 2010, compared to 80.4 percent in 2005 (BBS 2010).

While there is a range of reasons for children being out of school, it is likely that poverty is a significant cause. Paradoxically, however, as Figure 1.3 indicates, as children grow older and school enrolment falls, the household poverty rate falls. Yet, this is likely to be misleading since the lower poverty rates are probably due to an increase in child labour among older children. Around 17.5 percent of children aged 5-17 years are child labourers, with 24 percent of boys and 10 percent of girls (Ali 2006).[14] Among older children, the proportion will be much higher. The majority of child labourers are from poorer households (Ali 2006). The main reduction in child labourers since the mid-1990s has been among girls, which may reflect the impact of the introduction of the Female Secondary Stipend programme and suggests that poverty does drive child labour. It is likely that some adolescent girls come under pressure to care for younger siblings and, as a result, leave school. The absence of childcare facilities means that, if women want to return to work after giving birth, they will have to find others to care for their children.

Young People

The main challenge faced by young people is a lack of skills. Many do not gain sufficient secondary education and there is not enough vocational training available to compensate. Indeed, businesses complain that insufficient skilled labour is a major impediment to growth, while also discouraging garment companies from locating outside Dhaka (World Bank 2012b). However, providing vocational education alone is not the solution; in the long-term, it is probably more important to ensure that children gain an adequate secondary education to prepare them for the labour market.

The reality for youngest people from poor families is that they end up among the ranks of the rural underemployed. If young people do not gain the skills they need, there is a danger that Bangladesh will squander the demographic dividend it should enjoy as a result of a large labour force and low dependency ratios. It is an area that requires much greater research so that the causes are understood and effective solutions are provided.

The Working Age Population

The challenge of underemployment faced by young people is reflected in the rest of the working age population, with 9 percent of the employed working less than 20 hours per week (World Bank 2008). As the World Bank (2012b) notes, Bangladesh's great competitive advantage is its large pool of underemployed labour, yet this is currently underutilized. However, the challenge facing the underemployed in Bangladesh is not just an inadequate skill-base. The business environment also needs to be improved if jobs are to be created; for example, if Bangladesh could improve its business environment half way to the level of India's, its trade could increase by 38 percent (World Bank 2012b).

Nonetheless, the challenges faced by the working age population are diverse. Many suffer from structural disadvantages that are extremely difficult to overcome. These include a lack of access to land or residence in areas – such as the western region or the Chars - where resources and/or markets are limited (World Bank 2008; Quisumbing 2007). Low levels of

[14] Under a strict ILO definition of child labour, around 8 percent of children aged 5-17 years would be regarded as child labourers (11 percent of boys and 8 percent of girls). De Rooy and Islam (2010) indicate that 3.55 million children aged 7-14 years were in employment in 2005/06.

education and literacy compound the disadvantages faced by such people. Many – indeed a third of the labour force – have no option but to engage in low-paid daily wage labour, mainly in the agricultural sector, with most living in absolute poverty[15] (World Bank 2008). Without assistance from social protection, these families will be unable to break out of the intergenerational cycle of poverty.

Women face particular disadvantages due to gender discrimination. Female labour force participation is low – at 36 percent – compared to 83 percent for men (Labour Force Survey 2010). This may reflect traditional attitudes to women and their weak bargaining power within households. Wages for female workers are also low, and they can earn up to 60 percent less than men for the same work (World Bank 2008). The ability of young mothers to enter and remain in the labour force is constrained by childcare responsibilities, which may help explain the high levels of poverty among families with young children. Although women are finding significant employment in garment factories, many have to leave once they give birth. As noted above, an inadequate old age pension system means that – unlike in some other countries – grandparents find it more challenging to provide childcare, as they themselves probably have to forgo income.

An inadequate social protection system means that families with children also have to provide care and support to those elderly people and people with disabilities who are in need of assistance. In effect, this is an informal tax on working families that limits their ability to invest in productive activities while reducing the support they can give to their own children. It is particularly challenging for poor families. In other developing countries, old age pensions and disability benefits paid at reasonable levels are able to reduce demands on families with children, with significant benefits for working families (See Neves et al. 2009, and Bukuluki and Watson 2012).

Family wellbeing can deteriorate significantly if breadwinners suffer shocks, in particular illness. Quisumbing (2007) reported that health shocks are the most common challenge faced by households and, in a study by Foley and Chowdhury (undated), 90 percent of households identified poor health as the main cause of economic difficulties (see also Davis 2004). Illness implies both a loss of earnings and a need to pay for treatment although there are strong indications that many poor households forgo treatment, as it is too costly (Quisumbing 2007). Dowry payments – which are widespread though officially illegal – and associated marriage expenses are another significant shock that can hit families hard.

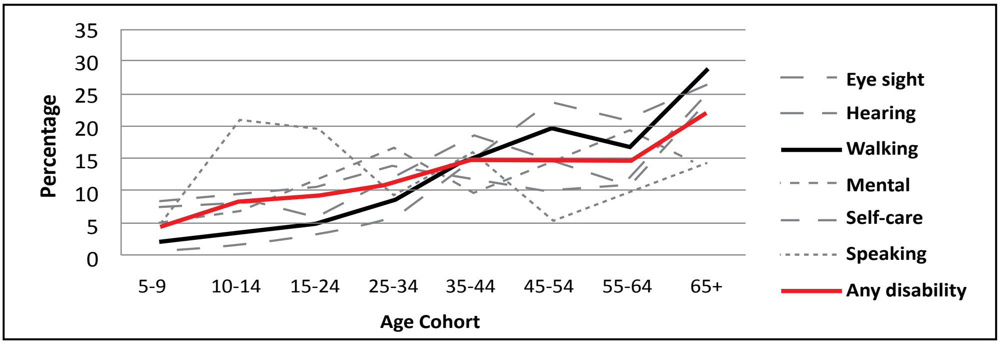
Disability

Disability can occur at any stage of life. Around 8.9 percent of the population – 8 percent of males and 9.3 percent of females – has some form of disability, although those who could be regarded as severely disabled comprise 1.5 percent.[16] As Figure 1.7 indicates, disability prevalence varies over the lifecycle, with a substantial increase from around age 50. By far the highest rates of disability are among older people. Prevalence is also higher among women than among men. A significant proportion of households – 31 percent – have a disabled member, while 6.3 percent have someone with a severe disability.

[15] The World Bank (2008) argued that half lived in absolute poverty. However, this was based on a static rather than dynamic measure of poverty so, in reality, the majority should be considered as in absolute poverty.

[16] These figures are calculated from the 2010 household survey. A person with a disability is anyone who reports "some difficulty" with one area of capability. A person with a severe disability is anyone who reports "significant difficulty" in an area of capability.

Figure 1.7: Incidence of Disability in Bangladesh by Age Cohort (2010)

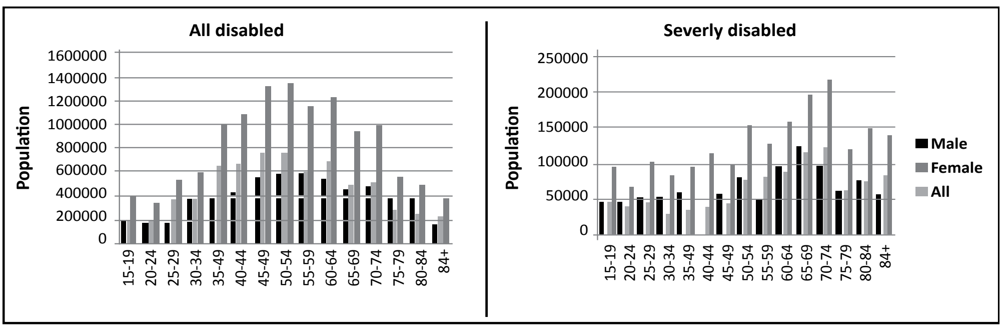


Source: Household Income and Expenditure Survey (HIES), BBS, 2010

However, the numbers of people with disabilities in each age group shows a different pattern, as seen in Figure 1.7. The highest numbers of disabled people are among those aged between 40 and 65 years, at an age when they would hope to engage actively in the labour market. Indeed, the number of people with disabilities increases by 300 percent between ages 20-25 years and 50-54 years, with women significantly more affected. However, the number of severely disabled people is highest among the elderly aged between 60 and 75 years.

The poverty rate of households with disabled members is similar to the national poverty rate, at 31.5 percent,[17] although 63 percent should be regarded as poor or vulnerable to poverty.[18] However, the poverty rate of households with a severely disabled member is higher – at 34.7 percent – suggesting that severe disability can place a greater burden on households (the poverty rate for households without a person with a disability is 29 percent).

Figure 1.8(a): Numbers of People with a Disability in Each Age Group



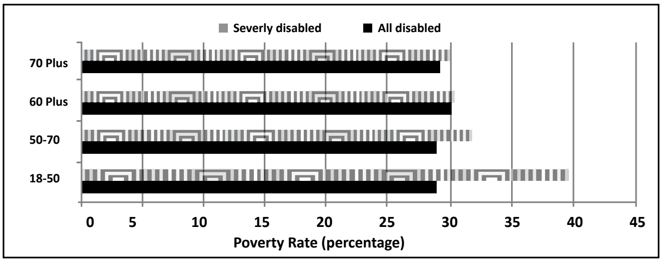
Source: Household Income and Expenditure Survey (HIES), BBS, 2010

Furthermore, poverty rates vary between different age groups, but only among the severely disabled, rather than among all disabled (see Figure 1.8). It is evident that if a working age adult is disabled, it has a significant impact on the household. Indeed, the headcount poverty rates for this group reach almost 40 percent, significantly higher than among other older age groups. The latter may be more likely to be in receipt of support.

17 The poverty rate of households with a person with moderate disability is 28.2 percent and 29 percent for households without someone with a disability.

18 This poverty rate is based on the UPL x1.5 poverty line.

Figure 1.8(b): Poverty Rates of Households with People with Disabilities, by Age Group



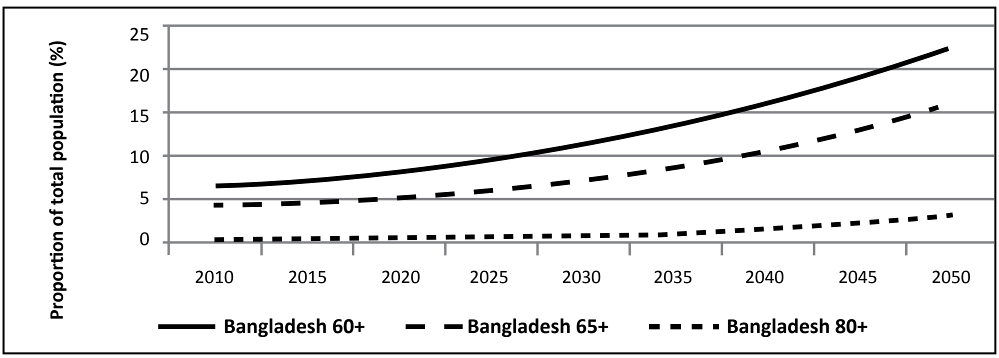
Source: Household Income and Expenditure Survey (HIES), BBS, 2010[19]

Foley and Chowdhury (undated) describe how becoming disabled during working age has significant repercussions for families.[20] They found that 87 percent of those becoming disabled left employment within one year. As people lose employment, their incomes are slashed. Furthermore, 90 percent of care takers – mainly their wives – had to spend more time caring for their husbands, thereby reducing their own ability to gain an income. Around 26 percent had to forgo 15 hours work a week to care for their husbands and 28 percent gave up 26 hours. The income loss can be considerable and they also face significant additional health costs. However, a male becoming disabled results in a loss of earnings four times greater than when a woman becomes disabled, reflecting gender differences in labour market engagement.

Old Age

Demographic changes underway in Bangladesh mean that the population is gradually ageing. Currently, around 8 percent of the population is over 60 years and, as Figure 1.9 indicates, this will increase significantly in the coming decades, reaching almost 14 percent by 2030 and 25 percent by 2050.

Figure 1.9: Proportion of Population Aged 60 Years and Above



Source: UN (2012)

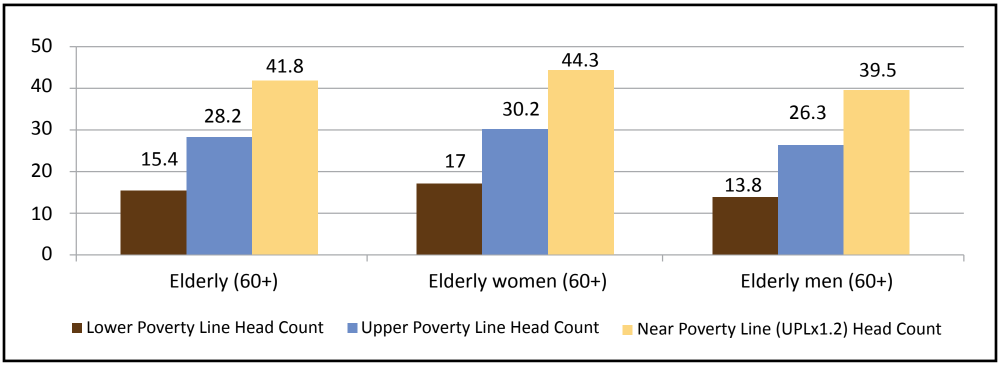
Figure1.10 and 1.11capture the poverty profiles of the older people in Bangladesh. According to HIES 2010 and using the per capita scale, 28.2 percent of people aged over 60 are found below the poverty line. However, an increase in the upper poverty line of 20 percent (1.2 x UPL) would

[19] The results here use per capita equivalence scales and data from the 2010 HIES. Using per capita equivalence scales reduces the poverty rates of households with disabled older people when compared to the national population and younger people with disabilities.

[20] The study by Foley and Chowdhury (undated) took place in Chuadanga. See also Chowdhury (2006).

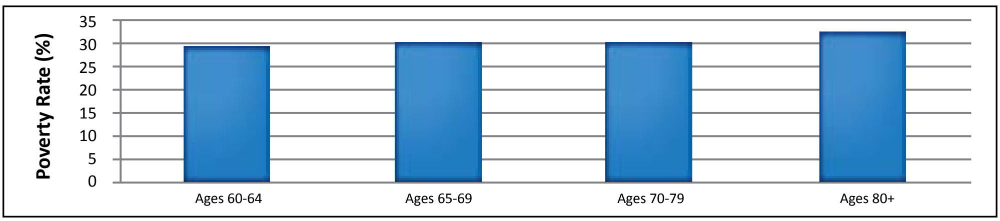
see an increase in the proportion of older people considered poor by almost a third (i.e. 32.5 percent increase from 28.2 percent to 41.8 percent). This highlights that many older people are bunched close to the poverty line, and therefore are vulnerable to falling into poverty in the event of a shock to their own livelihood, or to that of a member of their network. From a gender perspective, the difference in poverty between the sexes appears to be more marked in old age. The greater difference in poverty rates by gender in old age in Bangladesh may be a reflection of the increased vulnerability to poverty of older women due to their increased likelihood of being widowed as well as far lower labour force participation of older women than men. Figure 1.11 suggests that poverty rates increase with age.

Figure 1.10: Old Age Poverty Under Different Poverty Lines



Source: Household Income and Expenditure Survey (HIES), BBS, 2010, Author's calculations

Figure 1.11: Poverty Rates Among Different Older Age Groups



Source: Household Income and Expenditure Survey (HIES), BBS, 2010, Author's calculations

In the absence of an effective old age pension system –many older people in Bangladesh continue to work, but often with insecure and vulnerable livelihoods. Older people can face discrimination in the labour market. Indeed, older people are often denied access to micro-credit. A survey by HelpAge International (2008) found that only 19 percent of older people were able to access credit, compared to an average adult participation rate among Bangladesh's poor of 45 percent. As the elderly become increasingly frail and disabled (see Figure 1.10), work becomes less of an option, while costs – in particular for health care – can rise, which may explain why poverty rates increase as older people age, in particular for those above 80 years (see Figure 1.11). They become more dependent on their children for support, which, if not forthcoming, can place them in a very disadvantageous position.

Thus, it could indicate that old age may present a barrier to benefiting from development gains achieved by the existing socio-economic environment in Bangladesh. Given the changing age structure of the population and increasing proportions of the population that will be living with older people this could undermine future achievements in poverty reduction.

Conclusion

Bangladesh has reached a watershed in social protection. It has succeeded, against the odds, in establishing a suite of safety net interventions that have eradicated famine, that underpin effective response to natural disaster, and that have contributed to a dramatic reduction in poverty. At the same time, and in partnership with NGOs and development partners, the country is internationally recognised as an accomplished innovator in large-scale livelihood promotion programmes which have demonstrably lifted millions more out of poverty.

Yet, in some ways, Bangladesh is now a victim of its own success. At a practical level, this derives from the multiplicity of resultant programmes, spread amongst a wide range of implementing agencies, which now require rationalisation, harmonisation and coordination. But at a more strategic level, the country has moved on, and now requires a fundamentally different suite of responses to its emerging vulnerabilities. The social protection needs of an industrialised, urbanised, formalised, globalised middle-income Bangladesh of the future are very different from those of the predominantly rural, agricultural, informal, low-income, disaster-prone past. In coming decades, the shocks to be dealt with will be as much macro-economic as natural (though climate change threatens to maintain an uneasy balance); the problems faced will be less about famine and more about inclusive growth; and the key issues will have less to do with food security and more to do with social cohesion and equity.

So it is not enough just to rationalise existing programmes, to increase transfer amounts here, to extend coverage there, to improve targeting mechanisms elsewhere. It is rather time for a fundamental rethink of the way social protection in Bangladesh is conceptualised and delivered. Encapsulating this in terms of an inclusive life-cycle approach in the new National Social Protection Strategy provides the ideal opportunity to do this.

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Cost of Basic Needs (CBN) Method and Poverty Lines

Since 1995-96, Bangladesh Bureau of Statistics is using the Cost of Basic Needs (CBN) method as the standard method for estimating the incidence of poverty. In this method, two poverty lines are estimated:

i. Lower poverty line

ii. Upper poverty line

A brief description of estimating incidence of poverty using CBN method is as follows:

a) Food poverty line

1) A basic food basket (eleven food items) is selected.

2) The quantities in the basket are scaled according to the nutritional requirement of 2,122 k.cal per person per day.

3) The cost of acquiring the basket is calculated. This estimated cost is taken as the Food Poverty Line (FPL)

b) Non-food poverty line

A non-food poverty line is calculated by estimating the cost of consuming non-food items by the households close to the food poverty line.

Lower Poverty Line

The extreme poor households are those households whose total expenditures on food and non-food combined are equal to or less than the food poverty line.

Upper Poverty Line

The upper poverty line is estimated by adding together the food and non-food poverty lines. The moderate poor households are those households whose total expenditures are equal to or less than the upper poverty line.

For estimating the poverty incidence with HIES 2010 data, several options were tested. Finally, for ensuring comparability and transparency, the following option was adopted for estimating poverty incidence using HIES 2010. The option includes:

i) Updating of food poverty lines of 2005 with food price inflation rates calculated from the unit values of HIES 2005 and HIES 2010 data.

ii) Re-estimating non-food poverty line using HIES 2010 data to adjust to changes in non-food ratios.

The above option has been preferred since the relative prices of food and non-food may have changed significantly since 2005, so that the assumption of constant non-food-food price ratios will not be realistic. For details please see Chapter 6, HIES 2010.

Table 1a: HIES Poverty Lines

HIES 2010 Poverty Lines							Poverty Lines Used in the Narrative Study			
Stratum	Geographic Location	FPL	LNFA*	UNFA**	LPL	UPL	Division	FPL	LPL	UPL
1	Barisal (rural)	982	302	503	1284	1485	Barisal	1012	1328	1557
2	Barisal (urban)	1100	320	863	1419	1963				
3	Chittagong (rural)	1023	381	664	1404	1687	Chittagong	1005	1498	1800
4	Chittagong (urban)	1064	432	762	1495	1825				
5	Chittagong (SMA)	1047	432	823	1479	1876				
6	Dhaka (rural)	958	318	538	1276	1497	Dhaka	980	1273	1589
7	Dhaka (urban)	1018	296	775	1314	1793				
8	Dhaka (SMA)	1089	316	948	1406	2038				
9	Khulna (rural)	884	308	551	1192	1435	Khulna	913	1255	1579
10	Khulna (urban)	932	330	748	1262	1680				
11	Khulna (SMA)	970	397	669	1348	1639				
12	Rajshahi (rural)	957	287	529	1236	1487	Rajshahi	959	1242	1514
13	Rajshahi (urban)	987	325	598	1312	1585				
14	Rajshahi (SMA)	931	292	625	1223	1556				
15	Sylhet (rural)	953	287	358	1240	1311	Sylhet	951	1284	1422
16	Sylhet (urban)	992	294	566	1286	1558				
	National	993	332	658	1324	1651		990	1305	1600

** Lower non-food allowance, ** Upper non-food allowance*

Source: Household Income and Expenditure Survey (HIES), BBS, 2010

Annex 1b

Table1b: Poverty Profiles by Age, Sex and Household Type (Percent)

	Upper Poverty Line			Lower Poverty Line (LPL)	Food Poverty Line (FPL)	Near Poverty Line (UPL x 1.2)
	Head Count	Gap	Severity	Head Count	Head Count	Head Count
All Individuals	31.5	6.9	2.2	17.5	5.0	46.2
Children (0-14)	38.4	9.0	3.0	22.4	7.0	54.1
Working age adults (15-59)	27.8	6.1	1.9	14.8	4.3	42.0
Elderly (60+)	28.2	7.3	2.4	15.4	4.6	41.8
Elderly women (60+)	30.2	8.1	2.7	17.0	5.5	44.3
Elderly men (60+)	26.3	6.5	2.1	13.8	3.8	39.5
Elderly (65+)	29.0	12.5	4.2	15.7	4.8	42.5
Elderly women (65+)	31.1	7.1	2.4	17.6	5.4	44.6
Elderly men (65+)	27.0	5.8	1.9	14.0	4.1	40.6
Elderly (70+)	29.1	6.4	2.1	15.2	5.0	42.8
Elderly women (70+)	30.8	7.1	2.4	16.7	5.9	44.2
Elderly men (70+)	27.4	5.9	1.9	13.8	4.0	41.4
Men	31.3	7.0	2.3	17.2	5.2	46.2
Women	31.8	7.3	2.4	17.8	5.4	46.2
Individuals Living in the Following Household Type						
With children (0-14)	34.8	8.0	2.6	19.7	6.0	50.3
With school age children (7-14)	34.9	8.1	2.6	19.8	6.2	50.6
With elderly (60+)	29.9	6.8	2.2	16.7	5.1	43.8
With elderly (65+)	29.7	6.8	2.2	16.7	5.1	44.5
With elderly (70+)	30.4	6.9	2.3	16.7	5.3	44.6
With children (0-14) and elderly (60+)	32.5	7.6	2.5	18.8	5.7	47.6
With 1 or 2 children	28.5	6.1	1.9	14.9	4.2	43.6
With 3-5 children	48.0	12.0	4.1	30.1	10.0	64.4
With 6 or more children	42.8	8.6	2.2	20.3	5.3	54.7
With male household head	32.3	7.3	2.3	17.8	5.3	47.1
With female household head	25.5	6.1	2.2	14.8	5.1	38.8
Single person households	23.4	5.6	2.3	13.1	5.0	37.9
Without working age members	34.3	7.8	2.7	18.1	6.3	49.7

Source: Household Income and Expenditure Survey (HIES), BBS, 2010

2. Building a Social Protection System to Address Urban Poverty in Bangladesh

*Dr. Mohammed Abu Eusuf

Introduction

Despite the governance-related challenges, over the past two decades or so Bangladesh has demonstrated impressive economic performance as the economy grew on average more than 6 percent per annum, leading to annual per capita growth of more than 4.5 percent. All the three sectors of economic activities – agriculture, industry and services – have been making substantial contribution to this growth process. At present, the contribution of services sector to Gross Domestic Product (GDP) amounts to 50 percent, while the corresponding share of agriculture and industry are 20 percent and 30 percent, respectively (Bangladesh Economic Review, 2012). The relative significance of agriculture in economic output has been gradually declining in contrast to rising share of manufacturing and services.

Notwithstanding this robust growth, the incidence of poverty, although declining, remains high with 31.5 percent of the population on incomes officially considered not sufficient for maintaining a minimum standard of living. Poverty reduction has therefore remained a focal point of economic policy objectives. According to successive rounds of Household Income and Expenditure Surveys (HIES) carried out by the official statistical agency, Bangladesh Bureau of Statistics (BBS), the country has witnessed some significant progress over the past 20 years in terms of reducing poverty incidence, on average, slightly over 1 percentage point per annum. This has resulted in the reduction of the proportion of people living below the poverty line from about 57 percent in 1991-92 to about 49 percent in 2000; and subsequently to 40 percent in 2005; and 32 percent in 2010. However, a relatively high growth rate of population, 1.8 percent per annum during the same period has actually prevented the absolute number of poor people from registering any decline. Consequently, the apparently impressive growth and poverty reduction records appear to be far from satisfactory and only catapults into prominence the mammoth task of tackling poverty.

Over the last twenty years, the rural poverty headcount declined, albeit with different rates, but the trends in urban poverty incidence has not been uniform. It registered a decline from 42.7 percent to 21.3 percent between 1991 and 2010 as against of the counterpart rural incidence from 58.7 percent to 35.2 percent during the same period. However, in contrast to the rural situation, the urban poverty actually increased in the late 1990s: from 27.8 percent in 1995 to 35.2 percent in 2000. One reason for this could be rapid rural-urban migration, often triggered by natural calamities such as floods and other push factors associated with downturn in rural livelihoods affecting certain communities very badly along with the traditional pull factors attracting migrants to town centres. Rural-urban migration is taking place due to ‘expected income differentials’ between rural and urban areas (Harris and Todaro, 1970).

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The rapid rise in urban population is now a global phenomenon. It is estimated that 57 percent of the population of Least Developed Countries (LDCs) will be living in urban areas by 2025 (UN Habitat, 2011). Amongst these countries, Bangladesh experiences one of the highest rates of urbanization with the urban population doubling from around 21 million in 1990 to 43 million in 2010 (World Bank, 2011). Rapid urbanization has, therefore, serious implications for urban poverty trends and patterns. Worldwide, the absolute number of urban poor is increasing (Wratten 1995; Rakodi 2002b; Mitlin 2003, 2004; Amis 2004; Satterthwaite 2004; Islam 2006; Stevens et al. 2006; Baker 2008; Bapat 2009; GTZ 2010). Ravallion (2001) observed that the poor urbanize faster than the non-poor which he termed as 'the urbanization of poverty'. This phenomenon has significant implications for understanding Bangladesh's overall poverty situation and designing appropriate anti-poverty programmes in general and urban poverty in particular.

The urban poor mainly live in slums and low income settlement areas scattered across city/town located on government and privately owned land. The conditions of life of the urban poor have been depicted as worse than those of rural poor (Wratten, 1995). Urban poverty is often described with a situation associated with such factors as being wage labourers; low-paid informal sector workers; having lack of access to housing, basic utility services, education and health services; being subject to violence; experiencing food insecurity and malnutrition; suffering from a sense of voicelessness and powerlessness; weak social network; being subject to manipulation, exploitation and victim of rent seekers etc. (Satterthwaite 1997; Apiyo 1998; Moser 1998; Haddad 1999; Ruel et al. 1999; Rakodi et al. 2000; Baker and Schuler 2004; Ravallion et al. 2007; World Bank 2007; Baker 2008). Apart from livelihoods and living environment, physical and psycho-social security is also important for the urban poor in order to protect their social assets (Moser, 1998).

In Bangladesh, many rural poor families are victims of shocks (e.g. river erosion, flood, and drought) which force them to migrate to the city from rural areas. Migrating to cities from rural areas is always difficult and they had to rely on their social network to find shelters in a slum to live or to find a job. While there is no typical poor urban household one can hypothesize, from the literature, an average sort of life is as follows: a household comprising the husband, wife and their three children moved into the city from a rural area some years ago. The husband works as a casual labourer in construction and can earn enough to make savings when he is in work. But when he is out of work or sick, both are common, the family scrapes by and has to borrow. His wife works as a domestic worker but this is very poorly paid. She has to work for long hours. None of the children goes to school and a big worry for them is their children falling ill every now and then. They rent a hut with a leaking roof and a shared toilet. In general, the urban poor households have very limited physical assets, but perhaps it is their social networks that help many of them to access to on-the-job-training and experience and cope with crises.

Urbanization and Urban Poverty in Bangladesh

Urbanization in Bangladesh

Bangladesh stands fourth in South Asia in terms of urbanization – the percent of urban population to total population.

Table 2.1: Urbanization Rate in South Asia

Country	Urban Population Percent of Total Population					Urban Population Percent Change Per Annum			
	1990	1995	2000	2005	2011	90-95	95-00	00-05	05-11
Afghanistan	18.1	19.1	20.2	21.3	22.9	8.4	3.6	4.6	4.6
Bangladesh	19.8	21.7	23.6	25.7	28.6	3.9	3.6	3.4	3.2
Bhutan	16.4	20.5	25.4	31.0	35.4	3.0	6.2	6.9	4.0
Country	**Urban Population Percent of Total Population**					**Urban Population Percent Change Per Annum**			
India	25.5	26.6	27.7	28.7	30.3	2.8	2.6	2.4	2.3
Maldives	25.8	25.6	27.7	33.8	41.3	2.6	3.4	5.4	4.9
Nepal	8.9	10.9	13.4	15.9	19.2	6.6	6.6	5.6	5.0
Pakistan	30.6	31.8	33.1	34.5	36.2	3.2	3.4	3.1	3.0
Sri Lanka	18.6	17.2	15.8	14.7	14.3	-0.5	-1.1	-0.6	0.3

Source: UNESCAP online database

The urban population in Bangladesh has been growing at an average annual growth rate of 3.5 percent since 1990. In the span 1990 – 1995, urban population grows at the rate of 3.9 percent, and in the span 2005 – 2010, the growth rate of urban population is estimated at 3.2 percent. Pakistan has an average growth rate of urban population of 3.2 percent. Sri Lanka has the lowest change in urban population growth in South Asia.

Table 2.2: Population Living in Urban Agglomerations ('000)

Country	1990	1995	2000	2005	2010
Afghanistan	1,332	1,616	1,963	2,856	3,052
Bangladesh	10,150	12,649	15,557	19,057	22,622
India	93,777	109,051	126,716	143,784	162,951
Nepal	398	509	644	794	974
Pakistan	18,000	21,265	25,140	29,525	34,215

Source: UNESCAP online database

In terms of absolute number of urban population, it is found that in 2010, urban population became double of that in 1990. Between1990 and 2000, the addition to urban population ranges from two to three million, while since 2000, around 3.5 million additional people were added in urban areas.

Urban Households

In the last 20 years, remarkable changes have been taken place in households. For example, the composition of households, household size, access to amenities have been changed both in rural and urban areas.

Household size: Since 2000, the percentage of urban households having number of members of 4 or less has increased. In 2005, it stood at 53.8 percent and in 2010, it became 58.9 percent. This suggests that the number of nuclear[1] households has been increasing in urban areas. In the period 2000 – 2010, the nuclear households increased by around 38.6 percent.

Figure 2.1: Urban Household Composition

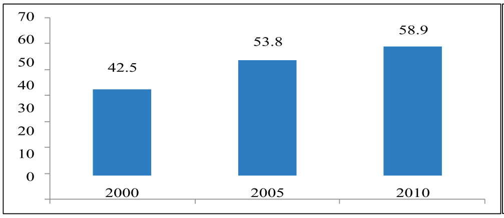
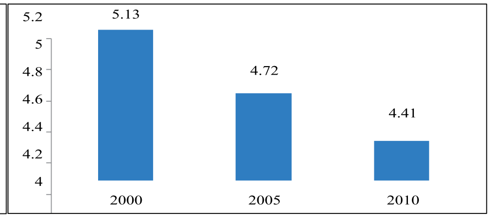


Figure 2.2: Average Urban Household Size



Source: Household Income and Expenditure Survey (HIES), BBS, 2010

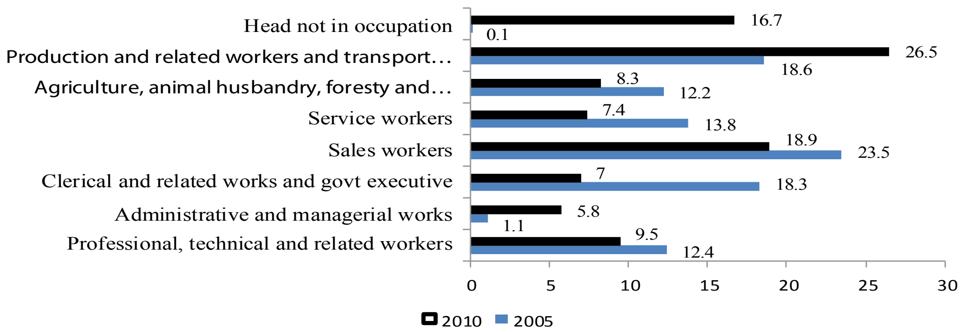
Note: Household consisting of 4 or less number of members is considered in estimating the composition of household.

The increase in nuclear households in urban areas, therefore, indicates a reduction of household size in urban areas. In 2000, the average household size in urban area was 5.13, which became 4.41 in 2010. The data shows that average household size decreases by around 14 percent in the period 2000 – 2010 at an annual rate of 1.4 percent. The reduction of household size has a positive influence on per capita income and per capita expenditure. The number of dependent people is expected to decline with a decline in household size.

Occupation: Occupation is correlated with the level of income of the household. Occupation structure in urban area is functionally different from rural areas. The scope of non-agricultural activity is higher than agricultural activity. The opportunity of small scale self-employment activity is relatively available in urban arena. Moreover, the mobility of urban population is high and there is larger scope to be employed in transport sector by the poor households. Occupation of the urban population can have dynamism. In the last decade, the scope of working in Garments Industry has increased. Women of the poor and middle class household now have the opportunity to earn. The adult apprentice workers can be employed in this industry. To understand the occupation structure in among the urban poor households, we have focused on the principle occupation of the household head and the principle occupations are classified into several groups to make the scenario comparable over time. In 2010, around 26.5 percent of household heads were involved with production or production related activities, around 18.9 percent household heads were sales worker and 7.4 percent was involved with service activities. Compared to 2005, some remarkable changes are observed in occupation of household heads in urban areas: (i) more than 16 percent household heads are found having no occupation; (ii) professional and technical related occupation involvement has declined; (iii) sales, service, and clerical activity has declined; and (iv) involvement with production, administrative and managerial activity has increased.

[1] A nuclear family or elementary family is a family consisting of a pair of adults (husband and wife) and their children

Figure 2.3: Occupation of Household Head in Urban Areas



Source: Household Income and Expenditure Survey (HIES), BBS, 2005, 2010

The structural change in occupation of the household head in urban areas has significant influence on other characteristics of the urban households. For example, in 2010 16.7 percent of household heads had no economic activity; this was only 0.1 percent in 2005 [2] (Figure 2.3). It is to be noted here that the changes in occupation of the household head in urban areas within 2005-2010 may be partly due to sample differences.

The occupation of slum people in urban area, the poor concentrated urban area, is quite different. Eusuf (2012) shows the occupation structure of slum areas of Dhaka, Narayanganj and Rangpur (Table 2.3)

Table 2.3: Occupation Structure in Slum Areas

	Occupation of Members				Occupation of Household Head			
	Dhaka	Narayanganj	Rangpur	Total	Dhaka	Narayanganj	Rangpur	Total
Unpaid household work	5.8	6.4	6.1	6.1	1.2	2.5	2.5	2.1
Homestead farming	1	0.9	4.7	2.6	2.4		6.6	3.5
Livestock rearing	0.5	1.3	0.8	0.9		1.3	0.8	0.7
Non agri. day labour	17.3	3.9	9.5	9.9	20.7	7.6	9	12
Factory worker	13.5	29.2	7.3	15.3	6.1	12.7	4.9	7.4
Servant/ maid	10.1	5.2	7	7.3	3.7	2.5	3.3	3.2
Food processing for selling	1	4.3	2	2.4	1.2	7.6	2.5	3.5
Sewing cloth/ handicraft	2.9	4.3	2.5	3.1	1.2	3.8	3.3	2.8

[2] HIES offers no explanation to this large change. One explanation might be that while the male household head is unable to find work, the family income is now coming from the wife (working in the RMG sector or elsewhere). This needs to be further researched.

	Occupation of Members				Occupation of Household Head			
	Dhaka	Narayanganj	Rangpur	Total	Dhaka	Narayanganj	Rangpur	Total
Rickshaw/ van driver	12	9.4	11.2	10.9	22	17.7	18	19.1
Truck/ bus driver	2.9	2.1	1.4	2	4.9	1.3	3.3	3.2
Hawker/ vender/small trader	5.8	6	13.4	9.3	4.9	10.1	17.2	11.7
Shop/ restaurant owner	6.7	6.4	7.3	6.9	11	8.9	3.3	7.1
Shop/ restaurant employee	6.3	2.1	4.2	4.1	3.7	2.5	3.3	3.2
Bus/truck helper	0.5	1.3	0.6	0.8	1.2		0.8	0.7
Skilled labour (carpenter/ blacksmith)	3.4	7.7	5	5.4	6.1	10.1	5.7	7.1
Non govt./ NGO employee	1.4	2.6	3.1	2.5	2.4		0.8	1.1
Govt. employee			2.8	1.3			4.1	1.8
Imam/ religiously employed			0.3	0.1			0.8	0.4
Beggar	0.5	0.9	0.6	0.6	1.2	2.5	0.8	1.4
Crop cultivation		0.4	2	1			3.3	1.4
Agriculture labour			0.6	0.3			1.6	0.7
Quack/ midwife/ kabiraj			1.4	0.6			0.8	0.4
Tutor		0.4	0.6	0.4			0.8	0.4
Others	0.5	2.6	0.8	1.3		3.8	0.8	1.4
Total	100	100	100	100	100	100	100	100

Source: Eusuf, 2012

Although there are various types of occupations of household members, majority of them are employed in some specific activity such as day labour (agriculture, non-agriculture, factory worker, and maidservant), rickshaw/van pulling or bus/truck driving, self-employment in business and production. The survey result suggests that about 80 percent of the slum people of Dhaka are engaged in day labour, transport worker or self-employment activities and this was 72.5 and 67.1 for Narayanganj and Rangpur respectively. Among these lead activities, day labouring is the predominant one.

Some individuals have higher opportunities of doing multiple works. The short sample survey shows that about 71.34 percent of the slum people of Dhaka are involved in single occupation, and about 22 percent involved with multiple occupations (Table 2.4). Like Dhaka, the scenario is synonymous in Narayanganj. The scenario in Rangpur is slightly different from Dhaka and Narayanganj. About 57 percent people of Rangpur slum involved with single occupation. The people of Rangpur slum are engaged in multiple occupations. The reasons may be seasonality of occupation.

Table 2.4: The Nature of Occupation of Household Head

Occupation	Dhaka	Narayanganj	Rangpur	Total
Unpaid home work	6.71	6.67	7.2	6.9
Earning occupation				
Single occupation	71.34	70.56	56.78	65.17
Two occupations	18.29	18.33	27.12	21.9
More than two occupations	3.66	4.44	8.9	6.03
Observations	164	180	236	580

Source: Conducted short slum sample survey

Note: The number of occupation of the members is collected asking the questions on major three occupation of the individual

Table 2.5: Distribution of Population by Quintiles, Poverty Status and Area of Residence

Share	Quintiles of per Capita Consumption, Net of all SP Transfers					Poverty Status		Area of Residence	
	Q1	Q2	Q3	Q4	Q5	P	NP	Urban	Rural
Population	20.0	20.0	20.0	20.0	20.0	37.5	62.5	26.3	73.7
Poor population	53.3	41.4	5.4	0.0	0.0	100.0	0.0	-	-
Urban population	9.2	10.8	15.2	23.9	41.0	24.3	75.7	100.0	0.0
Rural population	23.9	23.3	21.7	18.6	12.5	42.3	57.7	0.0	100.0

Source: Calculated by the author using Source: Household Income and Expenditure Survey (HIES), BBS, 2010

Table 2.5 shows the population distribution by quintiles (five groups each containing 20 percent of the total population) based on consumption- meaning the lowest consuming 20 percent are in first quintile (Q1), the next lowest 20 percent in second quintile (Q2) and so on. We can see 53.3 percent of the poor population belongs to the first quintile and 41.4 percent of poor population belongs in the second quintile. Since the national poverty head count rate is 31.5 percent, it is expected that majority of the poor population will belong to the lower quintile groups as revealed by the data. A little over 65 percent of the urban population belongs to the highest two quintile groups, whereas only a little over 31 percent of the rural population belongs to the fourth and fifth quintiles.

Urban population in Bangladesh stands at 38,426,130 out of 142,319,000 as of 2011. Using this information and data presented in this table, we see approximately 3,535,000 of the urban population are in the lowest quintile and 4,150,000 are in the second lowest quintile.

Urban Poverty in Bangladesh

In Bangladesh, urban poverty head count rate is slightly different from rural poverty head count rate as expected. While rural poverty declined continuously, urban poverty reduction has fluctuation in 1995/96 and then it also declines. Urban Poverty rate in Bangladesh has come down to 21.3 percent in 2010 from 28.1 percent (see Figure 2.4) in Bangladesh. The urban poverty is lower than in rural areas (35.2 percent). However, there is growing scepticism that poverty is, in fact, less prevalent in rural areas compared to urban areas. A different measure of poverty – using Direct Calorie Intake – indicates that urban poverty rates are 6 percentage points higher than rural poverty rates.[3]

Figure 2.4.: Trend of Urban, Rural And National Poverty
(1991-92 - 2010)

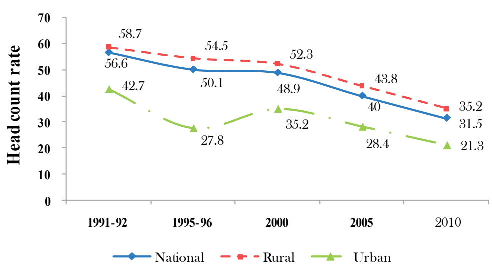
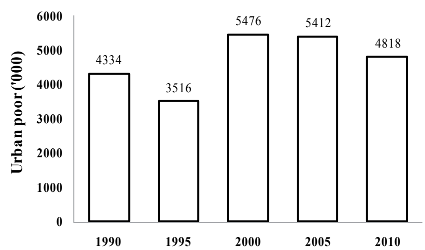


Figure 2.5: Urban Poor Population
(1991-92 - 2010)



Source: Household Income and Expenditure Survey (HIES), BBS, 1991-92, 1995-96, 2000, 2005, 2010

Note: The urban and total population data are used from UNESCAPE database.

Figure 2.5 shows that in 1990, around 4,334,000 poor people lived in urban areas. Although in the span 1990-1995, the urban population has increased, the urban poor population has decreased. Within the span of 1990 – 2000, the urban poor population increased by around 1142 thousand in absolute number, while the head count rate in urban declines from 42.7 percent in 1991-92 to 35.2 percent in 2000. The overall head count rate in urban areas declined in the span 1990-2000, but the absolute number of urban poor population increased. However, in the span 2000 – 2010, the head count rate of urban poor as well as the absolute number of urban poor population declined sluggishly compared to the rural areas. In 2000-2005, the head count rate declined by 19.2 percentage points, while the absolute number of urban poor remains almost constant in that period.

UNICEF (2010) argues that living conditions in slums – where 5 percent of the urban population reside – are worse than in most rural areas. Due to the fact that development in Bangladesh is urban centric and consequentially employment opportunities are concentrated in cities, rural to urban migration in Bangladesh is a continuing phenomenon. However, these jobs do

[3] The finding was based on an analysis of 2010 household survey data. In the Direct Calorie Intake (DCI) method only calorie intake is considered, with a poverty threshold of <=2122 k. calories per day.

not pay well enough and may contribute only to ensure subsistence. As a result, high rates of continuing migration to cities exacerbate poverty in urban areas, particularly in the slums.

The trend of poverty head count shows that urban poverty has declined over the two decades. Not only has the head count rate declined the poverty gap as well as squared poverty gap also has declined as reported in Table 2.6.

Table 2.6: Poverty Gap and Squared Poverty Gap at National and Region Level

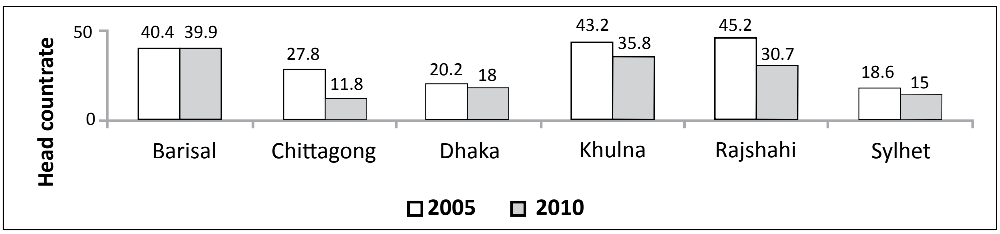
	1991/92		1995/96		2000		2005		2010	
	P_1	P_2	P_1	P_2	P_1	P_2	P_1	P_2	P_1	P_2
National	16.80	8.30	14.40	4.80	12.80	4.60	9.00	2.90	6.5	2.0
Rural	20.60	10.20	15.40	5.70	13.7	4.90	9.8	3.10	7.4	2.2
Urban	9.30	4.60	9.20	2.90	9.10	3.30	6.5	2.10	4.3	1.3

Source: Household Income and Expenditure Survey (HIES), BBS, 1991, 1995, 2000, 2005

Note: P_1 denotes poverty gap and P_2 denotes squared poverty gap.

Poverty gap measures how far below are the poor from the poverty line. The results show that the depth of urban poverty measured as the aggregate poverty deficit of the poor in relation to the poverty line has declined from 9.3 in 1991-92 to 4.3 in 2010. Squared poverty gap is a weighted measurement related to poverty gap. It puts more weight to those in extreme poverty than those close to the poverty line. The low poverty gap and low squared poverty gap in urban areas suggest that urban poor has low deficit in income to meet the poverty line compared and the deficit is less severe.

Figure 2.6: Urban Poverty by Division



Source: Household Income and Expenditure Survey (HIES), BBS, 2010

Figure 2.6 shows urban poverty across divisions for the year 2005 and 2010. We can notice from the figure that urban poverty is relatively higher in Barisal, Khulna and Rajshahi while it is significantly lower for divisions like Dhaka, Chittagong and Sylhet. In 2005, the highest urban poverty rate was in Rajshahi- 45.2 percent and the lowest rate was in Sylhet - 18.6 percent. In 2010, the highest urban poverty rate was in Barisal - 39.9 percent and lowest was in Chittagong- 11.8 percent. It is noticeable that while each division has improved significantly in the period between 2005 and 2010, poverty in urban Barisal has not improved that much- it stands at 39.9 percent in 2010 opposed to 40.4 percent in 2005.

Income and Expenditure of Urban Poor

The sources of income, stable or unstable, and income itself determine the level of consumption and thereby, the incidence of poverty measured in income approach or expenditure approach. Table 2.7 shows some summary statistics of monthly household income and expenditure. The 25 percentile income of the moderate urban poor is around BDT. 3958, which is BDT. 3100 for a rural moderate poor. The 25 percentile income the extreme urban poor is on average BDT 3013. The gap in income among the moderate and extreme poor is low in the 25 percentile income group because almost all of the 25 percentile income groups are expected to belong to the extreme poverty.

The average monthly income of the moderate urban poor is BDT. 7594 and that is BDT. 6183 for an extreme urban poor. The median monthly income of the moderate and extreme urban poor is lower than the average monthly income. The 75th percentile income of the moderate and extreme urban poor is 8750 and 7417 respectively. The monthly income of both moderate and extreme urban poor has high standard deviation. Such high standard deviation may be due to measurement error in income as calculation of income from survey data is quite complex and involves with several errors.

Table 2.7: Summary Statistics of Monthly Income and Expenditure by Poverty Status

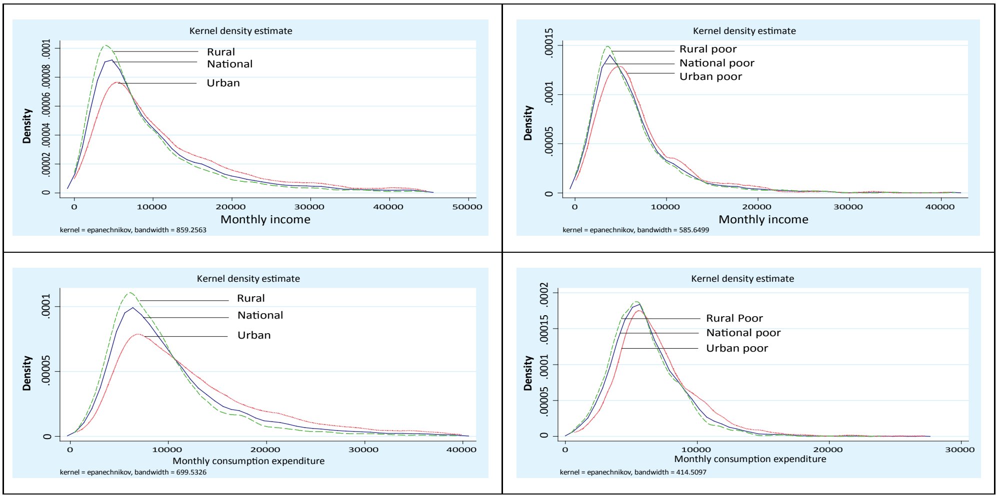
Statistics	Monthly Average Income				Monthly Average Expenditure			
	Moderate Poor		Extreme Poor		Moderate Poor		Extreme Poor	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
25 Percentile	3958	3100	3404	3013	5112	4162	4281	3771
Average	7594	6183	6223	5608	6967	5866	5630	5295
Median	5792	4812	5200	4518	6432	5569	5328	4979
75 Percentile	8750	7417	7500	6851	8287	7194	6894	6431
Standard Deviation	8274	5639	5343	4588	2868	2486	2147	2225

Source: Author's calculation based on Household Income and Expenditure Survey (HIES), BBS, 2010 data

The summary statistics of monthly expenditure is quite similar to the summary statistics of monthly income. However, some inconsistency is observed in terms of magnitudes such as the average monthly 25thpercentile income is lower than the average monthly the 25thpercentile expenditure. One argument is that some measurement error may be the reason. While other statistics show that expenditure is lower than income and hence the difference measures savings of the poor.

The Kernel density plot of monthly income and expenditure exhibits the differences between rural and urban areas and that of rural and urban poor households.

Figure 2.7: Kernel Density Plot of Monthly Income and Expenditure by Area and Poverty Status



Source: Author's calculation based on Household Income and Expenditure Survey (HIES), BBS, 2010 data

The poverty measures depend on per capita income or expenditure. Therefore, it will be appealing the average monthly income and expenditure on per capita basis. Moreover, we have found that the urban poor has low poverty gap and squared poverty gap. Therefore, it is expected that the per capita income and per capita expenditure of rural poor and urban poor will also be different. The per capita income and per capita expenditure of rural and urban poor is presented in the following figures.

Figure 2.8: Per Capita Income of The Poor

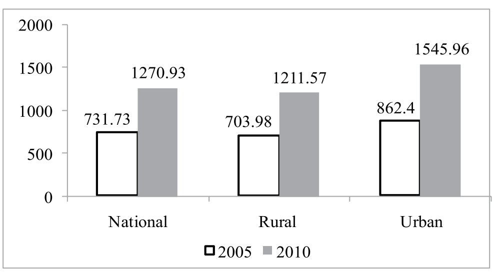
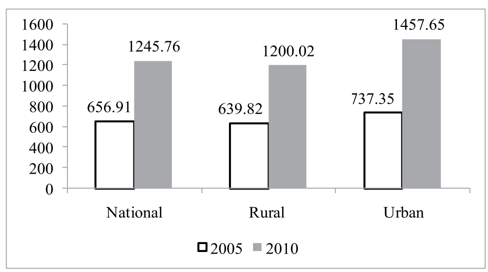


Figure 2.9: Per Capita Consumption of The Poor



Source: Household Income and Expenditure Survey (HIES), BBS, 2005, 2010

The urban poor have around 27.6 percent higher per capita income compared to the per capita income of rural poor. On the other hand, urban poor have approximately 21.5 percent higher per capita consumption expenditure than the rural poor.

Migration

Migration is one of the important livelihood strategies of the households. From HIES (2010), it is found that around 12.28 percent households have at least one migrant members either local or international migrant. The migration rate is high in rural areas compared to urban areas as expected. The rural people have the tendency to migrate to urban areas whereas the reverse is found rarely. This, in fact, reflects the rural urban migration issue. The within district mobility and migration is quite present. Eusuf (2012), from a short survey, shows that about 23 percent of slum households of Dhaka have at least one migrant members. For example, 28.4 in Narayanganj and 47.66 percent in Rangpur (Table 2.8). Since Dhaka is the main point of internal migration, the slum people of Dhaka has lower tendency to migrate to another place and analogous argument applies for Narayanganj. However, the people of Rangpur – economically back and less opportune area – has higher tendency to migrate to better opportune areas.

Table 2.8: Migration and its Destination

	Dhaka	Narayanganj	Rangpur	Total
Any member migrates	22.62	28.4	47.66	35.15
Migrate within the same town	7.14	14.81	3.13	7.51
Migrate to different district	11.9	4.94	18.75	12.97
Migrate to metropolitan cities	3.57	3.7	27.34	13.99
International migration	1.19	4.94	0.00	1.71

Source: Conducted short slum sample survey

Major migrants of the slum of Dhaka migrate to different districts of the country, whereas the migrants of the slum of Narayanganj mostly migrate within the same district town. The migrating slum people of Rampur choose the metropolitan cities as the migration destination.

Stylized Facts of Social Protection in Urban Areas

There are several types of safety net programmes of which major types of safety net programmes are categorized into four categories in Table 2.9.

Table 2.9: The Main Types of Social Protection Programmes in Bangladesh

Cash transfers: Old Age Allowance, Widowed and Distressed Women Allowance, Disabled Allowance.

Conditional cash transfers: Primary Education Stipend Programme (PESP), Stipends for Female Secondary Students,

Public works or training based cash or in kind transfer: Rural Maintenance Programme; Food-for-Work, Vulnerable Group Development (VGD), Employment Generation Programme (EGP).

Emergency or Seasonal Relief: Vulnerable Group Feeding (VGF), Gratuitous Relief (GR); Test Relief (TR), Open Market Sale (OMS)

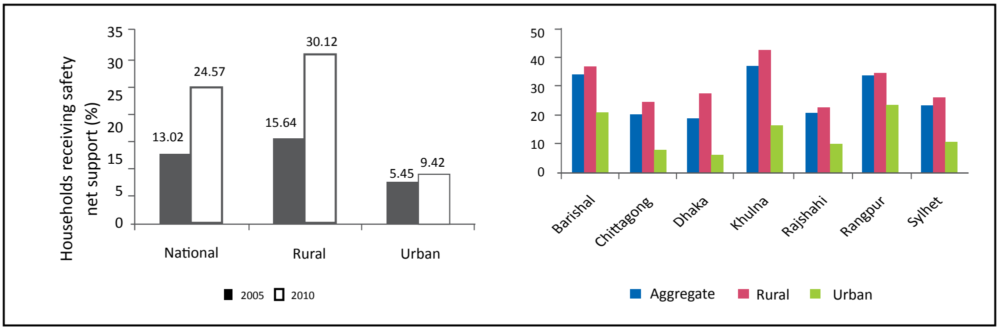
Source: Ministry of Finance

In addition to the above-stated programmes, other social protection programmes managed by various ministries are Grihayan Fund (Fund for Housing the Homeless), Ghore Phera (Rehabilitation of Slum Dwellers), Ekti Bari Ekti Khamar, Rehabilitation and Creation of Alternative Employment for People Engaged in begging, Asrayan Project (Poverty Alleviation through Rehabilitation and Income Generation), etc.

There are noticeable rural/urban differences in safety net coverage with lower coverage in urban area. This may be partly due to the fact that currently more poor people in Bangladesh live in rural areas than in urban centres but, more importantly, most of the existing programmes such as disaster relief and income-generation activities have an in-built rural focus (Save the Children, 2012). Moreover, there is apparent dearth of information regarding the rural/urban breakdown of the number of beneficiaries of different safety net programmes.

In the Household Income and Expenditure Survey (HIES) 2010, conducted by Bangladesh Bureau of Statistics (BBS), the coverage of households under different safety net programmes were differentiated along rural/urban perspective. Figure 2.10 below demonstrates the household benefits in HIES 2010.

Figure 2.10: Household Receiving Social Security Support (%)



Source: Household Income and Expenditure Survey (HIES), BBS, 2005, 2010

It is shown that the number of households covered by different safety net programmes doubled in rural areas from 2005 to 2010. But, in the same time period, the rate of increase of the coverage of households in urban areas has not fared at the same pace. The distribution of benefits of safety net programmes in different divisions (in 2010) in terms of the rural/urban perspective is more visible as shown in Figure 2.10.

The division wise distribution of households receiving benefits from SSNP shows that there is a huge difference (about 20.7 percent) between the rural and urban beneficiary. Also it shows that the highest SSNP benefit receiving division is Khulna, 37.20 percent, while lowest Dhaka division is at 18.87 percent (Islam, 2011). The coverage is relatively large in poverty prone divisions like Barisal, Khulna and Rangpur.

However, as noted above, the urban poverty rate has declined. Using HIES 2005 and 2010 data on urban and rural population size, urban and rural SSNP household coverage and targeting efficiency (safety nets benefitting households below the poverty line), it can be inferred that around 34 percent of poor households in rural areas and 18 percent of urban poor households were covered in 2010. Corresponding figures in 2005 are around 21 percent of rural poor and 11.5percent of urban poor households covered. The rural bias remains, but there has been a proportionate increase in the coverage of rural and urban poor households.

The rural/urban difference in the distribution of safety net programmes is also evident in data collected from the Department of Social Services regarding the rural/urban breakdown of the number of beneficiaries of two key safety net programmes. One programme is 'old age allowance' and another is 'widowed and distressed women allowance' which are unconditional cash transfers.

Table 2.10: Rural/Urban Breakdown of The Number of Beneficiaries

	National	Rural	Urban
Old Age Allowance	24,75,000 100%	23,27,247 94.03%	1,47,753 5.97%
Widowed and Distressed Women Allowance	9,20,000 100%	9,04,502 98.32%	15,498 1.68%

Source: Department of Social Services (DSS)

It is evident from table 2.10 that these two programmes have a clear bias to rural areas. Though nearly one-third of the total population live in urban areas due to the fact of relatively rapid urbanization, a very insignificant percentage of urban residents are covered by these safety net programmes.

Among many safety net programmes, unlike most others, some safety net programmes have apparent urban bias.

- Open Market Sale (OMS): OMS is a policy instrument which is used to curb seasonal price increase of food grains by serving marginalized urban people simultaneously. The OMS programme was first introduced in early 1980s. This programme aims to correct market prices while serving the target group with food grains at a lower price. Currently, this programme is being executed in different metropolitan cities, divisional cities and other industrial cities.

- Ghore Phera (Back to Home) Programme: Since 1999, the Ghore Phera (back to home) programme has encouraged people living in hardship in urban areas to return to their village by offering them loans. The loan covers cost for income generating activities in the rural area. It also often covers the cost of transportation and settling down money. The Bangladesh Government strongly supports this programme. This programme aims at alleviating urban poverty, reducing unsustainable rural-urban migration and improving the city environment by sending people back to their villages with sufficient incentives.

- Rehabilitation and Creation of Alternative Employment for People Engaged in Begging: An amount of Tk. 7 crore was allocated under this programme in the budget for FY 2011-12 under this programme. But the programme has not been implemented effectively till date.

- Urban Community Development (UCD) Programme: The Urban Community Development (UCD) programme is the oldest programme of the Department of the Social Services (DSS) which has been serving marginalized people in urban areas since early 1950s. The Community Development Programme has gained wide appreciation because of its various programmes in urban areas like family planning, skill training, adult education and micro-credit programme for self-employment. A total of 80 UCD units throughout the country have been in service since 2002.

Table 2.11: Number of Beneficiary Households Under Different Programmes of UCD

Year	Number of beneficiary households under micro-credit programme	Number of beneficiary households under training programmes	Number of beneficiary households under awareness-raising and other social activities
2009	4962	15604	19507
2010	1419	20590	25904
2011	991	11060	27552
2012	965	12134	24974

Source: Department of Social Services (DSS)

Although UCD became popular because of its intervention components, table 2.11 shows that the beneficiary coverage of the programme under the micro credit programme has declined substantially in 2012 compared to 2009. On the other hand, training facility has been remained important component in terms of the beneficiary households. Number of training recipient households has also declined in between 2009 and 2012. On average, UCD makes aware around 25000 households since 2010.

Table 2.12: Share of Social Protection Benefits Among Rural and Urban Beneficiaries

Direct and Indirect Beneficiaries	**Area of Residence**	
	Urban	**Rural**
All social protection	14.9	85.1
All social insurance	20.9	79.1
Old age allowance: SI	15.9	84.1
Allowance for widow, deserted and destitute: SI	9.9	90.1
Direct and Indirect Beneficiaries	**Area of Residence**	
	Urban	**Rural**
Private insurance: SI	26.9	73.1
Pension, Gratuity and Provident Fund: SI	40.6	59.4
All labour market programmes	0.0	100.0
100 Days employment: LM	0.0	100.0
All social assistance	13.0	87.0
GR/TR:SA	6.1	93.9
VGD/VGF:SA	0.0	100.0
Stipend: SA	6.2	93.8
Agriculture rehabilitation: SA	11.8	88.2
Private assistance: SA	17.0	83.0
Other assistance: SA	0.0	100.0
Open market sale OMS:SA	100.0	0.0

Source: Calculated by the author based on Household Income and Expenditure Survey (HIES), BBS, 2010

Note: Private assistance includes the in-kind transfer of money or commodity either for religion purpose or risk mitigation purpose.

Table 2.12 shows that rural population is significantly ahead of urban population in terms of receiving social protection benefits. 85.1 percent of all social protection benefits go to the rural poor while urban poor receive only 14.9 percent of it. It is extremely important to note that this social protection calculation involves private insurance and pension, gratuity & provident fund. Beneficiaries of various schemes are predominantly rural focused. However, the two schemes, pension and gratuity & provident fund, do not qualify as social protection programmes according to the strict definition of social protection. International organizations like AusAid do not include these two programmes in the list of social protection programmes in Bangladesh[4]. If we exclude these two programmes, then share of benefits for the urban poor will go down even more. Especially, the pension, gratuity & provident fund programme is the second largest programme after Old Age allowance in terms of coverage.

Urban Partnership for Poverty Reduction in Bangladesh

Urban Partnership for Poverty Reduction (UPPR) was initiated to ameliorate the livelihoods and living conditions of 3 million urban poor and extremely poor people, especially women and children. It supports the implementation of strategies that respond to the challenges of urban poverty reduction in the context of rapid urbanization. It also supports local capacity for the development and implementation of poverty reduction strategies at town level through building linkage between the community organizations to financial institutions, such as local banks and micro-finance bodies, to provide access to a wide range of financial services by community groups, including housing improvements and business development support. It ensured that the implementation of pro-poor urban development and poverty reduction strategies at town level influenced policy development at the national level. The project gained wide acceptance from communities and local government partners. UPPR contributes to urban poverty reduction by directly improving the living environment and social and economic conditions of urban poor families in 30 towns and by influencing national and local urban poverty reduction and economic development policies.

Is Social Protection Effective in Reducing Poverty Gap?

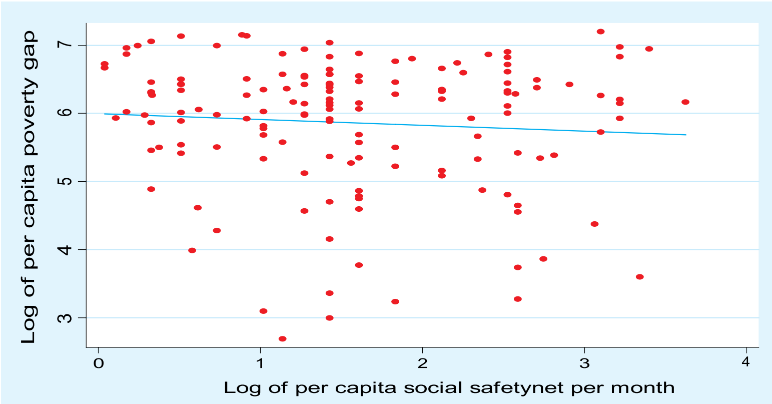
The sceptic may ask the question that social protection is effective in reducing poverty gap in urban areas or not bivariate relationship between log of poverty gap and log of per capita social safety net per month is shown in the Figure 2.11. The Figure 2.11 is drawn basing the urban poor households receiving social safety net support.

Figure 2.11 shows that as log of per capita social safety net per month increases, the log of poverty gap declines. This relationship is given by the fitted line obtained by OLS. The simple two variable regression shows that a one percent increase in social safety net reduces poverty gap by around 0.078 percent and this is found statistically significant at 1 percent level (result is not shown). It is noted that the relationship between log of per capita social safety net and poverty gap is weak in magnitude but strong from hypothesis perspective. From the simple result, it can be concluded that social protection will ameliorate poverty situation by reducing poverty gap.

[4] Scoping Report on Social Protection and Poverty in Bangladesh by Stephen Kidd and Bazlul Khondker, April 2013. Page 30-31

Figure 2.11: Relationship Between Poverty Gap and Per Capita Social Safety Net Per Month

(Both variables are in log form)



Source: Calculated using Household Income and Expenditure Survey (HIES), BBS, 2010

Note: The graph is drawn based on poor household receiving social safety net supports.

Scope and Strategies to Include Urban Poor to Social Protection Net

Scope of Inclusion of Urban Poor in Social Protection

Including the urban poor in social protection network is an urgent need. Even though the government is right in the policy decision of not encouraging rural-urban migration, it is undeniable that the urban poor need protection in the face of chronic poverty. A variety of programmes can be undertaken in this regard. For example, environmental clean-up activities in urban areas involving slum dwellers could provide an opportunity to initiate a food for work programme (Akhter, et.al.). In the next section of this paper, we will study two urban social protection programme taken in Mozambique and Kenya. Given the similarity in nature of the problem and geographic proximity, we are also going to study the situation in India.

International Experience

Programme de Subsídio Social Básic (PSSB) in Mozambique

GAPVU (Gabinete de Apoio a Populacao Vulneravel or Office for Assistance towards the Vulnerable Population) implemented the cash transfer programme PSSB for urban poor in Mozambique. Implementation of PSSB has not been without problems, but still PSSB is an example of a permanent, regular and predictable cash transfer programme in one of the poorest countries of the world where budget constraint is a constant reality.

Background to PSSB

Mozambique is an African country located in the region of sub-Saharan Africa. Constantly cited as one of the poorest countries in the world, Mozambique had world's lowest per capita income in 1995 at US$80 per capita. Almost half of Mozambique's population had no access to safe drinking water and a formal health care system and about two third of the adult population were illiterate,[5]. 82 percent of the Mozambique population lived in the rural areas and the poverty incidence in urban regions was slightly better than rural ones- 62 percent and 71 percent respectively. Urban Mozambicans faced rapid food price rise in late 80s and early 90swhich was a consequence of war, droughts and liberalization of agricultural markets.

In 1990, Mozambique government presented a Poverty Reduction Framework Paper to a consultative group of donors which had three major goals. One of these goals was to ensure the provision of safety nets for the poorest people. PSSB originated as an action under this policy. Urban poverty in Mozambique's cities was characterized by unemployment. Even those who had jobs earned much less than the government specified minimum wage. A prevalent characteristic of the jobs was that they were short term and as a result, there was practically no job security. The most prevalent job among the urban poor in Mozambique was that of street vendor selling handicrafts, cashew nuts, charcoal, etc.

In early 1990s, Mozambique government was concerned with shifting to growth-mediated social protection programmes from support-led safety nets programme. GAPVU was established as an administratively and financially autonomous public institution. GAPVU's aim was to implement a single programme of regular cash transfer to 30 percent of households in Mozambique's provincial capitals who were classified as destitute.

Targeting

The eligibility criteria for qualifying into PSSB were as follows (Stephen Devereux, 2000):

1. Malnourished pre-schoolers: Households with a severely malnourished child under five years old.
2. Malnourished pregnant women: Households with a pregnant woman who were severely malnourished (diagnosed with anaemia or monthly weight gain of 500 grams or less).
3. Elderly: Persons over 60 years old without any individuals of working age (between 18 to 59).
4. Disabled: People with physical disabilities who were unemployed and unable to work and were either living alone or in a household without any person of working age.
5. Female headed household: Female headed households with five or more children and with no other individuals of working age.
6. Chronically ill: Households with household heads diagnosed as chronically ill.

In addition to one of these criteria, GAPVU beneficiaries had to meet all of the three requirements listed below:

1. Poverty: per capita monthly income in applicant households had to be less than a threshold level which was 24000 metical before 1995 and 32000 metical from 1995 onward.
2. Residence: The applicants must have been living in the area for last one year.

[5] If not otherwise cited, these data are of year 2000, the year when a formal evaluation of GAPVU was done by DFID.

3. Absentee workers: Applicants were required to state that there were no working age members of their households who were temporarily absent and working in neighbouring countries.

Beneficiaries of the programme were supposed to graduate from GAPVU if their income rose above 26000 metical (till 1995) or 32000 metical (1995 onwards). There were other graduating criteria like if the child moved on to moderately malnourished from severely malnourished, if the household moved to rural areas, etc.

Coverage

GAPVU had target coverage of 80000 urban households under PSSB who were supposed to be vulnerable according to national statistics. The implementation rate was quite slow during the first two years when GAPVU reached only 572 households. The implementation rate accelerated massively in the subsequent years and exceeded the target in 1996. Later it was found that the acceleration was due to rampant corruption in the registration process where thousands of households were registered which did not exist in reality.

Lessons Learned

The widespread corruption in implementation of PSSB by GAPVU is obviously a big lesson for any such project. It was found that GAPVU officials registered non-existent households and simply stole the money which was designated for these non-existent beneficiaries. In many cities, beneficiaries were regularly told that their allotment for the month has not arrived and had been cancelled. While the beneficiaries accepted their fate, the money was compromised by corrupt officials. Till 1996 PSSB was cited all through the world as an example of a successful social protection programme. It had effective targeting criteria, low operational costs and a good impact on meeting its target of helping the vulnerable to meet the minimum calorie intake of 1700 kcal/day. However, these achievements proved out to be false when the GAPVU frauds and corruption were unveiled. Most of the PSSB money was consumed by corrupt officials and false beneficiaries. Malnourished children were rented so that they can be used to get registered in the GAPVU programme. In a later study, it was proved that PSSB benefits were too little to influence the food consumption of the beneficiaries.

In 1997, GAPVU were transferred to National Institute for Social Action or INAS. INAS decided that payment level of GAPVU was too low and they introduced a cash-for-work programme with better payments and the stipulation to work to attain those. The first important lesson of PSSB is that low operational cost does not always mean success. It is better to have a bit higher operational cost if the operation is efficient and corruption free. The second lesson from GAPVU is that cash transfer should not be very small as small transfers can hardly make a difference. It is better to design cash transfer programmes which gives a substantial benefit to beneficiaries.

Nairobi Urban Social Protection Programme

In January 2009, the Government of Kenya recognized that the food crisis throughout the country was a national disaster. According to government statistics, approximately 9.5 million people were facing the risk of starvation. 4.1 million of these people were urban poor. Even though Nairobi Social Protection Programme (NUSPP) was more of a crisis response than a regular programme, a lot is to be learned from the programme implementation which has been very successfully carried out by the Government of Kenya.

Background to NUSPP

Almost one-third of Kenya's population lives in urban settlements with a growing urban population which is predicted to be reaching 50 percent of the country's population by 2020 (Sumananjali 2010). However, this rapid growth in urban population is not supported by the development of adequate infrastructure. More than 50 percent of the urban population lives in unplanned informal settlements which lack basic amenities. These slums are not part of mainstream urban planning. 50 percent of the slum dwellers do not have access to safe drinking water while 18 percent have no access to sanitation. Unemployment rate at these slums stands at 26 percent which is quite high by any standards (Sumila Gulyan, Debabrata Talukdar and Darby Jack).

As of 2005, urban poverty rate is 33.7 percent as opposed to the national poverty rate of 43.37 percent[6]. Unemployment situation is most dire among the young population/ around 2.5 million young adults are currently unemployed in Nairobi alone. Like other urban societies, social networks are fragmented and weaker compared top rural societies. Plagued by malnutrition and food insecurity, the urban population of Kenya is always in serious need of help.

The food crisis of 2009 emerged as an added burden to this already struggling population. Consecutive droughts, post 2007 election violence, global economic meltdown were the reasons cited behind this food crisis. Amid rising process and falling wages, urban poor in Kenya had to reduce consumption of food and engage in occupations like prostitution and child labour.

Goals and Expected Outcome of NUSPP

The project had two broad goals: (i) to improve the access to food of the most vulnerable households in selected informal settlements in Nairobi; (ii) to develop a longer term food and income security initiatives. Expected outcomes of the project included: (i) Development of a cash transfer system; (ii) Establishment of a social protection programme for the urban poor; and (iii) Identification of appropriate emergency indicators for use in the urban context.

Targeting

The targeting criteria of NUSPP were:

1. Child headed households: Child headed households not benefitting from any other support programme
2. HIV victims: People living with HIV or other terminal disease with no support
3. Elderly: People above 55 years of age taking care of 3 or more orphans and vulnerable children
4. Single mother: Single mothers taking care of three or more OVC
5. Anti-retroviral: Household taking care of OVCs on anti-retroviral
6. Pregnant or lactating mother: Pregnant or lactating mothers with a middle upper arm circumference of less than 18.5 cm which indicates acute malnutrition

6 Data from tradingeconomics.com

7. Malnourished children: Children with a middle upper arm circumference of less than 13.5 cm

Even though the cash transfer scheme was short term, concerned NGOs advocated the government to design long-term programmes based on this same targeting criterion.

Payment and Coverage

A monthly cash transfers of KSH 1500 (US$12.5) were transferred to the beneficiary households. This transfer continued for six to eight months for each of the beneficiaries. According to Oxfam and Concern (two global NGOs active in the local scene), they have reached around 5000 households in Korogocho and Mukuru of Nairobi.

Lessons Learned

Cash transfer in this programme has been done through mobile phones. Transfer in this system is quite efficient and costs much less than any other form of transfer. Given the high penetration rates of mobile phones in urban areas, this can be an imitable lesson for all urban cash transfer programmes. Cash transfer programme seemed to be free of problems like community theft which is quite prevalent in cases of food aid. In addition to this, cash transfer plays an important role in stimulating the local market. The cash amount paid by NUSPP has seemed to work as a source of investment for the poor rather than aid. 50 percent of the beneficiary households have started small business activities which will help them build resilience to any future shocks.

Experience of India in Supporting the Urban Poor

Growing number of urban poor has been a similar problem for Bangladesh and India. Both the countries face a high rural to urban migration rate due to concentration of opportunities in the cities. Two countries have similar percentage of population living in urban areas: 27 percent for Bangladesh and 31.16 percent for India[7]. India government, though not as much as Bangladesh, is reluctant about protecting the urban poor. The range of social protection programmes are mainly focused towards the rural population. However, the scenario is changing and Indian government is on the verge of implementing new programmes directed exclusively for the urban poor.

A key catalyst in India's renewed interest in urban social protection is the initiation of the Unique Identity Authority project which is set to give all Indian nationals a unique identification. The development of this unique identification is vital in implementing social welfare programmes as other current government and private databases contain numerous error and fake identities. In fact, all the existing social welfare programmes in India suffer from these erroneous databases.

Existing Approaches to Urban Poverty Alleviation in India

Swarna Jayanti Shahari Rozgar Yojana (SJSRY): SJSRY is a skill training programme aimed at transforming unskilled urban poor to a skilled labourer who can earn wage by self-employment in the long run. However, the state must give adequate financial backup, i.e.

[7] CIA World Fact book

credit, to the worker if it expects the worker to develop and in turn employ others. But India is yet to develop such an inclusive financial system.

India has other social welfare programmes named RAY and JNNURM which suffers from the lack of state capacity to implement the projects.

Planned Social Welfare Programmes in India

National Urban Social Assistance Programme (NUSAP): NUSAP is a proposed programme for the 12th five-year plan of India[8]. The aim of this programme is to address the urban social vulnerability. The focus areas of NUSAP are: gender, age, health and education. It is to be noted that NUSAP is a holistic programme- its intervention range includes skill up gradation, financial service package, health care service, education service and direct as well as delayed cash transfers.

India has planned other projects which are designed to create positive impact in urban poor's lives. However, none of them are as elaborate as NUSAP. The implementation of NUSAP can entirely change the dynamics of India's urban poverty. However, it is going to be very difficult for India to implement such a programme because without proper targeting such a programme may become a huge waste of money. This is why Unique Identity Authority project is crucial for India to implement its plans. Through the urban social welfare programmes India has a selected a host of objectives. Achievement of these objectives will lead to ensure betterment of the situation of the urban poor. These objectives are described below:

Security of Tenure: Urban poor in India suffer from a serious lacking in security of tenure besides lacking security in property rights. While security of property rights has been the focus of programmes like RAY, security of tenure is largely neglected. This is why assuring security of tenure is for urban poor is an objective for the 12th five-year plan. Security of tenure can ensure productive use of assets and access to network services and financial markets.

Slum-upgradation and Non-eviction Policy: Slum-upgradation is believed to be a key driver in effectively addressing urban poverty. India also plans to implement a non-eviction from slums strategy. Non-eviction from slums is going to ensure security of housing for the urban poor. While it is true that many slums are built illegally in public lands, it is also a reality that slums will be there as long as poor citizens continue to migrate to cities in search of a better livelihood. So it is better to provide some security to slums. Apart from this strategy India plans to follow a strict rehabilitation and resettlement policy if eviction of any slum becomes necessary for the greater benefit of the society.

Universalization of Water and Sanitation: Most slums in urban India lack access to water supply and sanitation. This is a consequence of the fact that slums are usually set up illegally without government approval. But as slums have become a part of urban reality in India, Indian government needs to assure basic water supply and sanitation facility in these slums. Keeping a large part of the population out of water supply and sanitation costs a lot in the long run in terms of loss of human capital due to deterioration of health.

Community Engagement: India plans to ensure the involvement of the urban poor community in planning and designing of the schemes which will have impact on their lives. To ensure effective engagement creation and recognition of Community Based Organizations (CBOs) is a must.

[8] Report of the Working Group on Urban Poverty, Slums and Service Delivery System, Steering Committee on Urbanization Planning Commission, New Delhi, 2011

Financial Inclusion of Urban Poor: Indian urban poor are largely deprived of any inclusion in financial services. The role of micro-credit in this regard can be extremely valuable. This is why India has plans to mobilize micro-finance institutions in urban slums which will extend credit to slum dwellers.

Policy Suggestions for Bangladesh in Light of Global Experience

In-Cash or In-Kind Transfer: The transportation cost of in-kind transfer (usually food crops) adds a significant burden to the project. It is also to be noted that the experience in Nairobi suggests us food aid is vulnerable to theft. Cash, on the other hand, is easily transferrable without adding significant operational costs to the project (but depending on availability of financial and choice of payment modality). Cash transfers have the added advantage of stimulating the local economy. However, the cash transfer may be affected by price hikes for commodities the poor buy. Moreover, overall inflation could make worse off the cash recipient households compared to the kind recipient households.

Transfer Amount: In case of GAPVU in Mozambique it was evident that too little amount of transfer does not help in creating a significant impact. The experience of Nairobi Urban Social protection programme was entirely the opposite- a bigger transfer at the programme worked out as investment rather than mere handout and the 50 percent of the poor households started new businesses with the transferred money. In fact, there is scholarly evidence that poor are surprisingly entrepreneurial and a significant sum of money may help them break away from low productivity, vulnerability and dependency [9].

It may also be noted that little amount of transfer may incite corruption. This was the case in GAPVU where officials informed beneficiaries that the government is not sending their monthly instalments. The beneficiaries were not interested in thoroughly checking the claim as the amount of money involved was very little. As evident from Nairobi Urban Social Protection programme, at least an amount equalling to 20 percent of the food expenditure should be the amount of transfer.

Transfer Process: The most important lesson form the Nairobi Urban Social Protection programme was its cash transfer through mobile phone system. Penetration rate of mobile phone in Bangladesh is quite high and especially in urban areas it is very hard to find households without a single mobile phone. With the advent of mobile banking systems like bKash, any Bangladeshi social protection programme should aim to manage the in-cash transfers through mobile phones.

Utilizing Micro-Credit: As we have seen, SJSRY project in India is struggling to find success in India because it cannot extend financial service to the urban poor who have received skills training under the programme. A skilled labour can self-employ and also employ others if he/she receives credit to establish a business. Bangladesh should take advantage of the fact that it has successful micro-credit organizations, which can extend credit to the skilled workers once they receive training from social welfare programmes.

Utilizing National Identity Card: Bangladesh has done quite well by preparing national identity cards for every individual. National ID has given unique identity number to every

[9] "Can Social Safety Nets Reduce Chronic Poverty?" by Stephen Devereux published in Development Policy Review, 2002, 20 (5). Page 657-675

Bangladeshi citizen. We have seen that India is suffering from the absence of such a unique identity number. However, Bangladesh is yet to use the full potential of the national ID cards. These cards should be used to capture the socio-economic condition of the citizens. It has been alleged that Bangladeshi social welfare schemes fail to impact to their full potential because of targeting errors. The conventional system in Bangladesh is that local administrative officials or elected representatives select beneficiaries for the programmes. This leads to choosing beneficiaries who are not eligible or inclusion of same beneficiaries in multiple programmes. If we can use the national ID cards properly to build a database, then our social protection programmes will create better impact due to effective targeting.

Strategic Interventions, and Delivery Mechanism

Framework

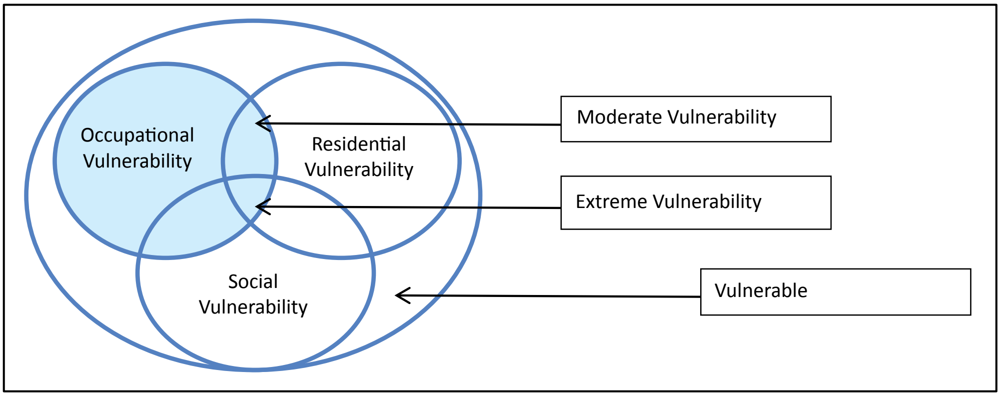
Urban poor are more vulnerable to shocks than rural poor to the extent that support network is weak or non-existent in urban areas. In the rural areas, social bondage provides important support at times of distress. However, urban poor has to live and survive entirely on their own. So any strategy to tackle urban poverty is incomplete without an analysis of the vulnerabilities those are faced by the urban poor.

Occupational vulnerability, residential vulnerability and social vulnerability are facets of vulnerability that urban poor has to face. We must understand that these vulnerabilities are inter-connected and insecurity posed by any one of these facets may impact the other two. For example, residential vulnerability may lead to insecure tenure which is an obstacle for any entrepreneurial effort. Any enterprise, including micro enterprises, needs a fixed place to operate the business from. However, insecure tenure in urban slums deprive urban poor an opportunity to invest in micro enterprises and ensure income security along with increased productivity.

Figure 2.12 provides a framework[9] to demonstrate urban vulnerability. It shows that occupational vulnerability, residential vulnerability and social vulnerability may overlap each other. According to this framework, when a person is faced with any one of the vulnerabilities then he is vulnerable. On the other hand, a person who is affected by all three vulnerabilities is called extremely vulnerable.

[9] Report of the Working Group on Urban Poverty, Slums and Service Delivery System, Steering Committee on Urbanization Planning Commission, New Delhi, 2011 page 35.

Figure 2.12: Framework for Urban Vulnerability[10]



Occupational Vulnerability

Even though urban areas provide more opportunities of employment than rural areas, most of these employments are short-term and has no job security. As a result, urban poor live consistently in an environment of vulnerability.

It should be the aim of any social protection programme to help the poor offset this vulnerability. Providing training to increase human capital may ensure better employment opportunity to the urban poor most of who are low skilled workers. Low skilled workers suffer from low productivity as their work produces low return. Increasing skill level through training is a good way to break free from this phenomenon.

However, the best way to tackle occupational vulnerability is to promote self-employment. Micro enterprises may create income sources which secure employment for the entrepreneur. Besides, micro enterprises may also create employment opportunities for other poor living in adjacent areas.

In order to develop micro enterprises, the government must ensure that the urban poor have access to credit and savings- meaning the urban poor must not be financially excluded. By mobilizing micro-credit institutions, it is possible to include urban poor into financial services network where they can gain access to credit and savings facilities.

Residential Vulnerability

Most of the urban slums are built on public lands without any permission from the concerned authorities. As a result, the entire slum becomes illegal. Government does not provide electricity, gas, water or sanitation in these slums. So the slum dwellers face a crisis of basic utilities including drinkable water. Moreover, frequent eviction drives by government agencies create a lack of tenure security.

Insecurity of tenure prohibits slum dwellers of setting up any micro enterprise in the slum area. This in turn affects occupational vulnerability. Bangladesh government should consider

10 ibid

the reality and decide on legalizing a number of slums in urban areas. When slums have no real alternative, government should supply at least drinkable water and basic sanitation facilities in the slums. Lack of these basic amenities may lead to bad health, and subsequent loss of capabilities of the slum dwellers.

Social Vulnerability: Caring for the Children

Urban poor face a host of threats based on gender, age, health and education. These threats together create social vulnerability of the poor. Social vulnerability impedes the development of capital (both human and financial) of the poor population. Addressing social vulnerability is difficult and cumbersome work. Developing a health care network and creating awareness about gender and age based discrimination takes years of unremitting campaign. It is appreciable that Bangladesh is doing well in terms of providing primary education. However, if occupational vulnerability cannot be addressed then parents force their child to take part in child labour and skip school. This is another example that the three facets of vulnerability are overlapping and can induce each other.

Some policy discussions often involving ways to improve the well-being of young children and their families have placed increased attention on the importance of child care and early education programmes. In literature, it is found that besides the parental influences, the quality of non-parental care arrangements has long lasting effects on child development (Belsky et.al. 2007). Access to child care may be an important factor in the employment and earning patterns of families, especially those having limited incomes and transitioning from government assistance programmes into the workforce (Schaefer, Kreader, & Collins, 2006).

Although child can be cared by relative and non-relative members, the increasing tendency of nuclear family and less social interaction induces for establishing centre programmes for them especially for urban children of the poor households. The opportunity of child care facility is presumed to have positive influence on women labour force participation and thereby is expected to contribute household income of the poor households. The programmes may be introduced in private organizations as well as public organizations. Government can establish some child centres in important locations in the cities such as pre-kindergarten, day care centres, and other early education programmes. They may be located in places such as schools, public buildings, and buildings designed primarily for child care purposes. Government can make compulsory to all employers to have a child centre in their organizations.

The global experiences and the current state of social protection in urban areas targeting urban poor suggest some possible interventions and expected delivery mechanisms.

Table 2.13: Suggested Intervention and Delivery Mechanism of Reducing Urban Poverty

Area	Aim	Target Intervention	Delivery Mechanism
Health	• To improve the overall health security by health insurance	• Community based health care delivery, and health insurance policy • Disability pension scheme • Disability support card	• Community based organizations • Direct cash transfer to the disable people • Cost reduction health card
Education	• To continue and to ensure the education of the children of urban poor.	• School going children based conditional on regular attendance to school • Inflation adjusted benefit delivery	• Direct cash transfer to the households having school going children conditional on regular attendance • Transfer of money to the account of the student
Employment	• To ensure the minimum income to maintain regular expenses • To ensure employment of at least one adult people per household • To secure the retirement benefits of low paid urban poor	• Urban employment scheme • Training to the unskilled labour • Pension schemes for the urban poor • Insurance for labourers exposed to occupational hazards	• Income transfer through the participation in urban employment scheme • Skill development training • Direct cash transfer for a certain period (training allowance)
Resident	• To ensure better residential facility in slums and squatter settlement	• Access to credit facility through micro finance or formal financial system at low interest rate	• Direct material support • Supplying the utilities as public good for specific areas

Development of an Urban Social Protection Policy

It is indeed true that social protection policies must address all facets of vulnerabilities (Table 2.13). However, our immediate attention must be turned towards areas which are not adequately addressed but crucial for breaking the cycle of poverty. A review of urban social protection programme reveals that urban youth is the most neglected sector in Bangladesh in terms of social protection. When children and older part of the population are addressed to some extent, many of the vulnerable people are still left out of the social protection network.

It is a general tendency to think youth must be capable to take care of themselves. As a result, social protection programmes targeting the youth are limited to providing some training to develop skills. But we must understand that employment opportunities are scarce in Bangladesh and self-employment needs some sort of initial capital to begin with. It must also be taken into account that sometimes the young poor are unable to attend any training programme as they must work continually to survive in the urban setting.

The reason why this paper is stressing to target urban youth is because targeting urban youth is more productive than targeting any other class. Targeting the unproductive class (disabled, old aged) is strategy for livelihood protection (ensuring survival) while targeting the youth is livelihood promotion as it would lead to greater productivity.

Figure 2.13: Cycle of Poverty[11]

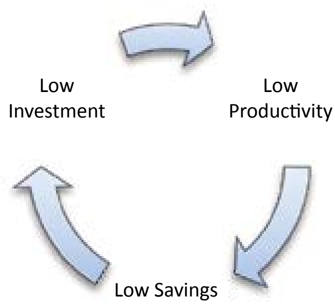


Figure 2.13 explains why young poor fail to increase their income and graduate out of poverty. Low productivity refers to low return to labour. Low productivity is an ever present phenomenon for poor urban youth as they usually suffer from inadequate development of human capital. As low productivity is synonymous with low income, poor urban youth fail to do any savings. Low savings in turn, lead to low investment. Without investment, urban poor fail to develop their productivity and graduate out of poverty. Study conducted by Stephen Devereux (2002) revealing the results which indicate that poor are surprisingly entrepreneurial and starts investing in micro enterprises if they receive significant sum of money. Experience in Nairobi (Nairobi Urban Social Protection Programme: page 7) indicates the 'significant sum' can be 20-33 percent of household food expenditure.

[11]http://www.economicsdiscussion.net/capital-formation/the-vicious-circle/vicious-circle-of-poverty-and-the-scarcity-of-capital-with-diagram/11830

Conclusion

Albeit poverty has been declining impressively in Bangladesh – both in rural and urban areas, the rural poverty reduction is faster than the urban poverty reduction. Rural poverty alleviation is kept on the table of policy discussion of poverty alleviation. Various programmes have been initiated and implemented to combat rural poverty and the successive reduction of rural poverty is the outcome of those programmes. The disaggregation of the coverage of the programme and number of beneficiaries by rural and urban areas lucidly revealed that urban poverty is always out of focused and not much attention has been given to the alleviation of urban poverty. Sulochanah Nair (2009) argued that the interest of urban poverty has been brought by various factors especially the rural bias in past development strategies, rapid rate of urbanization, rural-urban migration and structural transformation of the economies of development economies. In fact, some transfer programme has no expected outcome such as Ahmed et.al. (2007) showed that social protection benefits paid to the parents of young children have no impact on child under-nutrition. To achieve MDG of poverty alleviation within 2015, we need to focus urban poverty reduction along with rural poverty alleviation. The marginal cost of alleviating rural poverty will increase in future, and thereby, reduction of national poverty will require the strategies of urban poverty alleviation.

The concern of urban poverty is pronounced as urbanization in Bangladesh is growing. Ravallion (2001) concluded that although various experience suggests that a majority of the poor will still live in rural areas long after most people in the developing world in urban areas, the poor urbanize faster than the population as a whole. The urban poor are different from the rural poor. The urban poor have low poverty gap and less severity, whereas rural poor still has high poverty gap and squared poverty. The rural poor have higher household size compared to urban poor household. The urban poor have more than 20 percent higher per capita expenditure, more than 27 percent per capita income.

ILO argues that social protection can tackle many dimensions of poverty and deprivation such as decent work, education, food security, etc. Moreover, it can be an important apparatus in creating inclusive and sustainable development pathways. In order to reduce urban poverty in the near future, we need to develop inclusive urban development policy, reduce the biasness in rural poverty alleviation, scaling-up existing social protection programmes in the urban areas and designing some specific separate programmes (such as, child care centre) to address the urban poor. For long term sustainable development, rural poverty vis-à-vis urban poverty alleviation programmes and strategies have to be strengthened. It can be done through direct cash transfer – conditional and unconditional, human resource development – training opportunity for youth, broadening access to financial services for the urban poor and even for extreme poor, and access to amenities despite the fact that alleviation of urban poverty is more challenging than rural poverty alleviation.

Challenges of urban poverty reduction strategies are that the special programmes for alleviating urban poverty may induce the urbanization rate (Dercon, 2011) and a fear that the poor may urbanize more rapidly than the non-poor (Ravallion, 2001). However, this is not borne out by evidence in Bangladesh. Despite large rural-urban migration, the absolute number of urban poor has been decreasing, from 9.7 million in 2005 to 8.3 million in 2010.[12] Migration has not implied transfer of poverty from rural to urban areas. The rural poor may be more inclined than the rural non-poor to move to urban areas, but they have used migration as a strategy to climb out of poverty.

[12] Based on data from Household Income and Expenditure Survey (HIES), BBS, 2005 and 2010

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3. Social Protection Strategies to Address Social and Gender-Based Exclusion, Including Disability, High-risk Groups and Minority Groups in Bangladesh

* Dr. Selim Raihan & **Syer Tazim Haque

Introduction

Poverty is the single most important socio-economic challenge for Bangladesh. In recent decades, Bangladesh has made significant progress in reducing poverty. At a low level of development, the country has been able to achieve a major decline in population growth rate and of graduating to the medium human development group of countries by UNDP's ranking. Significant improvements have been achieved in the areas of child and maternal mortality, life expectancy, net primary enrolment rate, women's economic participation, gender parity in primary and secondary education, etc. Rural infrastructural developments eroded much of the remoteness for the majority of villages. Healthy inflow of remittances, expansion in micro-credit operations, and remarkable success in RMG exports significantly contributed to achieve the above. Despite the progress, poverty rates remain still high in Bangladesh. There are pockets of extreme poverty, and inequality as a rising concern. Also, imbalance in growth and poverty reductions at the regional level is highly visible with some parts of the country are seriously lagging behind. There is still a long way to go for gender parity and women developments.

One of the serious concerns is that even with higher growth, better jobs and better access to essential services, a part of the under-privileged population will likely be left out. These under-privileged people include a number of socially excluded and marginalized people who, for various reasons, fail to enjoy the benefit of economic growth. Additionally, substantial risks are posed by economic, social and natural shocks for this vulnerable population. It is important to mention here that for an inclusive development in Bangladesh, there is a need to address the problems of social exclusion at the central to policy and academic discourse.

Social exclusion is a multi-dimensional and dynamic process of being shut out, fully or partially, from the economic, social and cultural systems that determine the social integration of a person in society (Barnes, 2005). There are various forms of social exclusion which include exclusion from participation in decision-making and political processes, exclusion from the access to employment and material resources, and exclusion from integration into common cultural processes (Byrne, 1999). All these exclusions, when combined, create acute forms of exclusion that find a spatial manifestation in particular neighbourhoods and this involves discrimination against individuals and groups based on one or many different social attributes or elements of social identity (Landman, 2006). Such discrimination can occur as the result of formal or informal activities of the state as well as institutions and organizations in civil society (including families, villages, and community associations). However, social exclusion is a process and a state that prevents individuals or groups from full participation in social, economic and political life and from asserting their rights. It derives from exclusionary relationships based on power (Beall and Piron 2005). It is an accumulation of confluent processes with successive ruptures arising from the

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heart of economy, politics and society; gradually distances and places persons, groups, communities and territories in positions of inferiority in relation to centre powers, resources and prevailing values (Estivill, 2003).

As a condition or an outcome, social exclusion is a state where excluded individuals or groups are unable to participate fully in their society. Factors that may contribute to an individual being socially excluded include the following (UN, 2007): (a) Social identity, such as race, ethnicity, caste, religion, gender and age; (b) Social location, such as remote areas, stigmatized areas, war or conflict areas; (c) Social status, including the health situation (disability, illness of HIV/AIDS and other stigmatizing diseases), migrant status (including refugees), occupation and level of education.

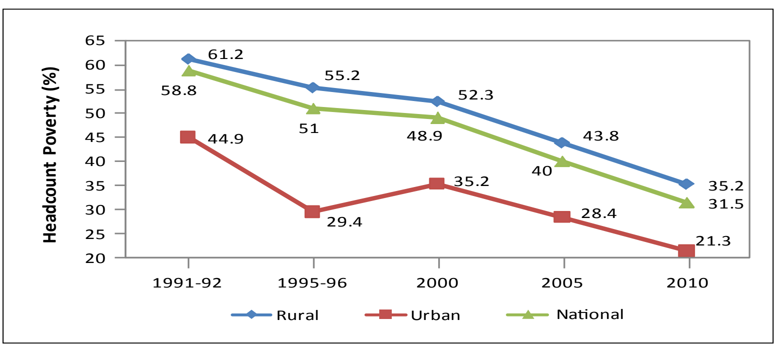
To address these challenges, there is a need to significantly strengthen the social protection programmes in Bangladesh. The strategy will be to design and implement a range of social protection programmes that meets the needs of this socially excluded population. In this regard, existing programmes should be reviewed and reformed to establish better targeting with a view to ensuring that all under-privileged groups including the disabled, the elderly, the tribal population, and children and women at risk are given priority in the distribution of benefits. Particular attention should be given to strengthening the underlying institutions.

The paper is organized as follows: (i) an overview of the patterns of poverty and profile of social exclusion in Bangladesh; (ii) an econometric analysis of the participation in SSNPs and poverty dynamics in Bangladesh using the 2010 HIES data; (iii) an overview of the existing social protection programmes targeting social and gender based exclusions; (iv) discusses the lessons from international best practices; Finally, (v) presents the policy implications and conclusion.

Poverty and Profile of Social Exclusion in Bangladesh

There has been significant reduction in poverty since 1990 in Bangladesh. Figure 3.1 shows that national headcount poverty declined from 58.8 percent in 1991-92 to 31.5 percent in 2010. Rural headcount poverty declined from 61.2 percent in 1991-92 to 35.2 percent in 2010. Urban headcount poverty declined during 1991-92 and 1995-96 but encountered a rise during 1995-96 and 2000 and then declined afterwards. Overall, urban headcount poverty declined from 44.9 percent in 1991-92 to 21.3 percent in 2010.

Figure 3.1: Headcount Poverty Trends in Bangladesh



Source: Various Household Income and Expenditure Survey (HIES), (BBS)

Despite all these achievements poverty still remains at a very high level and the number of people living below the poverty line has not declined by a great margin over the last two decades. In 1991-92, the number of poor people was about 60 million, which was reduced to around 47 million in 2010. This means the decline was only 13 million over 20 years, though it has to be borne in mind that the country's population grew by 36 million over the same time period. The most startling consequence of widespread poverty is that a quarter of the country's population - 36 million people – cannot afford an adequate diet, according to the 2010 estimates of food poverty or extreme poverty (BBS, 2010).

Social exclusion is a big challenge for the eradication of poverty in Bangladesh. The socially excluded population includes the indigenous people, dalits (lower caste), and people with HIV AIDS, disable people, etc. A common form of exclusion for these groups is exclusion from wider social (support) networks, which can be essential in areas where state services are lacking. The impact of this exclusion is felt both in terms of economic disadvantage and loss of moral support. Other common manifestations of exclusion are: unequal access to employment opportunities, unequal access to formal services such as health and water and sanitation, and landlessness, which are often cited as particularly damaging form of discriminations. A major area of concern in terms of the impact of social exclusion seems to be the exclusion of children from education. Studies have found that processes of marginalization in the wider society extend into the classroom and the result is that several groups of children have little or no access to education. Social exclusion and poverty are widely considered to be closely related and overlapping. There is evidence that the exclusion of groups from wider social networks reduces their economic prospects. Poverty is highest in areas in which indigenous peoples are concentrated (mainly in the Chittagong Hill Tracts).

Social exclusion keeps people poor and, conversely, poverty contributes to and exacerbates social exclusion. A first aspect of this is how social protection can contribute to tackling social exclusion, and whether this can be done purely through poverty reduction objectives or whether it would require more complex interventions that ensure that the needs of the socially excluded are met and also that structural barriers to their participation in society are somewhat eased, e.g. by creating better access to healthcare facilities, schools etc.

A second aspect lies in how to ensure that socially marginalized groups are not excluded from existing social protection programmes – for instance, it may not always be most desirable to create programmes particularly for socially excluded groups, especially in light of exacerbating stigma, but it needs to be ensured that marginalized groups are able to access mainstream programmes. This requires rights-based approaches and social guarantees, as well as affirmative action combined with targeted capability enhancement of excluded groups to empower them to take advantage of the affirmative action and effectively make claims.

Indigenous People

Relative to the total population, Bangladesh has a fairly small indigenous population. According to the Population Census 2011, more than 1.5 million indigenous people live in several districts (Sylhet, Rajshahi, Dinajpur, Mymensingh, Rangpur, Bogra, Natore, Khulna, Tangail, Jamalpur, Sherpur, Netrokona, Sunamganj) of Bangladesh, which is 1.1 percent of the population in Bangladesh. About a third of them live in three districts – Khagrachori, Bandarban and Rangamati – of Chittagong Hill Tracts. The indigenous people in Bangladesh belong to mainly three religions: Buddhists (43.7 percent), Hindus (24.1 percent) Christians (13.2 percent) and others 19 percent.

There is a debate on the use of different names to refer to the people of these groups. In early years, the term Tribal People was massively used and in Bangla “Upajati” was used mostly. But later it was officially decided that these terms would no longer be used as they were considered offensive and “racial”. The term Indigenous people is used mostly these days. Other names are also used such as Ethnic People or Small Ethnic Groups. Considering the ILO standards both the terms Ethnic Group or Indigenous People are non-racial and non-offensive hence can be used without much debate. A brief description of some indigenous groups is given below:

The Chakmas are the largest tribe of Bangladesh and inhabit the Chittagong Hill Tracts. They are the largest ethnic group in the Chittagong Hill Tracts, making up more than half the tribal population. The Santals are known as one of the oldest and largest indigenous communities in the north-western belt of Bangladesh. They have been living in the pristine natural surroundings of the area for thousands of years. Santals are largely seen in the northern districts of Dinajpur, Naogaon, Thakurgaon, Panchagar, etc. The Manipuris are one of the major ethnic communities of Bangladesh live in different places of Sylhet Division, like Kamalganj, Sreemongal, Kulaura and Baralekha thanas of Moulvi Bazar district; Chunarughat thana of Habiganj district and Chhatak thana of Sunamganj district. The Tripura live both in the plain land and the CHT in Bangladesh. The Tanchangya people live in southeastern Bangladesh. Tanchangyas are the fifth largest indigenous ethnic community in CHT. The Rajbangshi is a small ethnic group of Bangladesh. They live mostly in Rangpur, Dinajpur and Rajshahi districts and a small number of them in Bogra and Mymensingh. Another prominent ethnic group of Bangladesh is Khasia. They are spread over Bishwamvarpur, Tahirpur and Chhatak in Sunamganj. The Hajong has been living for many generations in the hilly parts of Mymehsingh district. Some of them also live in the Sherpur, Sylhet and Netrokona regions. The Rakhain, belonging to the Bhotbarmi community of the Mongoloids, came from the land Rakhain Pre, which is now known as Arakan in Myanmar. More than eighty percent of them live in Ramu, Cox’s Bazar, Bandarban, Manikchhari and Teknaf. Murongs live in Lama, Ruma, Alikadam and Thanchi upazilas near Chimbuk Mountain of Bandarban district. The Murong constitute the fourth largest tribe in the Chittagong Hill Tracts.

The indigenous communities in Bangladesh are the most deprived of economic, social, cultural and political rights mainly due to their ethnic status. One of the major problems for all minority communities is land grabbing by influential people from the mainstream population. There are no adequate policies to protect the land of indigenous people [Mohajan 2013].

Roy (2002) discussed the historical evolution of the semi-autonomous status of the Chittagong Hill Tracts region, where indigenous peoples from different ethno-linguistic backgrounds form the majority. Their autonomy is seen to be eroded by the denial of land rights and transmigration of Bengali settlers into the region. The paper argued that these indigenous peoples were neglected and oppressed in much the same ways as indigenous peoples in the lowland regions of Bangladesh.

Shafie and Kilby (2003) discussed the processes of discrimination and exploitation that had led to the exclusion and marginalization of indigenous communities in Northwest Bangladesh. The paper found that ethnic identities in the region are hierarchically ranked, creating barriers to indigenous people ‘s inclusion in wider social networks. Cultural/social exclusion derives from the ‘majorities’ (Bengali) insistence on certain value preferences which are different to the indigenous people. Moreover, the enforcement of the notion of 'national unity' seems to aim to eliminate the particular cultural and political values of indigenous peoples. The result is that indigenous people are socially isolated, with little access to mainstream economic and political spheres. The complex interplay between ethnic inequality, enduring discrimination, lack of education, little access to land (and water), and lack of employment has resulted in increased poverty amongst these indigenous groups.

According to Sarkar and Davey (2007) although education provision has recently improved in Bangladesh, low priority has been given to the education of indigenous children. This research surveyed indigenous children's primary school attendance and dropout rates in North-western Bangladesh during 2004. It found that few indigenous children completed a year of primary education, the less than 50 percent attended some school but dropped out. It was likely that a large percentage of indigenous children never experienced or completed primary education, and probably did not attain even basic literacy skills. Poverty, child labour, and other factors such as ignorance toward education, language (schools use Bengali or English, whereas indigenous people use tribal languages), cultural alienation, and parents' seasonal migration accounted for the low rates of school attendance. The paper highlighted that indigenous people were poor and rural-based, and education was not their first priority. Children were often required to find employment, or take care of siblings whilst their parents worked, and therefore couldn't attend school. The problem was exacerbated by the fact that indigenous people lived in dispersed remote villages and small hamlets where there were no educational facilities. In addition, discrimination against indigenous people extended into the classroom environment, where indigenous children sat separately from children from the dominant groups. The paper discussed the link between poverty and education outcomes, concluding that reducing or eliminating the costs associated with education should be a priority.

According to Barkat et al (2009), the Chittagong Hill Tracts (CHT) with its diversity in geography, multi-ethnic population composition (including 11 Indigenous communities and Bangalees), displacement issues, deprivation in terms of socio-economic parameters, armed conflict, signing of CHT Accord and post-conflict development, etc. still remained as a region of crucial political and development discourse. This study conducted a socioeconomic baseline survey of Chittagong Hill Tracts (CHT). CHT is one of the most disadvantaged and vulnerable regions in the country in terms of almost all major development indicators, such as income; employment; poverty; health; water, environment and sanitation; education; women employment; access to infrastructure and national building institutions; peace; inter community confidence etc. Only 7.8 percent of all CHT people completed primary education and 2.4 percent completed secondary education. 'Food Poverty' is widespread in CHT. Most indigenous peoples in CHT are not secured in relation to availability of food during most time in a year; Ashar (June-July) and Sravan (July-Aug) being the worse months. The prevalence of absolute poor and extreme poor among indigenous peoples are 65 percent and 44 percent respectively. Households living below lower and upper poverty lines are 78 percent and 89 percent respectively among indigenous people. Households below lower poverty line range between 100 percent for Lushai and 71 percent for Chakma, and households below upper poverty line range between 100 percent for Lushai and 84 percent for Chakma.

According to Khondker (2010), the rate of poverty among ethnic minorities in Chittagong Hill Tracts (CHT) was apparently more acute than that of the people in the Monga-prone plain lands in the north. The study found around 65 percent of study population in CHT living below the poverty line.

Perry (2010) mentioned that for indigenous people, job insecurity was made worse by the fact that they were often paid less than Bengali labourers for the same work -- while indigenous women were paid at a lower rate again. As a result, indigenous households and particularly those that were headed by women were vulnerable to the effects of fluctuations in labour demand and health shocks. This desperate situation forced many indigenous people to sell their labour in advance -- for an even lower rate -- during the lean seasons, and work for longer hours just to feed their families. Perry also observed that indigenous workers tended to migrate less than their Bengali counterparts because of worries -- based on past experiences of discrimination -- that if they would leave their living place to find work, their land or homestead might be occupied by others illegally and they might end up homeless. Certain cultural beliefs also played a part. This means extremely poor indigenous people are less able to move to find better wages, making their situation even more perilous. In general, educational facilities for the extreme poor were limited and of poor quality. This prompted recent efforts from the government, NGOs and missionaries to make primary education comparatively more accessible. However, children from extremely poor indigenous families face different barriers in school. Government primary schools use Bangla as the language of instruction, English is also taught, but there are rarely primary school provisions for instruction in any indigenous language, making it difficult for indigenous children to compete at school in Bangla with their Bengali classmates. Coupled with existing social and cultural differences between indigenous and Bengali, a disproportionately high number of indigenous children are illiterate, leading to high drop-out rates among indigenous children, thereby increasing the likelihood of low wages in adulthood. Finally, extremely poor indigenous communities face distinct political barriers to their development. While the extreme poor across Bangladesh rarely attain significant positions in local-level politics and power structures, the indigenous people are particularly affected by political marginalization. Even in areas where they make up a reasonable proportion of the population, they generally struggle to compete for political representation, lacking the necessary money, education, experience and political networks. The specific challenges facing indigenous people in extreme poverty remind us of the importance of policy-making that is nuanced and sensitive to the particular social and economic constraints of different groups. At least for those extremely poor indigenous people, policies designed to link them to the mainstream of Bangladesh's development initiatives will be fundamental for them to lift themselves out of extreme poverty.

Dalits

In the context of traditional Hindu society, Dalit status has often been historically associated with occupations regarded as ritually impure. People involved in professions like sweeper/janitor, people who work at the morgue, butchers, sex workers, etc. traditionally formed the bulk of the dalit class. Traditionally, most who had this profession were Hindu, but over time, a significant number of people belonging to Muslim and other religion have entered into those professions. Dalits in Bangladesh are referred to professions which are considered impure such as sweeping, sewerage, cleaning, tea garden labouring, burying of dead bodies, processing o mastered oil, gardening, shoe and leather work, drum beating, washing, etc. Social boycott and forced labour are often imposed on Dalits as a means to control and exploit their labour. There is no census based data; however, some estimates suggest that there are almost 4.5 - 5.5 million dalits in Bangladesh.

In Bangladesh, the dalits are categorized with respect to their work, religion and ethnicity such as Bagdi (Hindu fisherman), Bajander (plays traditional musical instruments), Beyara (Palki carrier), Dai (traditional birth attendants), Dhopa (washerman/laundryman), Dome and Chondal (cremator of dead bodies), Hajam (Circumciser), Jele/ Nikari / Maimol (Muslim fishermen), Kapali (peasant), Kaora (pig rarer), Methor (sweepers), Namashudra (peasant/ farmer), Pondo Khaitria (mat weavers), Robidas and Rishi (leather workers/cobbler), Shikari (Scavengers/Hunters), Napit (barber), Vogobone, Shahji etc. These groups of people, being identified as untouchables, have no social, economic and employment rights and opportunities to mix-up with the mainstream. They are the victims of antagonism and oppression due to their low socio-economic status. Historically, the dalits have been confined to specific jobs and segregated from full participation with the main stream society. They were forbidden to keep certain domestic animals, to use certain metals for ornaments and were obliged to wear particular type of dress, footwear, to eat a particular type of food, and were forced to occupy the dirty, dingy and unhygienic outskirts of villages and towns for habitation.

A large number of dalits are the so called lower caste of the Hindus whose ancestors were brought to Bangladesh from South India by the British colonial regime to provide menial services from them. Most of them are Hindus and some are Christians, and they mainly speak Hindi, Telegu, Urdu, Jabbalpuri and Bangla.

Like the other caste effected countries, dalits in Bangladesh are referred to professions which are considered impure such as sweeping, sewerage, cleaning, tea garden labouring, burying of dead bodies, processing o mastered oil, gardening, shoe and leather work, drum beating, washing, etc. Social boycott and forced labour are often imposed on dalits as a means to control and exploit their labour.

Despite their long presence in the society of traditional Bangladesh, dalits communities are not much focused in development interventions; hence it seems justified when many have called them as the 'missing communities'. One of the reasons could be lack of proper documentation, analytical assessment and concrete information on dalits information.

From the recent studies on dalits, it is found that economic disparity is not the only problem faced by these marginalized groups, but mostly faced non-economic problems, some of which are (1) untouchability and hatred, (2) social exclusion, (3) lack of dignity, (4) estrangement from normal social life (5) forced eviction from land, (6) insecurity within family and society, (7) ignorance and lack of information, (8) environmental disaster, (9) lack of access to legal aid services, (10) lack of access to government services.

It is true the dalits of Bangladesh doesn't suffer severely from caste problem like Nepal or India. However, some recent findings reveal that policy makers must give needful attention in addressing discriminations and exploitations faced by dalit communities.

Dalits/excluded communities use their original names, which remain unchanged even in Bangla language. A list of dalits in Bangladesh is provided in Table 3.1.

Table 3.1: List of Dalits in Bangladesh

Sl No.	List of Dalits		Remarks
	Bangla Terminology	English Description	
01	Ethulu	Sweepers who are involved in sweeping work	
02	Erkokolu	Sweepers who are involved in sweeping work	
03	Kolu	Those who turns wheels of oil crushing machine	In Bangla, kolu word used as for those poor who work very hard or involved in heavily labourious job.
04	Kawra	Pig Rearer	
05	Kanpuri	Sweeper	It is believed that these people came from Kanpur State of India
06	Kapulu	Sweeper, mostly in city corporation areas	Kapulu speak Telegu language
07	Gollulu	Cleaner, Tea Garden worker, Domestic animal (like goat/cow) rearer and collect their own and animal food from forest/ environment.	They are from Andra Pradesh, India
08	Chakali	Originally they were the Grave digger, Laundryman, Light man. Now days most of them are involved in sweeping work.	They live in Bangladesh since 1840 and speak in Telegu, Hindu and Urdu. Most of them are now converted Christians
09	Janglolu	Cleaner and Sweeper	They have migrated from Andra Pradesh due to famine.
10	Dome	Another Hindu caste having assigned duty of burning the dead and looking the cremation areas. They were also involved in dissection of dead bodies in different medical colleges. Now a day's most of them are involved in cleaning profession.	Dome word is synonymous with the work who burn dead body.
11	Domar	Sweeper	They speak Jabbalpuri language
12	Telegu	Tea plantation worker and were also involved in jungle cleaning	Migrated from Andra Pradesh and Bishakha Pattam of India. They speak Telegu language.
13	Doshowali	Cleaner	Doshowali is a very small Dalit community living in Kushtia District

Sl No.	List of Dalits		Remarks
	Bangla Terminology	English Description	
14	Nikari	They collect and sell oysters and also make limestone (calcium powder) out of it. Now a days, they collect shrimp fry from ocean/river	
15	Parobashi	Fisherman	Most of them live in Kaligram, Moksudpur Upzilla, Gopalgonj District.
16	Patni	Boatman helps people to cross the river (ferryman)	
17	Pashi	Work in tea plantation and also involved in local wine production/ selling	Migrated from Bihar Pradesh of India. Speak in Bhojpuri language.
18	Balmiki	Sikh people involved in cleaning profession	Basically Balmiki and Lalbegi - two sikh communities migrated to Bangladesh. Later Lalbegi converted to Hindu religion.
19	Lalbegi	Involved in cleaning profession	
20	Bashphor	Sweeper	Migrated from Kanpur, Uttar Pradesh and Rajsthan of India. Now they settled in Sayedpur, Kushtia, Pabna, meherpur, Khulna and Jessore Districts of Bangladesh.
21	Bindi	Collect rice from paddy field after harvesting and also bird, hare and crab hunters	Bindi's are considered most marginalized communities among Dalits. Till now there are only 30 families, who are living in the river bank in Kushtia district.
22	Mathika	Currently involved in Sweeping profession. But they were brought to Bangladesh during colonial period to clear bushes/jungles for the re-settlers.	Came from Andra Pradesh of India.
23	Mala	Currently working as Cleaner and also work in Tea garden.	Most of them are Christian. Among different Dalits group, Mala's conditions are better off than others. They speak Telegu language
24	Malamashti	Currently working as Sweeper. But earlier they used to produce palm leave handicrafts, local wine and also were the Baul Singer	
25	Mashuara	Pig rearer and pork meat seller	

Sl No.	List of Dalits		Remarks
	Bangla Terminology	English Description	
26	Rabidash/ Muchi	Cobbler	
27	Raout	Basket and Broom Stick makers.	Earlier they used to clean people's toilets and look after pets (cats/ dogs) of Land Lords and British Officials. Both hindu and Muslim Rouats are seen in Bangladesh.
28	Shabdokar		
	Traditional Tabor/Drum Players	Most of them live in Komolgonj area of Moulovi Bazaar in Sylhet District, some of them are also seen in other parts of Syhet district. In Bengali, more or less, it means those who make sound.	
	Buno/bono/ bagdi	Another group of traditional drum players	
29	Shil/Napeet	Involved in Barber occupation	Napeet is a Bangla word, meaning is also Barbar.
30	Saberi	Tea garden worker. They used to clean bushes/jungles for the re-settler.	Live in Syhet.
31	Hela	Sweeper	Live in Syedpur. Shantahar, Rangpur, Khulna and few parts in Dhaka and Narayangonj
32	Dhangor	Sweeper (local toilets cleaner)	
33.	Bede	Snake charmer	In Bangla, this group is known as water gypsy as well.
34	Sanashi	Live in Cremation areas, who are very poor and live on begging. Usually they use skull of dead bodies as utensils of cooking.	

Source: Prepared by writer Ms. Selina Hossain through consultations with different dalit Communities.

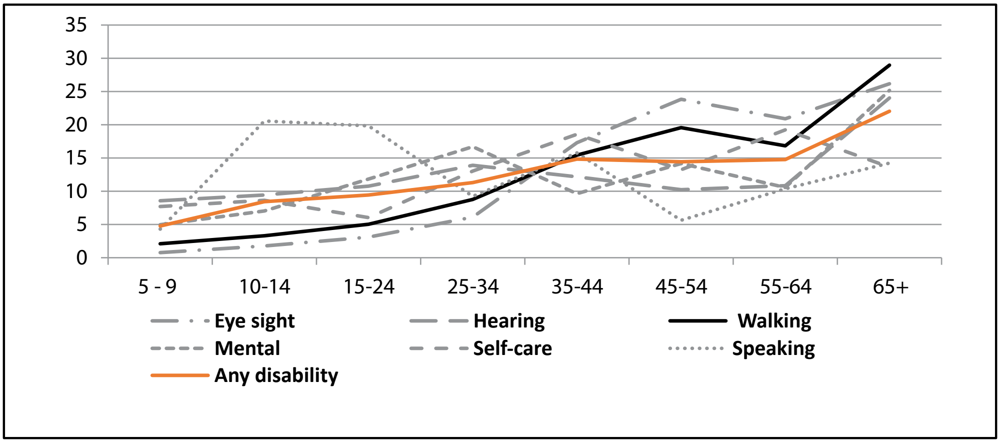
Dyrhagen and Islam (2006) argued that although there might be a general perception that discrimination against dalits did not exist in Bangladesh, discriminatory practices did exist to a wide extent in Hindu and Muslim communities. The paper argued that basic provisions like shelter, food and water were not adequately provided for in areas where dalits lived, and that they had inadequate access to health care facilities and education. They also lacked housing, employment and access to political spheres. Dalits are socially 'hated' by other communities, excluded from public events and religious spaces. The paper concluded that although dalits were playing a significant role in the country's economic, environmental and social development, dalit communities were some of the most economically marginalized and socially excluded groups in Bangladesh.

People with Disabilities

Disability leads to a complex form of deprivation. Physically disabled people often find it difficult to participate in the regular activities under the existing physical, social and cultural settings. It is estimated that approximately 10 percent of the total population is disabled in Bangladesh, of which half a million are multi-handicapped including 3 million children. It is alarming that total figure of disability is increasing with population growth and ageing. Disability on this scale represents not only a major health issue but also a prime cause of poverty and underdevelopment.

Disability can occur at any stage of life. Around 8.9 percent of the population – 8 percent of males and 9.3 percent of females – has some form of disability, although those who could be regarded as severely disabled comprise 1.5 percent.[1] As Figure 3.2 indicates, disability prevalence varies over the lifecycle, with a significant increase from around age 50. By far the highest rates of disability are among older people. Prevalence is also higher among women than among men. A significant proportion of households – 31 percent – have a disabled member while 6.3 percent have someone with a severe disability.

Figure 3.2: Incidence of Disability In Bangladesh by Age Cohort (2010)



Source: Household Income and Expenditure Survey (HIES), BBS, 2010

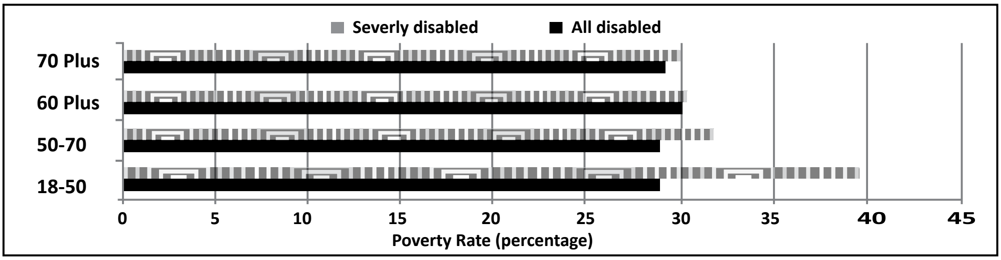
However, the numbers of people with disabilities in each age group shows a different pattern, as seen in Figure 3.2. A high number of disabled people is in the age group35 to 65 years, at an age when they would hope to engage actively in the labour market. Women are significantly more affected. However, the proportion of severely disabled people is highest among the elderly, 65 years and above.

Compared with the national poverty rate, at 31.5 percent, the poverty rate of households with a severely disabled member is higher – at 34.7 percent – suggesting that disability can place a great burden on households. Indeed, it should be borne in mind that HIES does not take into account the additional costs incurred by people with disabilities, which would further increase poverty rates. 63 percent of households with a disabled member can be regarded as vulnerable to poverty.[2]

[1] These figures are calculated from the 2010 household survey. A person with a disability is anyone who reports "some difficulty" with one area of capability. A person with a severe disability is anyone who reports "significant difficulty" in an area of capability.

[2] Against a poverty line constructed as 1.5 x UPL.

Figure 3.3: Poverty Rates of Households with People with Disabilities, by Age Group



Source: Household Income and Expenditure Survey (HIES), BBS, 2010[3]

Furthermore, poverty rates vary between different age groups, but only among the severely disabled, rather than among all disabled (see Figure 3.3). It is evident that if a working age adult is disabled, it has a substantial impact on the household. Indeed, the BNPL poverty rates for this group reach almost 40 percent, significantly higher than among other older age groups. The latter may be more likely to be in receipt of social safety net support.

Foley and Chowdhury (2007) explored how people labelled with disabilities in Bangladesh, were denied equitable access to social support networks and formal services as a result of the stigma that is culturally ascribed to disability. Social networks are essential community-based systems of support in situations where formal state services are lacking. Exclusion from these networks, and from the 'social solidarity' they provide, deprives people labelled with disabilities (and their families) of moral wellbeing. It also makes it far more difficult for them to break out of poverty and ill health in the longer term. People labelled with disabilities are excluded from microfinance schemes, own less land and are less likely to be involved in any economic activity. The vast majority of them have to leave employment. Moreover, although people labelled with disabilities are identified as a particularly vulnerable category of people, their own knowledge and perspectives are conspicuously absent from policy formation and implementation. The paper also found that the circumstances of those labelled with disabilities depended not only on the financial situation of the household, but also on how economically significant the member labelled with a disability is within the household composition.

Ahsan and Burnip (2007) reported on inclusive education in Bangladesh for children with special needs. Bangladesh is not behind other developed countries in enacting laws and declarations in favour of inclusive education, but a lack of resources is the main barrier in implementing inclusive education. Special education and integrated education models exist in Bangladesh. The difference is that almost all school age children with disabilities in developed countries such as Australia are in education, whereas, 89 percent of children with disabilities are not in education in Bangladesh. New initiatives for Bangladesh are described, and further initiatives are suggested, such as link programmes between regular and special schools, dual placement provisions, development of special units in regular schools, initiation of model schools for others to follow and inter-ministerial and inter-agency collaborations to improve inclusive education practices.

3 The results here use per capita equivalence scales and data from the 2010 HIES. Using per capita equivalence scales reduces the poverty rates of households with disabled older people when compared to the national population and younger people with disabilities. So, if an equivalence scale of 0.5 for children aged 0-14 is used, the national poverty rate – at UPL x1.2 – is 28.8 percent. The poverty rate for households with people with severe disabilities aged 18-50 years is 41.3 percent; for 50-70 years it is 36.9 percent; for 60+ years it is 35 percent; and for 70+ it is 35.7 percent. So, using these assumptions, adults with severe disabilities of all ages are poorer than the national norm.

Sexual Minority Groups

HIV Affected People

The first case of HIV/AIDS in Bangladesh was detected in 1989. Since then 1495 cases of HIV/AIDS have been reported (as of December 2008). However, UNAIDS estimates that the number of people living with HIV in the country may be as high as 12,000, which is within the range of the low estimate by UNICEF's State of the World's Children Report 2009. The overall prevalence of HIV in Bangladesh is less than 1 percent, however, high levels of HIV infection have been found among injecting drug users (7 percent in one part of the capital city, Dhaka1). Due to the limited access to voluntary counselling and testing services, very few Bangladeshi's are aware of their HIV status.

Although still considered to be a low prevalence country, Bangladesh remains extremely vulnerable to an HIV epidemic, given its dire poverty, overpopulation, gender inequality and high levels of transactional sex. The emergence of a generalized HIV epidemic would be a disaster that poverty-stricken Bangladesh could ill-afford. It is estimated that without any intervention the prevalence in the general adult population could be as high as 2 percent in 2012 and 8 percent by 20252.

Bangladesh is in the unique position to succeed where several other developing countries have not: to keep the AIDS epidemic from expanding beyond this current level by initiating comprehensive and strategically viable preventative measures, avoiding a gradual spread of HIV infection from high-risk groups to the general population.

There are estimated 12000 HIV positive people in Bangladesh. Many of them are very poor and economically marginalized. A large segment of the people Living with HIV comes from poor economic and social background least prepared to face the onslaught of adversities. Apart from the lack of awareness and quality healthcare, the increasing medical expenses also perpetuate the downward spiral of poverty, disease, and unemployment. In addition, families avoid their dear ones as they cannot bear the health expenditure. But there is no health insurance facility in Bangladesh for HIV Aids affected people in Bangladesh.

Poverty is an overwhelming issue; a large proportion of the people living with HIV are migrants who have returned home; many people Living with HIV are unemployed who had jobs before but don't have jobs now, many have gone back to their rural homes due to low level of education, skill and unemployment. If people living with HIV are food insecure, then they alarmingly lose the desired good outcomes of quality HIV treatment and care. Food insecurity among People Living with HIV worsens viral suppression and lowers CD4 count, thereby, exacerbating HIV related morbidity and mortality.

There is no policy bar in providing legal services to the people living with HIV. In addition, infected/affected women and children are deprived from property after the death of their husband/father. They are also denied from justice against violence which increases their vulnerability in the society. Besides AIDS orphans are victimized for HIV status of their parents. The major hindrances that hamper People living with HIV in filing complaints include fear of disclosure and discrimination, sexual and gender based violence, financial constraint, and lack of access to free legal services.

Female Sex Workers (FSW)

In Bangladesh, sex work is legal for only females over 18 years of age, and according to the Metropolitan Police Acts of Dhaka, Rajshahi, Sylhet, Chittagong, Khulna, and Barisal, sale or purchase of sex in public places is prohibited (HIV and AIDS Data Hub for Asia-Pacific, 2010). However, there are ample evidences of existence of female sex workers throughout the country who are below the age of 18 years, that is, children involved in sex trade and male sex workers from several large- and small-scale studies.

The UNGASS country report, 2008 by Bangladesh reported an estimated 90,000 to 150,000 female sex workers operating in the country (NASP & MOHFW, 2010; HIV and AIDS Data Hub for Asia-Pacific, 2010). The total number of FSWs between the ages of 10-24 years old nationwide is estimated to be around 31,101. These sex workers are found all over the country – particularly in the major cities and in different settings. Depending on the setting where female sex workers are available they can be classified as brothel-based, street-based, hotel and residence-based (HIV and AIDS Data Hub for Asia-Pacific, 2010). The latest Behaviour Surveillance Survey (NASP, DGHS & MOHFW, 2009) provided information about the female sex workers from the 14 acknowledged brothels and approximately 5000-15000 female sex workers have been estimated in those brothels (HIV and AIDS Data Hub for Asia-Pacific, 2010). Further, a small-scale pilot survey found that in the registered brothels in metropolitan cities, district and upazilas (sub-district) headquarters, 83 percent of the female sex workers were below 18 years of age (HIV and AIDS Data Hub for Asia-Pacific, 2010 and UNAIDS, 2000). Another mapping study conducted in 2001 (HIV and AIDS Data Hub for Asia-Pacific, 2010) estimated that 55 percent of the hotels in Dhaka were involved in the sex trade with around 5000 hotel based sex workers.

A recent mapping activity conducted in all the upazilas (sub-districts) of selected 29 districts found sex workers available in 153 upazilas out of 251 upazilas (NASP-Save the Children, 2009). The study estimated a total of 24,121-29,612 female sex workers in all the 29 districts including street based FSWs (14,276-17,302), hotel based FSWs (3,900-4,853) and residence based FSWs (5,945-7,457). The behaviour survey included in that mapping task further found that 0.66 percent of the FSWs were under age 14 years, 11 percent were between age 15-19 years and 32 percent were between ages 20-24 years suggesting wide existence of female sex workers within young age.

MSM, MSW and Transgender

MSM – Men who have Sex with Men; MSW – Male Sex Worker and Transgender are other sexually minor groups found in Bangladesh. Data on MSM are very limited and scarcely available. However, the limited information on MSM found that involvement of the males in sexual behaviour initiated quite early in age. For Instance, in the Behaviour Surveillance Survey 2006-2007 (NASP, 2009), MSMs were included from Dhaka and Sylhet and a typical MSM respondent was 29 years old. The mean age at sexual initiation was reported 15.4 years in Dhaka and 16.9 years in Sylhet. For 61.4 percent (Sylhet) to 75.3 percent (Dhaka) of the MSMs, the first sex partner was male while 24.4 percent (Dhaka) to 38.1 percent (Sylhet) of the MSMs had first sex with a female. Further, nearly three-fifths of the MSMs reported to had anal/vaginal sex with females in the previous year of the survey. From 62.0 percent (Dhaka) to 81.2 percent (Sylhet) of the MSMs bought sex from males, from 6.5 percent (Dhaka) to 12.2 percent (Sylhet) bought sex from Hijra and from 24.8 percent (Dhaka) to

33.2 percent (Sylhet) bought sex from females in the previous month of the survey. During another mapping programme by NASP, it was estimated that a total of 6096 TGs are there in Bangladesh with Dhaka having the highest (1560) and Barisal having the lowest estimate (59) of TGs.

Among the MSMs in Dhaka, condom use was higher during sex with commercial male partners (22.8 percent) compared to sex with non-commercial male/Hijra partner (21.6 percent) or commercial female partners (19.4 percent). On the other hand, MSM from Sylhet were found to be using condom most during vaginal/anal sex with commercial female partners (54.6 percent) compared to sex with commercial male partners (34.5 percent) and with sex with non-commercial ale/Hijra partners (27.2 percent). Similar to FSWs and IDUs, universal knowledge (ever heard of HIV/AIDS) was found among MSMs in Dhaka (99.8 percent) and Sylhet (100 percent). However, self-risk perception of contracting HIV was found among 5.1 percent MSM in Dhaka and 3.5 percent in Sylhet.

The MSWs included in a Behavioural Surveillance Survey were younger (mean 22 years in Dhaka and 20 years in Chittagong) in age compared to the Hijras (mean 28 years). For the MSWs, the mean age at sexual initiation was 13 years in Dhaka and 12 years in Chittagong which was 12 years for Hijra in Dhaka. For almost all of the MSWs and Hijra, the first sex partner was male (94.3 to 99.3 percent). On an average, the MSWs in Dhaka had 9.8 clients (new or regular) during the previous week of the survey, which were 3.9 clients for MSWs in Chittagong and 29.7 clients for Hijras in Dhaka.

Condom use was found to be low among overall MSWs compared to Hijras including the attempt to request to the client regarding condom use. In Dhaka, around 22.0 percent of the MSWs did not ask any of their clients to use condom. This practice was reported by 30.5 percent of the MSWs in Chittagong and 9.3 percent of the Hijras in Dhaka. Further, 38.4 percent of the MSWs in Dhaka and 48.6 percent of the MSWs in Chittagong used condom in last anal sex with new clients. This practice was found true for 66.5 percent of the Hijras in Chittagong. While lower proportion of MSWs in Dhaka reported the use of condom with regular clients (22.1 percent) during last anal sex, condom use was found higher among MSWs in Chittagong (50.0 percent).

Types of Exclusion Faced

All the sexually minor groups face different types of social exclusion which restrict their blending into the mainstream society. The barriers sometimes vary across groups and sometimes they have similarities in them. Here we will highlight on some of the issues that are of national importance and needs to be dealt with care and caution.

Stigma and discrimination against people living with HIV/AIDS is prevalent in Bangladesh and inhibits both the physical and mental well-being of those carrying the human immunodeficiency virus. Stigma also deters the strategies intended to prevent the AIDS epidemic from Bangladesh. Discrimination against People Living with HIV - PLHIV results in many adverse consequences (as shown in many studies), such as a delay in HIV testing, the restricted adoption of preventative programmes, and deters preventative behaviours like condom use and HIV status disclosure.

During HIV testing/diagnosis, many of the PLHIV reports being discriminated against by doctors, nurses, and laboratory technicians who freely discloses their status to others and do not treat them kindly. Due to the mistreatment of PLHIV by government hospitals, local clinics, and health care providers, few affected prefers not go to a hospital even when necessary for medicines and treatment of various ailments. HIV affected people faces other forms of discrimination within their communities, such as being isolated by family and friends, and being excluded from community and religious functions. This pushes them away from the normal social life and family support which is most required during this sort of illness. Some of them face challenges in admitting their children to schools. Many reported discriminations when looking for employment, and some experienced discrimination from their work colleagues and supervisors; some were even fired from their occupations. Discrimination of this sort takes them away from the mainstream economic activity. Without work and money life becomes ever more difficult for them. The treatment expenses are added with their regular life expenses and not having a job certainly is not helpful. This also creates another problem. Having been pushed away from mainstream economic activity they tend to turn towards the activities that are not socially acceptable. Many of them experience discrimination from almost everyone in their lives.

Different scenario is also seen in some cases as some have been supported by different people in their lives. Many among the PLHIV community provide emotional and financial support–such as counselling, money and food–to others living with HIV. This is very important for their own and each other's mental and physical well-being. With all things considered, it is no wonder that still many choose not to disclose their HIV status to anyone except their HIV peer counsellors, in fear of being discriminated against. The reasons given for stigma and discrimination of PLHIV were linked to the widespread popular misunderstanding of AIDS as a contagious disease, and the association with promiscuity, negative and 'immoral' behaviours.

Of all the types of social exclusion faced by the female sex workers, exclusion regarding their children is the most threatening one. Generally, there is limited data on children of sex workers in Bangladesh due to their hidden nature. An anthropological study by Blanchet (1993-1994) studied the condition of sex workers' children in Bangladesh. It discussed that even though Sex work is not accepted by the society but the rights of mothers over their children is pretty much similar to the normal society. The result of a combination of unquestioned right of mothers to determine the future of their daughters and the obligations of daughters to accept their mother's decisions in manifest such that very few daughters are able to avoid becoming a sex worker, and that were few reported conflicts between the mothers and daughters over this decision. Another devastating finding of the study was that the mothers don't prevent their child from getting pregnant as being pregnant is considered as a sign of maturity. This maturity issue gets important when there is a legal conflict. This mainly shows how children especially daughters of sex workers are more prone to becoming sex workers as well.

The issue just discussed is one of the many problems the sex workers' children face. From a broader perspective, a much bigger problem that is not only faced by the sex workers' children but rather by other groups as well is that they are often discriminated in terms of opportunity to enter the mainstream society. In case of Sex workers' children, the discrimination starts from their very childhood when they try to get admitted in schools as they are asked to provide names of both their parents which they more often than not can't. In most cases they are not admitted if they fail to provide both the names which create a clear discrimination. So from the very beginning of their childhood they face the inevitable stigmatization and this early bad experience works as a major barrier to their entrance in the mainstream society. The situation is even worse for Transgender people. They face discrimination in every stage of their lives. Up until November 2013 they were not allowed to have voter ID cards. That means they were not even considered eligible to have the most basic right as a citizen. This also pushes them away from having a life like a normal person.

There are additional problems in case of availing social services as well. Transgender and Sex workers are not considered for Health Insurance whereas they probably need it more than others. Considering their high risk and health related vulnerability private organizations deny them from having the service. Problems also prevail in case of attaining security and legal services from law enforcement authority as well. Mostly these authorities tend to avoid legal complains from these groups and refuse to help them. It is often complained that police don't take cases if a daughter of a sex worker is raped. These are not at all expected and must be taken care off.

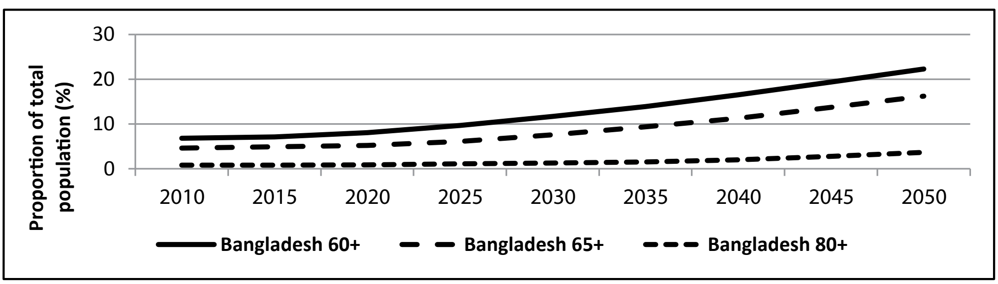
Another big barrier for transgender people is, they are not considered for both formal and informal jobs. Earning a normal living without a job is impossible which forces them to behave the way they do. And the issue of identity crises is more crucial for transgender and MSM people. Transgender people are not recognized as a separate gender that is basically they don't have an identity. In case of MSM, this group of people are so stigmatized that they don't often reveal their identity. Though they have specified gender but they feel ashamed and often hide their true identity.

All these factors discussed contribute a great deal in pushing these people away from the mainstream and more towards the hollow pit they are currently in. There are many other exclusions which are not properly mentioned in the paper but has existence.

Elderly People

Demographic changes underway in Bangladesh mean that the population is gradually ageing. Currently, around 8 percent of the population is over 60 years and, as Figure 3.4 indicates, this will increase significantly in the coming decades, reaching almost 14 percent by 2030 and 25 percent by 2050.

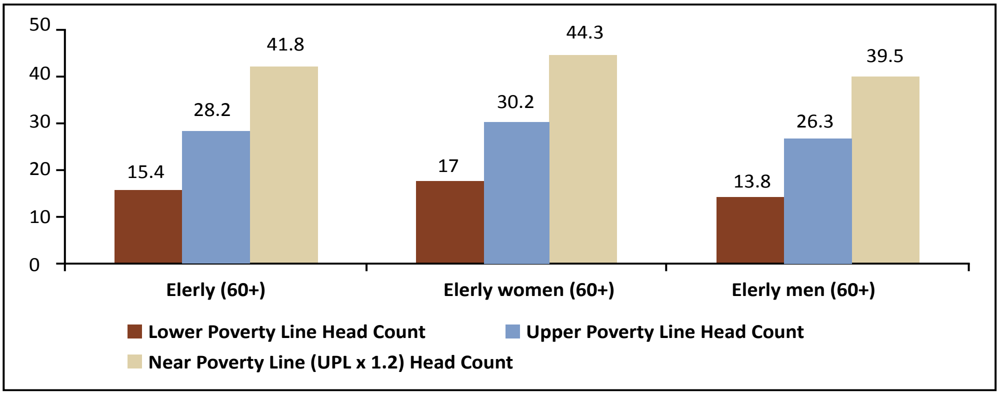
Figure 3.4: Proportion of Population Aged 60 Years and Above



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: 2012

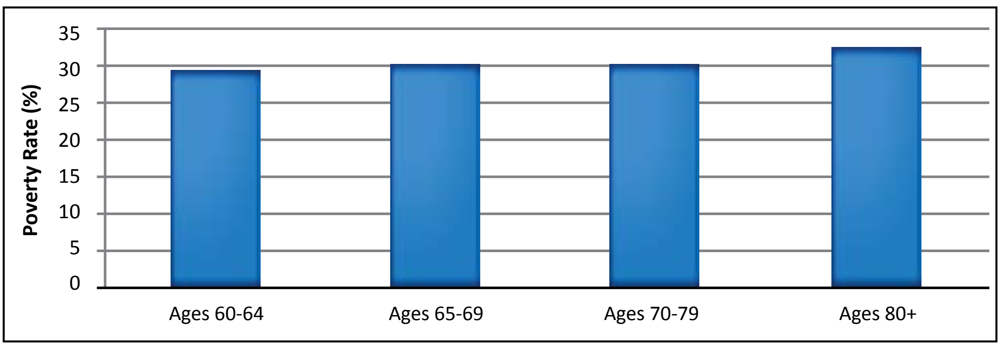
Figures 3.5 and 3.6 capture the poverty profiles of the older people in Bangladesh. According to HIES 2010 and using the per capita scale, 28.2 percent of people aged over 60 are found below the poverty line. However, an increase in the upper poverty line of 20 percent (1.2 x UPL) would see an increase in the proportion of older people considered poor by almost half (i.e. 48.2 percent increase from 28.2 percent to 41.8 percent). This highlights that many older people are bunched close to the poverty line, and therefore are vulnerable to falling into poverty in the event of a shock to their own livelihood, or to that of a member of their network. From a gender perspective, the difference in poverty between the sexes appears to be more marked in old age. The greater difference in poverty rates by gender in old age in Bangladesh may be a reflection of the increased vulnerability to poverty of older women due to their increased likelihood of being widowed as well as far lower labour force participation of older women than men. Figure 3.6 suggests that poverty rates increase with aging.

Figure 3.5: A Significant Proportion of Older Population are Vulnerable to Poverty



Source: Household Income and Expenditure Survey (HIES), BBS, 2010

Figure 3.6: Poverty Rates Among Different Older Age Groups



Source: Household Income and Expenditure Survey (HIES), BBS, 2010

The marginally lower poverty rates found in households with older people could imply that older people are in less need of social protection than other age groups. However, the inherent limitations of household data suggest this analysis deserves further scrutiny. Poverty levels in Bangladesh, as in most low-income countries, are calculated using data on expenditure collected at a household level. In order to test whether these assumptions influence the relatively poverty of older people, it is possible to simulate poverty using alternative equivalence scales. For instance, with an equivalence scale of 0.5 for children, the poverty rate of households with over-60s is 2.5 percentage points higher than the national poverty rate, suggesting that old age may well be associated with greater poverty.[4] Indeed, using an alternative data set, Quisumbing (2007) found that having someone aged 55 or over in the household was a significant predictor of chronic poverty.

In the absence of an effective old age pension system – many older people in Bangladesh continue to work, but often with insecure and vulnerable livelihoods. Older people can face discrimination in the labour market. Indeed, older people are often denied access to micro-credit. A survey by HelpAge International (2008) found that only 19 percent of older people were able to access credit, compared to an average adult participation rate among Bangladesh's poor of 45 percent. As the elderly become increasingly frail and disabled – see Figure 3.7 – work becomes less of an option, while costs – in particular for health care – can rise, which may explain why poverty rates increase as older people age, in particular for those above 80 years (see Figure 3.6). They become more dependent on their children for support, which, if not forthcoming, can place them in a very disadvantageous position. Thus, it could indicate that old age may present a barrier to benefiting from development gains achieved by the existing socio-economic environment in Bangladesh. Given the changing age structure of the population and increasing proportions of the population that will be living with older people this could undermine future achievements in poverty reduction.

Environmentally Challenged Group

The geographical setting of Bangladesh makes the country vulnerable to natural disasters. The mountains and hills bordering almost three-fourths of the country, along with the funnel shaped Bay of Bengal in the south, have made the country a meeting place of life-giving monsoon rains, but also make it subjected to the catastrophic ravages of natural disasters.

Floodplains of the Brahmaputra-Jamuna, the Ganges-Padma and the Meghna river system are the most affected area of flood in Bangladesh. Loss of agricultural production, disruption of communication and livelihood system, injury, damage and destruction of immobile infrastructure, disruption to essential services, national economic loss, evacuation, and loss of human lives and biodiversity, displacement and sufferings of human population and biodiversity are the effects of floods. Coastal areas and offshore islands are the most cyclone prone areas. Loss of agricultural production, disruption of communication and livelihood system, damage and destruction of immobile infrastructure, injury, national economic loss, loss of biodiversity and human lives, need for evacuation and temporary shelter are the effects. Tornado Scattered areas of the country Loss of human life and biodiversity, injury, damage and destruction of property, damage of cash crops, disruption in lifestyle, damage to essential services, national economic loss and loss of livelihood are the effects of cyclones. Drought affects almost all areas, especially the Northwest region of the country. Loss of agricultural production, stress on national economy and disruption in life style are the effects of droughts.

Flash Flood affects Haor Basins of the North-east region and South-eastern hilly areas. It causes damage of standing crops, disruption in life style, evacuation and destruction of properties. Erosion is common in banks of the Brahmaputra -Jamuna, the Ganges-Padma and

[4] Using an equivalence scale of 0.5 for children aged 0-14 years and a poverty line equal to UPL x1.2, households with over-60s have a poverty rate of 31.4 percent while the national poverty rate is 28.8 percent.

the Meghna river systems. Loss of land, displacement of human population and livestock, disruption of production, evacuation and loss of property are features of erosions. Landslide happens in Chittagong and Chittagong Hill Tracts. Loss of land, displacement of human population and livestock, evacuation, damage of property and loss of life are the effects of landslides. North-east and the central parts of the country are the earthquake prone areas in Bangladesh. It damages the property, kills life and makes changes in geomorphology. Geographical location of Bangladesh has major and moderate faults. Table 3.2 presents some estimates of the disaster affected people in Bangladesh.

Table 3.2: Disaster Affected People

Disaster	Events Happened	Total Killed	Total Affected
Cyclone	137	614,112	63,817,281
Drought	5	18	25,002,000
Earthquake	6	34	19,125
Flood	64	50,310	369,678,156

Source: The Earth Institute, Centre for Hazards & Risk Research, Columbia University.

Widowed and Distressed Women

Widowed, divorced and abandoned women constitute about 11.29 percent of total current and previously married women in the country (BBS, 2003). In the eyes of society, a widow is treated as burden and is therefore neglected; a widow is seen to have lost their honour in the family and society, particularly in the poor community. The widowed women do not have freedom of choice, which is one of the basic requirements of empowerment. Particularly in the rural areas most of the rural women of Bangladesh are basically housewives and their husbands are the only earning members of their families.

A widow in a poor family does not have any economic support and honour. Becoming widowed has not only the economic consequences but it has also social and psychological impacts. Among the destitute women those who are divorced or old and have minor children are exposed to the most uncertainties. In the rural areas of Bangladesh, in the poverty stricken households, old people, especially old women, are treated as a burden on the family and some are even forced to move out to the streets for begging. Generally, poverty is thought to be the main reason behind this. While their children cannot manage their own livelihood, most of the cases, they fail to maintain their parents.

The poor people, particularly the distressed women have the least opportunity to get support from the job/labour market and cannot enjoy the family support sufficiently because of incapability of their family members. In that case the state intervention is the last resort for them.

Along this line, in order to address the poverty of the widowed and distressed women government of Bangladesh undertook the scheme called “Allowance Scheme for Widowed and Husband-deserted Distressed Women” which is mostly known as “Widow Allowance Programme” in 1998. The objectives of the Scheme are to empower distressed widowed, divorced and husband-deserted women through financial support and to improve their status both within the family and in the society.

Domestic violence against women is also another issue of significant importance in case of discussing about the distressed women. A recent study conducted by the Bureau of Statistics – BBS the statistical wing of GoB showed some interesting findings in terms of domestic violence. The results of the study showed a heavy prevalence of domestic violence against women. Questionnaires were edited manually and then outsourced for data capturing using ICR technology. Despite manual editing, substantial misread information was found in the scanned results which were further checked and corrected through frequency runs and screen editing. A relational database was prepared using Microsoft Access and tabulations prepared using FoxPro and SPSS software. Tabulation plans recommended by UNSD and also used in different national and international reports were reviewed and incorporated in the analytical tabulation layout of VAW survey of Bangladesh. The layout of the frequency tables and analytical tables were verified by the technical committee. The summary finding of the study is given below

Violence Against Women by Partners

As many as 87 percent of currently married women have ever experienced any type of violence by current husband, and 77 percent reported any type of violence in the past 12 months. Amongst different types of violence reported, psychological violence was most common, followed by physical violence. Prevalence reported in this survey is higher than previously available data[5]. Almost 90 percent of those who have ever violated by current husband has the past 12-month experience of violence, which implies the persistent nature of spousal violence. Moreover, the survey results among women ever married more than once indicate that 66 percent of them experienced violence by current as well as previous husbands while almost all (98 percent) have ever been violated by either current or previous husbands. Rural-urban difference is not statistically significant, nor is observed clear trend by age groups in the prevalence of spousal violence.

Physical Violence by Partners

Sixty-five percent of married women experienced physical violence perpetrated by their current husbands in their lifetime. The recent incidence is also high as nearly half of married women reported such violence in the past 12 months. The data also indicates that prevalence of physical violence seems to be slightly higher in rural than urban areas. Women aged 20-39 seem to have been most exposed to spousal physical violence in the past 12 months.

About half of women received medical attention due to physical violence. About one third of women did not seek for medical treatment in fear of their husbands or due to husband's disapproval. Stigma attached to domestic violence should also be noted as almost 9 percent of women cited 'social prestige' as reason for not having sought for medical treatment.

Sexual Violence by Partners

More than one-third of married women experienced sexual violence perpetrated by their current husbands in their lifetime. The recent incidence is also high as nearly quarter of married women reported such violence in the past 12 months. Age group 20-34 seems to be more vulnerable to spousal sexual violence compared to other age groups. For all types of sexual violence, prevalence in rural areas seems higher than urban.

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[5] According to Bangladesh Demographic and Health Survey 2007, the percentage of ever-married women aged 15-49 who have ever experienced physical or sexual violence committed by their husband was 48.7% and 17.8%, respectively.

Sexual coercion as a result of physical force or in fear of consequence is the most common sexual violence perpetrated by current husband. As many as 26 percent of women were ever forced to have sex with husband while over 10 percent of women experienced more than twice in the past 12 months, including 4 percent who experienced more than 6 times. Similarly, as many as 30 percent of women ever had sex with their husbands because they were afraid of what the husbands might do if they refuse.

Psychological Violence by Partners

Psychological violence against married women is extremely common and persistently practiced by their husbands in Bangladesh, as over 80 percent have ever experienced it in their life time with 72 percent in the past 12 months. The prevalence seems slightly higher in rural areas than urban. Insulting is the most commonly reported act as 27 percent of women ever experienced and over 18 percent experienced more than twice in the past 12 months. This is followed by humiliation in front of others and verbal threatening, both of which were ever experienced by 16 percent of the women.

Economic Violence by Partners

About half of ever married women have ever experienced economic violence while one third experienced in the past 12 months. The prevalence seems slightly higher in rural areas than urban. Older women seem to be less likely to have experienced such violence. About one third of women have paid dowry for the current marriage. Furthermore, almost 30 percent of the women reported that the current husband refuses to pay pocket money while 17 percent indicated that their current husband refuses to give enough money for household expenses even when he has money for other things.

Violence Against Women by Non-partners

About one-third of women who have ever violated by non-partner has the past 12-month experience of non-partner violence. This indicates that non-partner violence is not a rare event in Bangladesh. Furthermore, when it comes to the recent incidence of non-partner violence, younger age group (below age 29 years old) seems to be more vulnerable.

Physical Violence by Non-partners

About 8 percent of women reported the recent incidence of non-partner physical violence in the past 12 months while almost one quarter of the women reported their life-time experience of such violence. Further analysis of non-partner violence by type of perpetrator indicates that parents, step-parents, and parents-in-law combined represent the most commonly-cited perpetrator of physical violence, followed by other family members, including sisters/brothers-in-law. Women said that married women are likely to become victim of physical violence while about just over 20 percent of women pointed out the vulnerability of unmarried, separated and divorced women to physical violence.

Sexual Violence by Non-partners

About four percent of women have ever experienced sexual violence by non-partner, and one percent of women experienced in the past 12 months. More than 40 percent of women on average and 50 percent of urban women indicated that they had first forced sex at age 14 and below. Three quarter of women indicated that they had first forced sex at age 19 and below. In case of sexual violence, unmarried women are perceived as the top victim, cited by 54 percent of rural women and 62 percent of urban women.

In terms of opinions as regard to where is the place occurring sexual violence, husband's house still marks the top most commonly cited site, but the percentage of women who mentioned about it (54 percent) is much lower than physical violence case (88 percent).

Psychological Violence by Non-partners

In the non-partner violence chapter of the survey, only two questions were asked with regard to psychological violence: 1) In your opinion, in which marital situation women become victim of psychological violence? 2) In your opinion, where is the place occurring psychological violence? Similar trend is observed as the case of physical violence, with married women being most cited as likely victim.

As we can the study includes violence towards women from different partners and it also includes violence of different types. Mainly the study holds the picture of domestic violence and its severity in our country. The bigger problem regarding these types of violence is these are more often kept hidden from respective authorities and hence legal actions are not attained in cases like these. Sometimes seeking help is forbidden by the husband himself with a threat of fiercer torture. This issue as it is less pronounced requires addressing by the policy makers.

Child Poverty

Children in Bangladesh face multifaceted abuse and violence and are highly exploited. Measuring child poverty is relatively more critical than it appears. Generally, in Bangladesh child poverty is estimated similarly as the poverty measured for adults. But child poverty is more sensitive in nature. In a study regarding child poverty (Townsend et. al 2003), poverty was measured using seven different criteria of deprivation: shelter, sanitation facilities, safe drinking water, information, food, education and health. Among these characteristics shelter, sanitation facility safe drinking water were mostly determined at the household level, but education and nutrition, which in turn impacted health outcomes, were more important in understanding children's condition on the economic ladder.

Child health condition is important indicator that sketches a vivid picture regarding the poverty situation of children. One very important observing criterion for child health is child mortality rate. Different mortality types are given in Box 3.1.

Box 3.1: Definition of Child Mortality

Neonatal mortality: The probability of dying within the first month of life;
Post neonatal mortality: The difference between infant and neonatal mortality;
Infant mortality: The probability of dying before the first birthday;
Child mortality: The probability of dying between the first and fifth birthday;
Under-five mortality: the probability of dying between birth and the fifth birthday

Table 3.3 provides trend in child mortality rates during 1990s and 2000s. It appears that in all categories, the child mortality rates have declined in Bangladesh over the past two decades.

Table 3.3: Trend in Child Mortality Rates

Report	Approx. Reference Period	Neonatal Mortality	Post-Neonatal Mortality	Infant Mortality	Child Mortality	Under Five Mortality
BDHS 2011	2007-11	32	10	43	11	53
BDHS 2007	2002-06	37	15	52	14	65
BDHS 2004	1999-03	41	24	65	24	88
BDHS 1999-00	1995-99	42	24	66	30	94
BDHS 1996-97	1992-96	48	34	82	37	116
BDHS 1993-94	1989-93	52	35	87	50	133

Source: NIPORT, et. al. BDHS Report: 2007 and 2011,

Note: Deaths per 1000 children

However, Table 3.4, which gives us a better understanding of condition of children regarding poverty, shows that child mortality is much higher among the poorer wealth quintile groups. Therefore, there is a need for social protection programmes to address child poverty.

Table 3.4: Child Mortality Rates by Wealth Quintile

Wealth Quintile	Infant Mortality		Under 5 Mortality	
	2007	2011	2007	2011
Lowest	66	50	86	64
Second	67	51	85	64
Middle	63	41	83	49
Fourth	46	38	62	48
Highest	36	29	43	37

Source: NIPORT, et. al. BDHS Report: 2007 and 2011,

Note: Deaths per 1000 children

A criterion for analysing child health is child immunization. Table 3.5 provides data for children receiving all basic vaccination and the children for whom vaccination cards were seen. Data are presented with respect to wealth quintile so that poverty scenario can be analysed. It appears that the vaccination coverage for children are much lower for the poorer households.

Table 3.5: Percentage of Child Receiving All Basic Vaccination and Have Vaccination Card Across Wealth Quintile

Wealth Quintile	All Basic Vaccination*		Vaccination Cards Seen	
	2007	2011	2007	2011
Lowest	79.9	76.8	61.5	66.6
Second	75.4	84.9	53.9	65.4
Middle	79	86.9	56.3	68.8
Fourth	87.1	89.0	62.8	65.6
Highest	88.4	93.5	56.4	67.2

Source: NIPORT et. al. BDHS Report: 2007 and 2011

*Note: * Basic Vaccination: measles and three doses of each of DPT and polio*

Child nutrition is another very important criterion for analysing child deprivation and poverty. Indeed, 40 percent of rural families are unable to afford a minimum-cost nutritious diet (Sabina 2012). Three standard indices of physical growth that describe the nutritional status of children are: Height-for-age (stunting), Weight-for-height (wasting) and Weight-for-age (underweight). Each of these indices provides different information about growth and body composition that can be used to assess nutritional status. Height-for-age measures linear growth. A child who is more than two standard deviations below the median (-2 SD) of the WHO reference population in terms of height-for-age is considered short for his or her age, or stunted. This condition reflects the cumulative effect of chronic malnutrition. Stunting reflects a failure to receive adequate nutrition over a long period of time and is worsened by recurrent and chronic illness. Height-for-age, therefore, reflects the long-term effects of malnutrition in a population and does not vary appreciably according to recent dietary intake. Weight-for-height describes current nutritional status. A child who is more than two standard deviations below (-2 SD) the reference median for weight-for-height is considered to be too thin for his or her height, or wasted. This condition reflects acute or recent nutritional deficit. Weight-for-age is a composite index of weight-for-height and height-for-age. Thus, it does not distinguish between acute malnutrition (wasting) and chronic malnutrition (stunting). A child can be underweight for his age because he or she is stunted, because he or she is wasted, or both. Children whose weight-for-age is below two standard deviations (-2 SD) from the median of the reference population are classified as underweight. Weight-for-age is an overall indicator of a population's nutritional health. The nutritional statuses for different divisions are provided in Table 3.6, and Table 3.7 provides disaggregation with respect to wealth quintile. Table 3.6 suggests that stunning and wasting are more prominent in Barisal, Chittagong, Dhaka and Sylhet divisions.

Table 3.6: Child Nutrition Data (Percentage Below -2 SD) Across Division

	Stunting		Wasting		Stunting/Wasting	
	2007	2011	2007	2011	2007	2011
Barisal	46.9	45.1	18.0	15.2	45.6	40.0
Chittagong	45.5	41.3	17.6	15.9	41.6	37.4
Dhaka	44.0	43.3	15.4	15.7	39.9	36.6
Khulna	34.6	34.1	18.8	14.6	34.1	29.1
Sylhet	44.7	49.3	18.3	18.4	42.1	44.9
Rajshahi	41.8		19.1		43.3	
Rajshahi		33.7		16.4		34.2
Rangpur		42.9		13.2		34.5

Source: NIPORT, et. al. BDHS Report: 2007 and 2011

Rajshahi and Rangpur figures are provided separately in 2011, since Rangpur became division in 2010

Table 3.7 shows that stunning, wasting and stunning per wasting are much higher for the children in the poorer households.

Table 3.7: Child Nutrition Data (Percentage Below -2 SD) Across Wealth Quintile

Wealth Quintile	Stunting		Wasting		Stunting/Wasting	
	2007	2011	2007	2011	2007	2011
Lowest	54.0	53.7	20.8	17.5	50.5	50.3
Second	50.7	45.4	17.8	16.2	45.9	41.6
Middle	42.0	40.7	16.9	17.7	41.0	36.0
Fourth	38.7	35.9	17.6	13.6	38.1	27.5
Highest	26.3	25.7	13.2	12.1	26.0	20.9

Source: NIPORT, et. al. BDHS Report: 2007 and 2011

Urban Poverty

Urban poverty has grown to be one of the most significant bottlenecks against the development of Bangladesh. The importance of Dhaka city in the whole economy does not need further explanation. Definitely the poverty situation which is being worsened by the migration is having an impact in the natural flow of activity of the city and is certainly not helpful for further development. At its birth, Bangladesh had an urban population less than 5 million. By 1990, this had increased to 22.4 million and a decade and a half later, urban population stood at 42.3 million. At an annual growth rate of 3.7 percent, urban population growth in Bangladesh has been higher than all other countries in South Asia barring Nepal (Rahman 2013). In 2005, Dhaka had an estimated 3.4 million people living in some 5000 slums and in 2010, the population of the city has been projected at 17.6 million people, with up to 60 percent in the slums [Sinthia 2013]. Slums, which are heavily populated urban areas characterized by poverty and substandard housing, are not well described in the literature despite their prevalence and the pervasiveness of poverty worldwide.

The poverty rates in the urban areas are still lower than the rural ones as estimated in HIES reports. Urban poverty, even though still less than rural areas still is quiet high compared to the international standards. The main contributors of urban poverty are the migrants from poor rural areas who mostly find their dwelling in the urban slums. That's why urban slums are of significance in studying the urban poverty.

Several studies have been conducted regarding the living condition of the urban slums which are the centre points of urban poverty. Accurately estimating the total number of slum population is difficult since they are very much on the move. Studies conducted by Centre for Urban Studies (CUS) recorded slum populations 275,000 in 1974; 718,143 (2,156 slums) in 1991; 1.5 million (3007 slums) in 1996; and 3.4 million (4,966 slums) in 2005 (CUS, 2005). Trend of growth shows that slum population increased two times more than previous count and it has been increasing since 1991. Most studies agree that urban populations in Bangladesh have grown from 5 percent in 1971 to a 27 percent in 2008 (Taveres et.al. 2010). According to the 2005 Census of Urban Slums, the total slum population in the six largest cities of Bangladesh was 5.4 million compared to a total urban population of roughly 15.6 million. However, there is no typical slum; the differences among such settlements can be very significant. It is also the case that not all people who are poor live in a slum. Some estimates of the total slum population in 2010 are as high as 10 million. Because of several uncertainties, it is preferable to deal in ranges. The population of slums in 2008 was estimated at between six and seven million people, 30 percent of the metropolitan population and about 15 percent of the overall urban population. In other words, the population of slums is about 5 percent of the total population or about 7 million people in 2010. In a study conducted by UK Aid (2013) number of slums across different divisions was tabulated. They are shown in Table 3.8.

Table 3.8: Number of Slums in Different Divisions

Divisions	Number of Slums
Chittagong	1814
Dhaka	4966
Khulna	520
Rajshahi	641
Sylhet	756

Source: UK Aid, UPPR Project, 2013

Among all the poor living in urban slums and cities most vulnerable and most at risk group are the street children. Street children in Bangladesh live and grow up as marginal population in a state of neglect and deprivation, often without protection, without education, affection, care and guidance from the adult member of the families (Department of Social Services, 2001). According to a survey the numbers of street children in Bangladesh to be around 380,000 of whom 55 percent live in Dhaka city. Among the street children 74 percent are boys and 26 percent are girls. A little less than half of them (49.2 percent) are of the age group below 10 years, while the remaining fall in the age group between 11 to 19 years. The survey estimates that by 2014 the number of such children would exceed 930,000 (Khan, 2008).

Living condition of urban poor is considerably poor from a socio-economic standpoint. Socio-economic status of slum dwellers can be characterized as mainly low income group with inadequate education (for both parents and children). Also, poor physical environment with non-existent solid waste disposal system is very common phenomenon in slum areas. Therefore, high prevalence of disease (water-borne) among children living in slums indicates leading unhealthy environment. In such circumstance, to ensure food security of urban poor is a challenge if their socio-economic condition remains bleak.

Factors Determining Participation in SSNPs in Bangladesh: An Econometric Analysis

In order to understand how different social and gender based characteristics influence households' participation in different SSNPs we undertake an econometric analysis. This exercise helps us understand whether there is any link between households' poverty status and their inclusion in social protection programme.

For the econometric analysis data of latest Households Income and Expenditure Survey – HIES 2010 - is used. The data set in its different sections includes information about household's income and expenditure. It also contains detailed information about different social characteristics at the individual level.

Household's expenditure is calculated using both consumption and non-consumption expenditure where consumption expenditure is the amount spent on goods and services whereas non-consumption expenditure includes income and other taxes, insurance premium etc. Expenditures that are lumpy in nature were dropped as it does not reflect the pattern of household's normal expenditures and is likely to overestimate the expenditure of the household. Since this consumption expenditure is used to estimate poverty compared to both the upper and lower poverty lines, accuracy of the consumption expenditure is immensely important.

Other social characteristics were gathered from different sections of the dataset. Where section nine was dedicated to expenditure, section 1c contained information about SSNP participation. A total of 2988 households have been included in at least one of Social Protection programme out of 12240 households.

In order to determine which factors play significant role in determining whether a household is included in SSNP or not and t observe if there is any sort of bias we estimated the following regression equation.

$$\begin{aligned} ssnp = {} & \beta_0 + \beta_1\, ext\_poor + \beta_2\, mod\_poor + \beta_3\, pc\_cosn\_exp + \beta_4\, hh\_size + \beta_5\, land\_holding + \\ & \beta_6\, head\_edu + \beta_7\, emp\_area + \beta_8\, disabld + \beta_9\, head\_disabld + \beta_{10}\, fem\_dep\_rat + \\ & \beta_{11}\, muslim + \beta_{12}\, natrl\_shck + \beta_{13}\, male\_head \end{aligned}$$

The variables included in the equation are explained below:

ssnp =	Participation in the social safety nets programme (dummy variable) (1 if the household is included in at least one SSN programme and 0 otherwise)
ext_poor =	Extreme Poor (dummy variable) (1 if households are extreme poor and 0 otherwise)

mod_poor = Moderate Poor (dummy variable) (1 if households is moderate poor and 0 otherwise)

pc_cons_exp = Per Capita Consumption Expenditure (in BDT)

hh_size = Households Size (number of members living in the household)

land_holding = Land Holding (in acres)

head_edu = Education of the Head of the household (in years of Schooling). (0-9 – represents class 0-9, 10 – secondary and vocational or other education,

11 – Higher Secondary, 12 – Graduate, 13 – Post Graduate, 14 – Medical degree, 15 – Engineering Degree)

emp_area = Employment Area (dummy variable) (1 if household lives in rural area 0 if in urban)

disabld = Disabled (dummy variable) (1 If there is at least one disabled member in the family and 0 otherwise)

head_disabld = Head disabled (dummy variable) (1 if the head of the households is

disabled and 0 otherwise)

fem_dep_rat = Female Dependency ratio (number of female dependent member/ Number of total dependent member) (dependency is defined by age < 15 or age > 65 years)

muslim = Muslim Households (dummy variable) (1 if the household is Muslim and 0 otherwise)

natrl_shck = Natural Shock (dummy variable) (1 if household faced at least one sort of natural shock)

male_head = Male Head (dummy variable) (1 if the head of the household is male and 0 otherwise)

The regression results are reported in Table 3.9. As we can see the first column of Table 3.9 includes the names of the variables followed by the coefficients, standard error and statistical significance in the second column. It is clear that except for moderate poor and household size all the other variables are statistically significant at some level. Female dependency (this variable is included to check if a household with a higher female dependency has a higher probability of being included) and dummy variable 'Muslim' are significant at 5 percent level of significance and Dummy for household head disabled is significant at 10 percent level. All the other variables are significant at 1 percent level which indicates high significance. Since coefficients of logit models don't have direct economic interpretation hence marginal effects are calculated which is shown in the third column.

Table 3.9: Results of Logit Regression

Variables	Coefficients (Standard Error)	Marginal Effect
Extreme Poor	0.3095 (0.0720) *	0.0804*
Moderate Poor	0.1043 (0.0725)	0.0271
Per Capita Consumption Expenditure	-0.0002 (0003) *	-0.000004*
Household Size	-0.0097 (0.0139)	-0.0025
Land Holding	0.0006 (0.0002) *	0.0001*
Education of the Head	-0.0573 (0.0067) *	-0.0148*
Employment Area	0.5718 (0.0571) *	0.1486
Disabled	0.2645 (0.0662) *	0.0687*
Household Head Disabled	0.1595 (0.0831) ***	0.0414***
Female Dependency Ratio	0.1529 (0.0645) **	0.0397**
Natural Shock	0.2950 (0.0928) *	0.0766*
Male Head	-0.3017 (0.0901) *	-0.0784*

*Note: * means significant at 1% level, ** means significant at 5% level and *** means significant at 10% level*

When a household belongs to the extreme poor group then its probability of getting included in the SSNPs is 8 percent higher compared to the other income groups. This is logical considering the fact that SSNPs are targeted mainly towards poor and the distressed ones. The marginal effect of per capita consumption suggests that a 1000-taka increase in consumption expenditure reduces the probability of being included in any programme by 4 percent. This is because higher consumption expenditure reduces households being poor. The sign of the land holding is however confusing as it shows land holding increases the probability of being included in any SSN programmes whereas it should have been the other way around. Then Education of head of the household shows if schooling of the head increases by one year then the probability getting included decreases by 1.4 percent.

The highest marginal impact is found for the Employment variable. It shows that if a household is in the rural areas then the probability of getting included in the programme is 14.8 percent higher than for urban households. This is also very obvious since most of the SSNPs are operated in the rural areas. Both the dummy for Disabled and Head of the household disabled reflects higher probability compared to their counterparts by 6.8 percent and 4.1 percent respectively. A higher female dependency ratio increases probability of SSNP participation by 3.9 percent. This can be a supported by the fact that there are few SSNPs which are targeted specifically at the dependent women group.

The sign and significance of the variable Natural Shock means households who faced at least one natural a shock a year has greater chance of participation in SSNP compared to those who don't. And finally the negative value of Male head indicates that female headed households have a 7.8 percent higher probability of getting included in the SSNPs.

Social Protection Programmes for Excluded Population in Bangladesh

Programmes for Ethnic Minority Groups

Along with many other programmes there are few programmes targeted towards the ethnic minority of the country. The purpose of these programmes is to address the minority of the country and trying to provide them some assistance if they are in poverty. The three major programmes are:

01. Allowance for Beneficiaries in the CTG Hill Tract Areas
02. Food Assistance in the CTG Hill Tract Area
03. Non – Bengali Rehabilitation

The CTG Hill Tract programme is only operated in Chittagong Hill Tract Area. This programme pays on an average benefit of 1644 BDT per household. But detailed data on Allowance programme is not very available. However, the Non-Bengali Rehabilitation Programme covers near about 110 thousand people and has a budget of 170,000 thousand BDT in 2011-2012. On the other hand, CTG Food assistance programme covers about 710 thousand people allocating a 2259 million BDT budget in 2011-12.

The contribution of the NGOs and Development Partners in addressing the issue and mitigating the exclusion of Ethnic Minority Groups is not negligible at all. There are programmes that are currently operating in different regions.

Programmes for Dalits

The only government programme for the Dalits is the "Construction of Sweeper colony at Districts". In 2011-12, the budget allocated for Sweeper Colony was 100 million BDT and in 2012-13 it was 146 million. But there are other facilities and services as well. The Human Rights Commission has taken the humanitarian issue of the Dalit community with importance and said they will work to mitigate the Untouchability problem prevailing in Bangladesh as well. In a notice issued from the Prime Minister's Office it was mentioned that the Dalit community must have their separate quota in different jobs and it will be ensured that they get proper access in the existing Safety Net Programmes as well.

Though there is lack of initiatives by the government, many NGOs work with Dalit Communities and have taken initiatives to address their exclusion. A description of the organization that work with Dalit Communities and the initiatives so far taken are provided below:

Programmes for Disabled

Physically handicapped persons cannot perform economic activities as fluently as an able bodied person. This way the physically disabled persons find it more difficult than normal persons to deal with their economic situation and need a differentiated support approach: those who require constant care at home may be supported through grants, but there may be better ways for supporting those who are able to work in finding a suitable job. But when disabled people find themselves in families which are fighting poverty themselves, the situation gets very difficult and a lending hand becomes a must. There are some programmes for supporting the disabled are currently actively working in Bangladesh. The allocations under these programmes are briefly discussed in Table 3.10:

Table 3.10: Coverage and Fund Allocation for Disabled People

Name of the Programme	Coverage (Thousand People/Month)		Fund Allocated (in Million BDT)	
	2010-11 (R)	2011-12	2010-11(R)	2011-12
Allowance for the Financially Insolvent Disabled	286	286	1029.6	1029.6
Stipend for Disabled Students	19	19	88	88
Grants for Schools for the Disabled	12	12	58.1	58.1
Fund for the Welfare of the Acid Burnt Disabled	80	40	20	15

Source: National Budget 2010-11 (R) and 2011-12

Programmes for HIV Affected People and Other Sexual Minority Groups

Currently, there is no social protection programme for the HIV affected people in Bangladesh but there are different facilities available which are provided by both GoB and NGOs. Few of the available facilities are listed below:

The main implemented body for the prevention of the HIV/AIDS is the National AIDS/STD Programme (NASP). NASP has developed national guidelines, manuals and policies/ strategies on specific intervention areas, including:

- The safe blood transfusion (passed in 2002)
- The national harm reduction strategy, 2004-2010
- National HIV advocacy and communication strategy, 2005-2010
- National Anti-retroviral therapy guideline, 2006
- National STI management guidelines, 2006
- National policy and strategy for blood safety, 2007
- Guideline for VCT and various training modules for health professional, educators and the public at large (World Bank and UNAIDS, 2009)

However, till date there is no exclusive strategy to address the MARA/YP as well as different high risk groups comprehensively.

The National Strategic Plan for HIV/AIDS (2004-2010) identifies programme objectives as providing support and services to the priority groups of people, reducing vulnerability arising from lack of understanding of HIV epidemic, promoting safe practices in the health care system, providing care and support and services to the people living with HIV/AIDS and minimizing the impact of the HIV/AIDS. However, no specific consideration is there to address vulnerability of most at risk adolescents. Though the plan indicates CSWs, MSMs adolescents and young adults as factors for vulnerability to Bangladesh the plan has specific strategies to provide support and services to the drug users only with no specific strategies for other risk groups and adolescents. For the youths the plan suggests to reduce vulnerability through strengthening family communication and discussion, creating safe spaces and occasions for peer discussion and mutual support, reducing vulnerability arising from psychological immaturity of young women, integrating a human rights based approach to HIV as a personal and a developmental issues into the curricula for education institutions, establishing youth friendly health and well-being services, reducing the vulnerability of children and young people living with and affected by HIV and reducing vulnerability of unemployed youth.

Reviewing the existing plans, programmes and interventions addressing HIV/AIDS vulnerability and issues it has been found that harm reduction services for IDUs in Bangladesh has been centred on male IDUs. There is no special consideration for female drug users or sex partners of male IDUs. In addition, available services are inadequate, too expensive, too few for both male and female drug users. Furthermore, most **detoxification services** are concentrated in Dhaka and the majority is nongovernmental clinics (private and NGOs). Moreover, there is no **standardization of procedures** for such centres (World Bank and UNAIDS, 2009).

Programme targeting clients of CSWs is very little. Beginning in the late 1990s, the SHAKTI project set up AIDS information centres at the bus station and a court near one brothel and conducted some awareness workshops with client groups (NASP, 2009). More recently, the HIV/AIDS Prevention Project (HAPP) and its successor, the HIV/AIDS targeted intervention (HATI) have targeted **efforts to clients of female sex workers at the community level** (ibid).

The National HIV/AIDS Communication Strategy (2005-2010) envisaged to promote safe practices in the health care and to provide care and support services to people living with HIV and AIDS along with other objectives for creating synergies across national objectives. The plan prioritizes reaching risk groups with multidimensional strategies and actions. Additionally, The National HIV and AIDS communication Strategy has the following strategic approaches for youth and adolescents:

1. Reaching youth creatively through in school and out of school programmes with both information and life skill education.
2. Continuing to support GoB ministers for youth and adolescents, Ministry of Youth and Ministry of Women and Children Affairs for launching and expanding various outreach programmes on HIV, AIDS and STI
3. Encouraging youth to engage in informed discussion about HIV, AIDS and STIs with peers, educators and parents.
4. Promoting youth friendly services with government and private settings (NASP, 2006)

The strategy suggests that the core set of communication and IPC/C materials are to be pre-tested with intended audience so that messages are clear and consistent across programmes. Moreover, the strategy emphasizes developing materials and tools for identifying, understanding and reducing stigma among health workers and increasing self-efficacy among vulnerable groups, however, no age specific actions were suggested.

Besides, Bangladesh has also received a fund from Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) (NASP and Save the Children, 2005). The project began introducing an evidence-based curriculum for HIV/AIDS education for government schools of classes VI-XII throughout Bangladesh for the first time in 2007 (NASP, 2009). The goal of the project was to prevent **HIV infections in Young people**, ages 15-24 and thereby help avert a generalized HIV epidemic in Bangladesh.

As a part of larger project of the Government of Bangladesh, PIACT, a non-profit, non-government organization, introduced a curriculum for HIV/AIDS education for classes VI-XII in government secondary schools throughout Bangladesh in 2007 (NASP, 2009). Furthermore, since 2004-2006 the population council, in collaboration with the Department of Youth Development (DYD) and the Ministry of Youth and Sports (MOYS), conducted an operations research (OR) for life skills based SRH education, using a youth group based peer approach aged 15-24 (NASP, 2009). The objective of the project was to create conditions for scaling up the intervention model for improving access of male youth to HIV/AIDS focused **LSE and services** including condoms through youth clubs, so that they are able to safely manage their sexual and reproductive health i.e., condom use increased among youth where condom made available (ibid). With the aim to provide **HIV prevention information to young people** in all 64 districts of the country the Ministry of Health and Family Welfare has been implementing a broad, multi-pronged strategy including information dissemination through the mass media, social marketing of condoms, outreach programmes to youth groups, curriculum reform and advocacy with key community and religious leaders (NASP, 2009).

Besides, blood safety in Bangladesh builds upon GOB safe **blood transfusion programme (SBTP).** The programme on blood transfusion intends to a) establish a Reference Laboratory and build up capacity of 98 centres for blood screening (53 district hospitals, 13 medical college hospitals, 5 specialized hospitals, 13 CMH and 13 other hospitals) b) Train of doctors and technologists and c) Enhance voluntary blood donation through motivation programme and IEC campaign.

Furthermore, the first VCT centre for **care and support for people with HIV** in Bangladesh was set up in 2002, with numbers increasing to about 90 by 2008 (World Bank and UNAIDS, 2009).

Contribution of NGOs, UN agencies and other Development Partners are also worth noting.

Programmes for Elderly People

There are a few programmes currently in operation which addresses the elderly people of the society. Amongst them Old age allowance is the biggest programme. The target people for this programme are very apparent. To be specific, hard core poor who are 65 years or older are considered for this programme. The main objective of this programme is to save the poor elderly people of Bangladesh from all types of insecurity and thereby to reduce their poverty in the long run. As like many other programmes this programme is also implemented under the Ministry of Social Welfare. This programme is currently operating in more than 5000 unions. Except city corporations al municipalities are included in the programme (PRSP 2005).

There are few considerations of the programme in deciding who gets the included. The age factor is the first thing that is considered. The annual income of the person must not exceed BDT 3000. After fulfilling these criteria, a person will be considered eligible. Still the freedom fighters, sick and out of work, handicapped people are given highest priority. The amount of allowance is BDT 300 per person per month.

Three of the other programmes that addresses the elderly people of the society, which are, pension for the retired government employees and their families, honoraria for Insolvent Freedom Fighters and honoraria for Injured Freedom Fighters

The targets and the recipient groups are pretty apparent from the names. Though these programmes have somewhat wide coverage yet they are still a lot less than the Old Age Allowance. The budgetary allocation and the coverage of these programmes are shown in Table 3.11.

Table 3.11: Coverage and Fund Allocation for Different Programmes for Elderly People

Name of the Programme	Coverage (Thousand People/Month)		Fund Allocated (Million BDT)	
	2010-11 (R)	2011-12	2010-11 (R)	2011-12
Old Age Allowance	2475	2475	8910.0	8910.0
Honorarium for Insolvent Freedom Fighters	150	150	3600.0	3600.0
Honorarium for Injured Freedom Fighters	8	8	830.7	684.5
Pension for Retired Govt. Employees	325	325	40031.3	49700.0

Source: National Budget 2010-11 (R) and 2011-12

Few NGOs are also contributing to ensure the rights and dignity of the Elderly People. The main focus of most of the organizations is to uphold their dignity considering their service towards the society.

Programmes for Environmentally Challenged Group

Disaster Risk Mitigation and Reduction programme is implemented by the Ministry of Food and Disaster Management. The main purpose of this programme is to help mitigating sufferings of disaster victims by providing them with loan to set up small business. Loan is generally small amounting in between BDT 5000 to BDT 25000 for 1 to 3 years with a nominal service charge attached. The number of beneficiaries is more than 1 million.

In response to the devastating floods in 1998, the government used two direct transfer relief programmes to mitigate the sufferings of the seriously-affected households. Both the programmes were undertaken by the Ministry of Food and Disaster Management and Financed by the GoB. During the initial period, immediate relief was provided to such households under the Gratuitous Relief (GR) programme. After the flood water receded, the Vulnerable Group Feeding (VGF) programme was started in late October, and was targeted to the poor than to the flood-affected households. A study was undertaken to assess the effects of those two programmes. About 36 percent of the flood-affected households received transfers under the GR programme compared to about 10 percent of households not affected by the flood receiving such transfers. Under the VGF programme, about 39 percent of the households in the bottom quintile received grain transfers compared to 17 percent and 11 percent in the top two quintiles. About 20 percent of the households not affected by the flood also received transfers, indicating leakage in the system (Carlo del Ninno and Paul Dorosh). Also, such transfers were small compared to the needs of the households; however, larger cash transfers or credit were not included as part of the medium-term relief to the households after the flood. Therefore, such households adjusted to the disaster by reducing household consumption, selling assets and borrowing. More than three-fifths of the poor, flood-affected households borrowed money during the months immediately after the flood to buy food and other essential goods. The overall effect was that the poor, flood-affected households had to reduce their consumption level to only 1,602 calories per capita per day. Nevertheless, the two programmes were able to avert any major food crisis. Along with these two programmes there are funds for disaster management and climate change. The budget allocations for these programmes are shown in Table 3.12.

Table 3.12: Coverage and Fund Allocation for Different Programmes on Climate Change

Name of the Programme	Coverage (Thousand People/Month)		Fund Allocated (Million BDT)	
	2010-11 (R)	2011-12	2010-11 (R)	2011-12
Disaster Risk Mitigation and Reduction	212	161	171.2	130.0
Vulnerable Group Feeding	12222	10444	14736.4	16071.5
Gratuitous Relief	800	800	2637.6	2735.6
Fund for Climate Change	1700	1700	7000.0	7000.0
Rehabilitation of AILA Affected Rural Infrastructure	-	6	-	240.0

Source: National Budget 2010-11 (R) and 2011-12

Programmes for Widowed and Distressed Women

Considering the miserable conditions encountered by the poor widowed, divorced, separated and abandoned women in a poverty ridden male dominated society of Bangladesh, in 1998, the then government of Bangladesh took an initiative to render some help to these women. During inception of the widow allowance programme the total allotment was 125,000 thousand, number of beneficiaries was 100 thousand and monthly allowance was 100 BDT. With the passage of time gradual expansion of the programme occurred and in 2011-12 the total allotment increased to 3,312,000 thousand BDT, the number of beneficiaries increased up to 920 thousand and the monthly allowance reached up to 300 BDT. The year wise statistics of the distribution of the Widow Allowance since inception is provided in Table 3.13.

Table 3.13: Widow Allowance and Beneficiaries

Financial Year	Number of Beneficiaries (Thousand)	Allowance Per Month (BDT)
1999-00	100	100
2000-01	210	100
2001-02	210	100
2002-03	270	125
2003-04	500	150
2004-05	600	165
2005-06	620	180
2006-07	650	200
2007-08	750	220
2008-09	900	250
2009-10	920	300
2010-11	920	300
2011-12	920	300

Source: Ministry of Social Welfare, GoB 2012

Despite the wide coverage of the programme there are eligibility criteria to be met. The following groups will not be considered eligible for this programme: pension holder of the Government Service, VGD Card holders, those who get regular grant or Allowance from the government, and those who get regular grant or Allowance from the Non-government agencies.

The Maternal Health Voucher Scheme (MHVS) was undertaken mainly addressing the MDG target of reducing maternal mortality. MHVS and the National Nutrition Programme (NNP) have been allocated BDT 660.4 million and BDT 2250 million respectively. The evidence however suggests that improvement in maternal health care services through supply-side financing has not reached its desired results largely because of very limited access to such services by the poor and vulnerable women. The government, therefore, decided to address this issue through demand-side financing, known as the MHVS, which provides subsidies (in the form of limited purchasing power) to the target group to enable them to buy specific services. The overall goal of the MHVS is to reduce maternal mortality rate and neonatal mortality rate by increasing: (i) awareness and demand for maternal health services among poor pregnant women, and (ii) institutional delivery. The MHVS was initially introduced in 21 upazilas in 21 districts, and subsequently extended to 33 upazilas (Directorate General of Health Services, undated). The funding for the programme was provided by the government and development partners (DFID, World Bank, UNFPA and WHO).

The MHVS aims to cover 174, 000 pregnant women per year. The MHVS beneficiaries must be poor and vulnerable pregnant women, those belonging to functionally landless households, those with low and irregular income of Taka 2500 per household per month, and those who lack productive assets. The MHVS components include: (i) three ANC visits, (ii) safe delivery, (iii) one PNC visit within 6 weeks of delivery, (iv) services for obstetric complications, (v) subsidy of Taka 500 for transport cost for institutional services, (vi) up to Taka 500 for referral to district hospital, and (vii) cash of Taka 2,000 to the mother. Specified services are provided by designated providers and facilities from the public and the private sectors and the NGOs.

A healthy mother is the way to a healthy future for a child. If the mother is suffering from some sort of disease it is likely that the child will get less care than deserved. The main idea behind 'Maternity Allowance for Programme for the Poor Lactating women' is that the healthy mother is a must for a healthy future of a child. An allocation of Tk.430.6 million (Tk.100 million more than the previous year) has been provided for poor lactating mothers in addition to Tk. 300 million allocated for low-income, working lactating mothers in urban areas. The fund allocation of the programmes is given in Table 3.14.

Table 3.14: Coverage and Fund Allocation of Different Women Targeted Programmes

Name of the Programme	Coverage (Thousand People/Month)		Fund Allocated (Million BDT)	
	2010-11(R)	2011-12	2010-11(R)	2011-12
Allowance for Widow, Deserted and Destitute	9200	9200	3312	3312
Maternal Health Voucher Scheme	1790	2440	662	900
Maternal Allowance Programme for Poor Lactating Mothers	800	920	369	425

Source: National Budget 2010-11 (R) and 2011-12

Programmes to Address Child Poverty

The Primary School Stipend Project is primarily launched to increase the School participation of children from poor households. The main target group for this programme was (i) Destitute woman headed family, (ii) Principal occupation of household head is day labour, (iii) Family of low income professionals (such as: fishing, pottery, blacksmithing, weaving and cobbling), (iv) Landless or households that own 0.50 acres of land (marginal or share Cropper). The project is financed the GoB and its operated under the Department of Primary Education under the Ministry of Education. The central objectives of the programmes are to (i) increase the number of children into primary school from poor family; (ii) increase attendance to and reduce dropout from the primary school; (iii) increase the rate of completion of primary education cycle; (iv) control child labour and reducing poverty; and (v) increase the quality of primary education.

School Feeding Programme is one of the most crucial Safety Net programme undertaken by the government and the WFP in July 2002. The programme targeted schools in chronically food insecure rural areas and urban slums in Dhaka city (Rogers et al, 2004) The SFP distributed fortified biscuits (a protein/caloric supplement) to elementary school children in those schools six days a week during the school year to improve their nutritional and health status. The main target of this programme is to increase school enrolment and attendance, reduce drop-out rates, and improve attention and learning capacity by reducing short-term hunger and improving nutritional status. There are few other programmes. The allocations for different programmes for children are presented in Table 3.15.

Table 3.15: Coverage and Fund Allocation for Different Children Programmes

Name of the Programme	Coverage (Thousand People/Month)		Fund Allocated (Million BDT)	
	2010-11(R)	2011-12	2010-11(R)	2011-12
Primary Educ. Stipend Project	7817	7817	8650.0	8799.9
School Feeding Programme	310	569	177.4	325.0
Stipend for Drop-out Students	657	500	1220.0	1045.2
Protection of Children at Risk	9	9	104.8	102.5
Child Development Centre	0	0	10.0	30.0

Source: National Budget 2010-11 (R) and 2011-12

Concluding Remarks

Coverage of existing programmes which have proven track records can be expanded. The old age pension scheme may also be expanded in phases. The dalits, HIV affected people can be included in the existing programmes.

Programmes need to be developed which address emerging vulnerabilities such as urban poverty, livelihood loss due to economic integration and policy reforms, and disadvantaged groups not covered by existing SNPs.

There is a need to introduce health and nutrition related assistance programmes towards reducing maternal mortality and improving child nutrition. An active exploration of a viable school meal programme will be a priority. For successful implementation of the Maternal Health Voucher Scheme (MHVS) and its further scaling-up in the national health programme, the following issues should be taken into account: (i) appropriate fee structure needs to be reviewed for greater involvement of the private sector, (ii) availability of comprehensive EOC coverage should be ensured at upazila level, and (iii) adequate consideration should be given to patient safety concerns (e.g. blood safety for C-Section) and improvements in quality of care and services.

Facilitating the growth of insurance programmes targeted to the poor and vulnerable groups as viable alternatives for their social protection needs should be considered. In addressing all of the above, gender concerns will have to be accommodated as a matter of priority.

There is no health insurance facility in Bangladesh. Therefore, people living with HIV should be included in the national security protection scheme. People living with HIV can be included in national Vulnerable Group Development (VGD) programmes to improve their socio-economic status. The main objectives are to build the income-generating capacities of People living with HIV and to socially empower them through training on awareness raising, provision of training on variety of Income Generating Activities (IGA), provision of credit and other support services during and beyond the food completion of the contract period. If people living with HIV are food insecure, then they alarmingly lose the desired good outcomes of quality HIV treatment and care. Food insecurity among People living with HIV worsens viral suppression and lowers CD4 count, thereby, exacerbating HIV related morbidity and mortality. Hence, People living with HIV should be a part of government social safety programme like VGF (Vulnerable Group Feeding). World Food Programme (WFP) can provide leadership in linking poor people living with HIV to VGF programmes.

One of the core problems of the SSNPs in Bangladesh is its scattered nature which impedes its proper implementation. If we look at the Largest Conditional Cash Transfer Programme of the Developing World Bolsa Familia of Brazil, we'll better understand the issue. There four large scale CCTs running in Brazil which later were merged into one central programme. This enabled the close monitoring from one central authority which led to better targeting. Their targeting mechanisms were also unified. First households are categorized across geographic location and assessed based on their per capita income. Furthermore, geographic targeting was applied at two levels, federal and municipal. The data collected are kept in one central database. Family eligibility is determined by one central authority based on that data which helps avoid ineligible multiple participations and hence better outreach. This unification of systems also helped reduce the operating and administrative costs a great deal. So from the experience of this programme and the keeping an eye on its success it can be observed that rather than operating many scattered programmes with scattered authorities, unification of some programmes can help in enhancing efficiency and have better outreach. Therefore, there is an urgent need to develop an integrated social safety net policy and a Plan of Action for effective implementation, monitoring and evaluation.

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4. Social Protection Financing and Affordability

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Background and Introduction

The size of the public sector in Bangladesh, measured in terms of total fiscal spending in relation to GDP, has been in the range of 16 to 18 percent of GDP over the past five years. Because of prudent fiscal management and the emphasis given by all governments on maintaining macroeconomic stability and debt sustainability, the overall size and growth of the government sector has been essentially constrained by the relatively low level of tax base and its slow growth. Notwithstanding the limited resource base and fiscal capacity, Bangladesh has been spending a relatively larger proportion of its available fiscal resources on social sector programme, including social protection. Successive government's strong commitments to social sector programmes have contributed to a sustained increase in social spending including on social protection programmes. This commitment and relatively respectable fiscal allocations to social sector programmes have contributed to remarkable gains in terms of achieving the Millennium Development Goals (MDG) and poverty reduction.

Table 4.1: Government Expenditure and Social Spending

Fiscal Year (BDT in Billions)	FY08-09	FY09-10	FY10-11	FY11-12	FY12-13	FY13-14
GDP	6149	6911	7904	9148	10380	11810
Total Expenditure	941	1015	1300	1612	1893	2162
Total Social Sector Expenditure	221	269	312	347	365	448
Total Social Protection & Empowerment Expenditure	138	167	209	220	231	267
Total Social Sector Expenditure/ Total Expenditure	23.5	26.5	24.0	21.5	19.3	20.7
Total Social Protection & Empowerment Expenditure/Total Social Sector Expenditure	62.4	62.1	67.0	63.4	63.3	59.6

Sources: Bangladesh Economic Review 2015, Finance Division, Ministry of Finance, p-173 (Social Sector Expenditure); Safety Net budget various years, Finance Division, Ministry of Finance Note: Social Sector Expenditure includes education, health and social protection expenditures

The purpose of this background paper is to review Bangladesh's fiscal structure and the fiscal outlook with a view to seeking answers to the following issues/questions: assessing the financial implications of the proposed social protection strategy for budgetary financing; to what extent consolidation and merging of similar programmes and smaller programmes will allow financing of the core social protection programmes proposed under the strategy; what kind of fiscal space is expected to emerge over the medium and long term which would allow further broadening of the coverage and benefits under the proposed social protection strategy? Some other issues related to long-term institutional/structural transformation of the SP system in Bangladesh.

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The remainder of the background paper attempts to provide answers to the questions and issues noted above. In Section II, we discuss the salient features of the current fiscal structure in Bangladesh with a view to assess its overall stance and sustainability of the fiscal policy in terms of public debt burden. The relative size of social protection programmes in Bangladesh budget and its adequacy is discussed in the following section. Section IV discusses the financial implications of a major restructuring of the public funded social protection programmes. The covariate and miscellaneous programmes covered under the current SP system in Bangladesh is discussed in Section V. The outlook for fiscal space and financing of social protection programmes over the medium and long term will be discussed in Section VI. Short and Medium-term phasing issues and long term transformations in social protection programme and financing is covered in Section VII. Some concluding observations will be presented in the final section (Section VIII).

Current Fiscal Structure, Fiscal Policy Stance and Management

Fiscal Structure and Management

Bangladesh's fiscal management has generally been very prudent, despite the fact that its revenue base has always been low. Traditionally the overall fiscal deficits (excluding grants) were limited to 4-5 percent of GDP and including grants in the range of 3.5 to 4.5percent of GDP. Despite the growing need for public services and improvement in the quality of public service, the expansion of public spending has generally been contained by the growth in government revenue. In general, more than half of the fiscal deficit (including grants) is financed through external borrowing on very concessional terms from multilateral and bilateral official sources. This prudent and somewhat conservative external financing strategy has served the country very well in terms of management of the level of public debt and debt service obligations.

Table 4.2: Fiscal Management in Bangladesh

Fiscal Year (Percent of GDP)	1972-73	1977-78	1982-83	1987-88	1992-93	1997-98	2002-03	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14B
Total Revenue	3.4	7.9	6.1	6.5	9.2	9.2	10.3	11.4	10.5	10.9	11.8	12.4	13.5	14.0
Total Expenditure	11.5	16.2	14.2	12.4	13.0	12.9	14.5	17.2	14.5	14.5	16.2	16.4	18.2	18.8
Overall Balance (including Grant)	-8.0	-8.2	-8.1	-5.8	-3.8	-3.7	-4.2	-5.7	-4.0	-3.6	-4.4	-4.0	-4.7	-4.8

Sources: National Board of Revenue and BBS, various years

Bangladesh's very cautious external borrowing strategy over the last several decades has led to raising long-term low cost funds from official bilateral and multilateral sources and keeping the cost of borrowing at a minimum level to finance its fiscal deficit. These sources of funding are, however, limited and are not expected to grow in times to come. In recent years (FY 2001 to FY 2011), there is a declining trend in external concessional financing (Tables 4.3 and 4.4).

Faced with this dwindling external financing, the government is relying heavily on domestic sources, especially from banking sources. As the domestic bond market is in nascent stage, there is certain limit to increasing the reliance on such borrowing in coming years.

Table 4.3: Bangladesh–Changing Stock of Outstanding Public Debt, FY 2001-2011

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Total Debt	1,389	1,497	1,641	1,791	1,994	2,283	2,555	2,776	2,855	3,392
External Debt	937	1,008	1,094	1,184	1,303	1,427	1,461	1,506	1,490	1,752
Domestic Debt	452	489	547	607	692	857	1,094	1,270	1,365	1,640
Bank	194	188	207	242	297	421	634	771	750	1,004
Non-Bank	258	301	340	365	395	435	460	499	615	636

Source: Bangladesh Bank, various years

Table 4.4: Bangladesh–Changing Pattern of Debt to GDP Ratio, FY2001-2011

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Total Debt to GDP	51%	50%	49%	48%	48%	48%	47%	45%	41%	43%
External Debt to GDP	34%	34%	33%	32%	31%	30%	27%	24%	21%	22%
Domestic Debt to GDP	17%	16%	16%	16%	17%	18%	20%	21%	20%	21%
Bank	7%	6%	6%	7%	7%	9%	12%	13%	11%	13%
Non-Bank	9%	10%	10%	10%	9%	9%	8%	8%	9%	8%

Source: Bangladesh Bank, various years

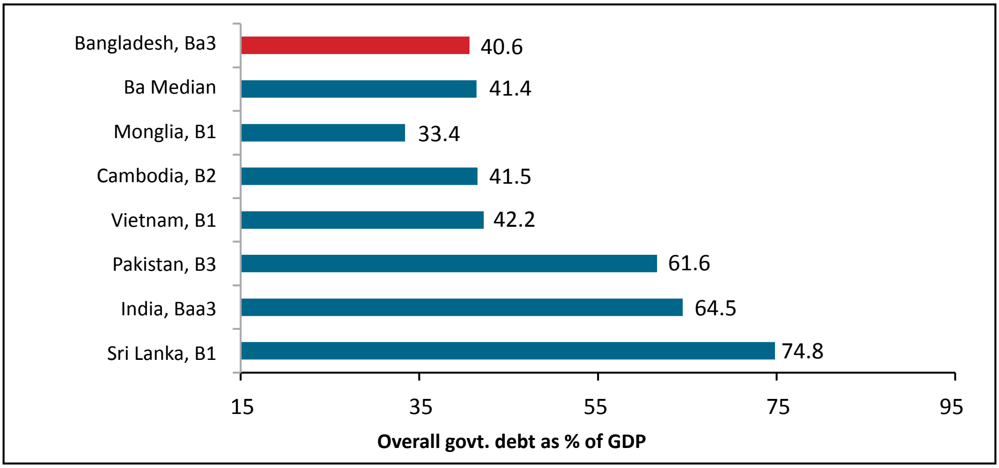
The World Bank/IMF team, which carried out the joint Debt Sustainability Analysis (DSA) of Bangladesh in 2011, has found that Bangladesh's risk of debt distress on external debt remains low. Under the baseline scenario, Bangladesh's external debt burden indicators remain below the relevant policy-dependent indicative thresholds. They also do not breach the thresholds under the stress tests. The various debt ratios indicate that there is scope for raising external debt. The DSA however reveals that the debt burden indicators are less favourable when domestic debt is included. The Government will, therefore, have to monitor closely the evolution of domestic debt.

While the Government of Bangladesh should still continue with the current strategy of securing greater amounts of resources on concessional terms or grants under various bilateral and multilateral initiatives, it is becoming necessary to tap the international capital markets to raise borrowings on commercial terms to meet some of the funding needs and to maintain a sustainable debt mix. While these considerations may call for a fresh thinking on government borrowing strategy with special attention on diversification of external sources of funding, it is clear that the driving force for future expenditure growth will primarily depend on the pace of revenue mobilization.

The overall government debt level in relation to the size of the economy (measured in terms of GDP) remains at par with the median level for countries with Ba rating. At about 40 percent of GDP (in 2010-11), Bangladesh's burden of public debt is significantly lower than its regional comparators like Pakistan, India and Sri Lanka. Despite being a low income country, due to its prudent debt management over a long time, Bangladesh's debt to GDP ratio has been falling steadily in recent years and it never had any problem in servicing its public debt.

At 22 percent of GDP (in 2010-11), external debt is a fairly manageable component of Bangladesh's total public debt. The external debt burden is quite low compared with the median level of 32 percent for the Ba rated countries. The external debt burden has also been falling rapidly in recent years from the historical peak level 45 percent of GDP reached in FY 1994/95. Due to the concessional nature of Government's external debt, in terms of discounted present value, the debt burden is even less at 17.4 percent of GDP. Bangladesh's long-standing policy of not accessing international capital market and relying primarily on concessional financing on longer term maturity for financing budget deficits have helped create such a favourable situation.

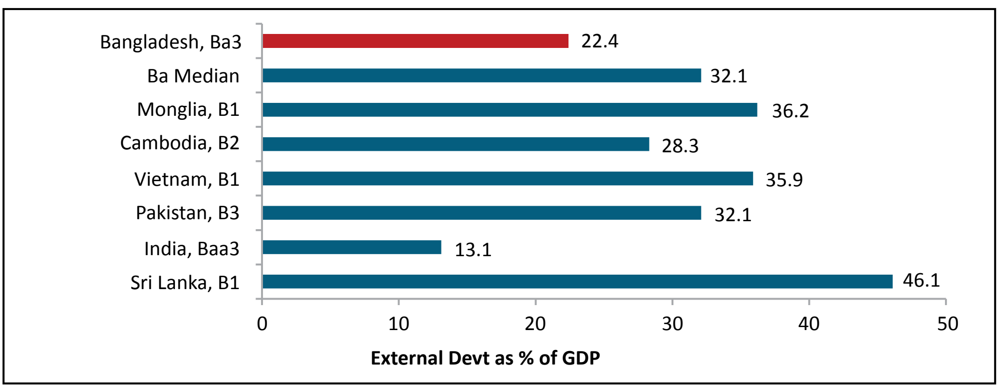
Figure 4.1: Manageable Overall Govt. Debt Levels, FY 2011



Source: Joint Debt Sustainability Analysis (DSA) of Bangladesh, 2011, The World Bank/IMF team

Bangladesh's debt servicing costs are well below the median for the comparator countries. Bangladesh's external debt servicing ratio of 2.8 percent of external current account receipts is very favourable compared with its regional comparators like India, Pakistan and Sri Lanka. Furthermore, given the strong growth of export receipts and remittance inflows recorded in recent years, the debt service ratio has been falling rapidly over time. The outlook for debt service burden also remains favourable since both exports and remittance receipts are expected to remain buoyant over the medium term.

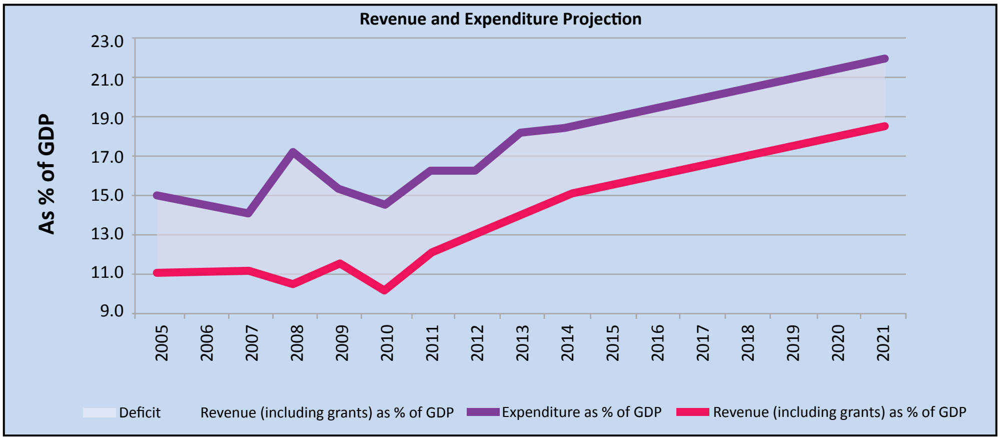
Figure 4.2: Low External Debt Burden Due to Prudent Fiscal and Debt Management



Source: Joint Debt Sustainability Analysis (DSA) of Bangladesh, 2011, The World Bank/IMF team

Because of Government's prudent fiscal management as described above, fiscal spending in Bangladesh is primarily driven by the revenue performance. Given the fiscal deficit target, which is generally adhered to, expenditure in relation to GDP has generally been limited to no more than 5 percent above the revenue to GDP ratio. It is the overall revenue performance which will enable Bangladesh Government to create fiscal space for higher spending, including on social protection.

Figure 4.3: Trend in Budget Balance (including Grants)



Source: Ministry of Finance, various years

Revenue Mobilization Remains the Major Fiscal Policy Challenge

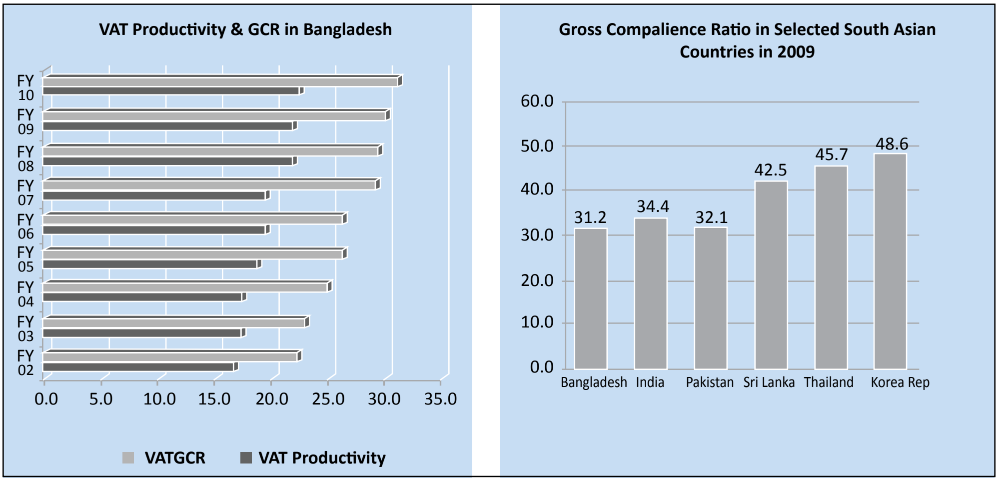
It is however a matter of concern that Bangladesh has been suffering from very weak tax administration and a narrow tax base, both of which are responsible for Bangladesh's very low tax to GDP ratio, considered one of the lowest in the world. Non-tax revenue base is also very narrow and because of the specific nature of these revenue sources (such as fees and charges) this component of revenue is inherently inelastic.

Despite numerous efforts over the last several decades, Bangladesh's tax/GDP ratio remained at about 9 percent of GDP until FY 2009. It is however not true that Bangladesh's tax rates are low. As a matter of fact, the highest corporate tax rate for companies in Bangladesh is considered to be one of the highest in the region and globally. The import tariffs, combined with regulatory and supplementary duties applied only at the import stage, make Bangladesh's import tariff regime as one of the most highly protective regime globally. The VAT basic rate of 15 percent is also not low by any measure. Given the very high rates of taxes applied in Bangladesh for direct and indirect taxes, the low tax to GDP ratio is primarily attributable to Bangladesh's very low tax efficiency.

Value Added Tax (VAT) Productivity and Gross Compliance Ratio

It is evident that a narrow tax base, widespread exemptions, and administrative inefficiencies are perhaps the main factors behind low tax-to-GDP ratio in Bangladesh compared to the neighbouring/comparator countries. In order to measure VAT collection efficiency, VAT productivity ratio and VAT efficiency ra¬tio (known as c-efficiency ratio–CER or gross compliance ratio–GCR) are commonly used. The higher the value of the productivity ratio the more efficient is considered to be the VAT system (the broader the tax base, the fewer exemptions and derogations from the standard VAT rate are being applied). However, this indicator is susceptible to misinterpretation due to the presence of errors in measurement in GDP. The second measure is considered more accurate because the tax base is related more to the domestic consumption rather than to domestic production. Different value of this ra¬tio indicates deviations from a single tax rate. In addition to the VAT rate structure, the second ratio reflects VAT compliance level (Keen and Smith, 2007). In sum, erosion of the tax base because of VAT rate reductions, tax exemptions, tax fraud, tax avoid-ance, and ineffective tax administration contribute to lowering the ratio under consideration.

Figure 4.4: VAT Productivity and Efficiency Ratios

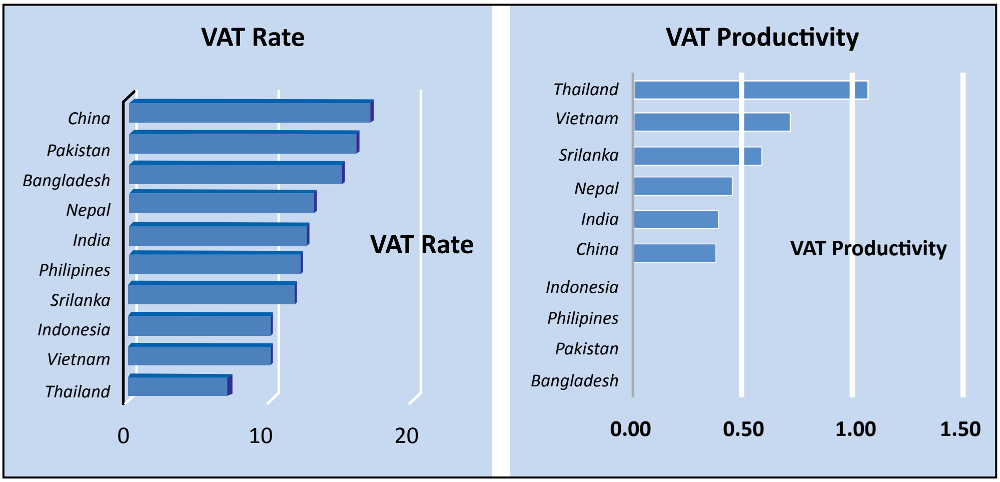


Source: Bangladesh Economic Review, 2010 and Authors' estimates; IMF Government Finance Statistics Database; World Development Indicators

In the period analysed, the measures (productivity and GCR of VAT) rose significantly in recent years. It suggests that different reforms in VAT and new VAT law amendments contributed to increase the efficiency. Such a situation may be partly attributed to some improvement in administrative efficiency through the modernization in VAT collections process. However, it is still the lowest in rank among countries with similar level development. Figure 4.4 shows a considerable variation of gross compliance ratios among selected South-and South East Asian countries. This ratio ranges from 30.2 percent in Bangladesh to 48.6 percent in South Korea. It may be mentioned that improvement of VAT collection efficiency in both South Korea and Thailand occurred due to broadening of the tax base through inclusion of agricultural sector and the lowering of variation of the VAT rates.

Despite the improvements in recent years, a cross-country comparison of VAT efficiency ratios also indicates a very similar picture of poor efficiency level in Bangladesh relative to other countries with similar levels of socioeconomic development. This also implies that tax reforms over the last decades could not bring about significant changes in Bangladesh's tax efficiency and productivity.

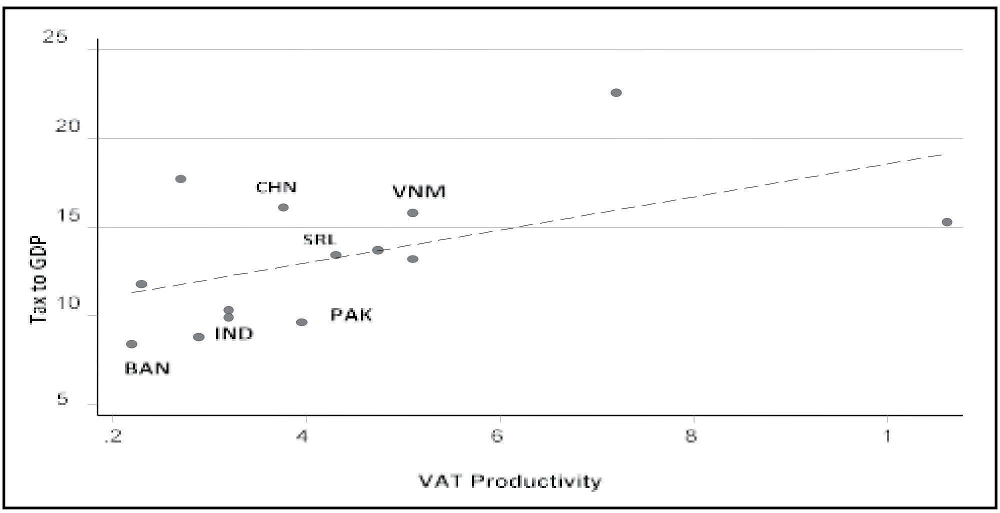
Figure 4.5: VAT Productivity in Bangladesh is the Lowest, Given its Relatively High VAT Basic Rate



Source: IMF Government Finance Statistics Database; World Development Indicators

Figure 4.6 below plots the tax-to-GDP ratio against VAT productivity for some selected Asian countries.[1] The fitted relationship is positive and statistically significant, suggesting that as the efficiency of VAT collection increases so does the tax-to-GDP ratio. The relationship shows that Bangladesh has potential for higher tax revenues, given its VAT productivity. This suggests that by improving its VAT productivity through lower exemptions and increasing administrative efficiency, Bangladesh can boost its revenues significantly.

Figure 4.6: VAT Productivity and Tax Revenue



Source: IMF Government Finance Statistics Database; World Development Indicators

[1] The estimated regression is tax-to-GDP ratio = 3.11 + 4.84*VAT productivity, R2 = 0.61 with a calculated t ratio of 2.9 on the estimated coefficient of VAT productivity ratio.

Value Added Tax (VAT) Buoyancy

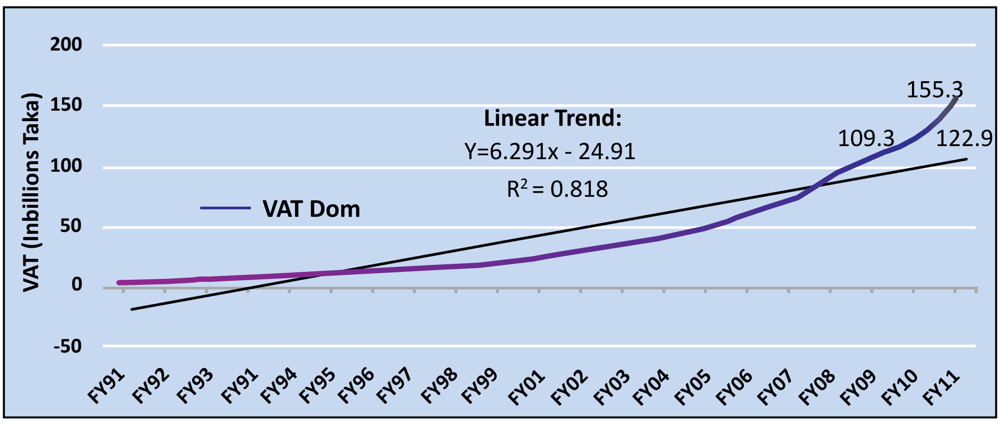
In terms of buoyancy,[2] Bangladesh ranks the highest among the South Asian countries with a tax buoyancy ratio of 1.25. However, indirect taxes appear to be slightly more buoyant than direct taxes. Higher buoyancy ratio of indirect tax indicates that growth rate of the indirect tax was faster than its base and potential scope for raising further tax revenue collection from this source still exists. Within the indirect taxes, the estimates of buoyancy ratios (Table 4.5) reveal the higher potential of domestic VAT for raising tax revenue.

Table 4.5: Tax Buoyancy among Asian Countries

Countries	Tax Revenue	Income Tax Revenue	Indirect Tax Revenue	Tax Components	Buoyancy
Bangladesh	1.245	1.202	1.252	Income tax	1.202
India	1.013	1.451	0.852	Indirect tax	1.252
Pakistan	0.823	1.074	0.692	of which:	
Sri Lanka	0.802	0.842	0.861	Domestic VAT	1.555
Indonesia	0.887	0.795	0.954	Import VAT	0.642
Philippines	0.924	1.124	0.721	Custom duty	0.833

Source: IMF Government Finance Statistics Database; World Development Indicators

Figure 4.7: Potential and Actual VAT Collection



Source: Bangladesh Economic Review, 2010 and Authors' estimates

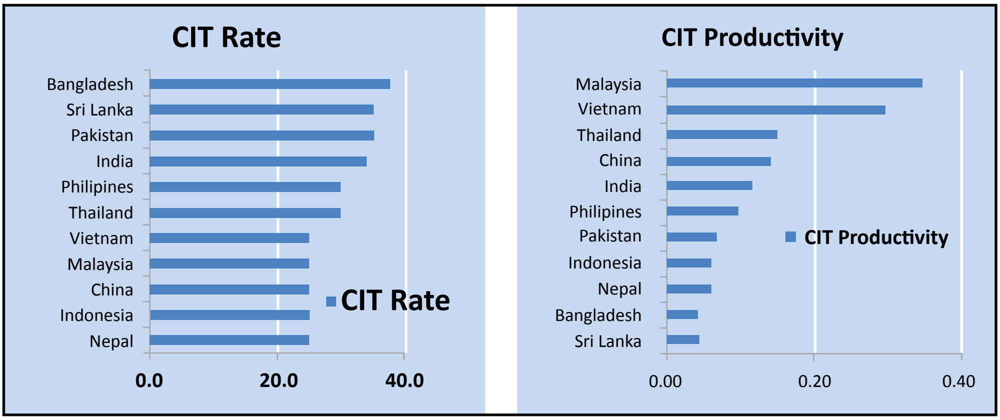
Figure 4.7 depicts cumulative growth gap between domestic based VAT and Industry value-added. The gap between linear trend and actual collection implies that efforts have been made overtime to tweak its base [3] keeping the existing tax rates unchanged. The opposite scenario exits in case of the import based VAT with lower buoyancy ratio reflecting the declining trend in nominal average customs duty rate in line with the lower base due to different exemptions in imports.

[2] Tax revenue buoyancy is defined as the percentage change in tax revenues to percentage change in GDP. In contrast, tax elasticity summarizes the impact of both tax policy (base effect with an unchanged tax administration) as well as tax administration (efficiency in raising additional tax revenue from the same base with an unchanged tax policy).

[3] Tax base on income tax is all value addition in an economy excluding agricultural income. Tax base for imports is calculated by deducting imports of food grains from the total import payments. Value addition of industry is taken as a base of the domestic stage VAT.

As regards efficiency, the story is not much different with the productivity of the Corporate Income Tax (CIT) system. Bangladesh has the highest CIT rate but also has one of the lowest yield in terms of revenue, making the productivity of the CIT system very low relative to other regional countries.

Figure 4.8: Statutory CIT Rate and CIT Productivity in Selected Countries



Source: http://www.taxrates.cc/html/tax-rates.html, KPMG (2010), and National Board of Revenue, Bangladesh

Better Revenue Performance in Recent Years Has Helped Expand Government Spending Level

The tax performance however has improved since FY 2010, with efforts to broaden the tax base with partial reforms in the tax laws and push for administrative strengthening. In the event, the tax/GDP has steadily increased since FY 2010 to 9 percent to 11.3 percent of GDP in FY 2013. So far collection of tax revenue has increase broadly in line with the Sixth Five-Year Plan (SFYP) target of increasing the tax/GDP ratio by 0.5 percentage point per annum. This recent performance is quite visible in Figure 4.7 and Table 4.5. In particular, the higher buoyancy and gains in efficiency in income tax and domestic VAT has played the most important role in this positive turnaround.

The recent gains on the tax revenue front has also positively impacted the size of government fiscal operations, allowing significantly higher expenditure growth to pay for expanded social protection programme and other social spending (in health and education) and expand rapidly the Annual Development Programme to reduce Bangladesh's wide infrastructure gap.

Table 4.6: Total Expenditure and its Major Components

Fiscal Year (BDT in Billions)	FY09	FY10	FY11	FY12	FY13	FY14
GDP	**6149.3**	**6943.2**	**7875**	**9148**	**10380**	**11888**
Total Expenditure	893.2	1015.2	1282.6	1612.1	1893.3	2224.9
of which						
Total Social Infrastructure Expenditure	266.3	309.3	361.7	402.8	454.6	515.6
of which Total Social Protection Expenditure	138	167	209	220	231	252

Fiscal Year (BDT in Billions)	FY09	FY10	FY11	FY12	FY13	FY14
GDP	**6149.3**	**6943.2**	**7875**	**9148**	**10380**	**11888**
Total Physical Infrastructure Expenditure	248.8	309.3	387.3	459.8	602.4	671.5
ADP	256	305	385	460	550	658.7
As Percent of GDP						
Total Expenditure	14.5	14.6	16.3	17.6	18.2	18.7
of which						
Total Social Infrastructure Expenditure	4.3	4.5	4.6	4.4	4.4	4.3
of which Total Social Protection Expenditure	2.3	2.4	2.7	2.4	2.2	2.1
Total Physical Infrastructure Expenditure	4.1	4.5	4.9	5.0	5.8	5.7
ADP	4.2	4.4	4.9	5.0	5.3	5.5

Source: Bangladesh Economic Review, 2014

Importance Given to Social Spending and Social Protection Programmes in the Budget

Social protection expenditure in Bangladesh (according to Ministry of Finance classification) generally accounted for 2.1 to 2.7 percent of GDP in recent years. Spending on social protection programmes increased steadily in relation to GDP and as percent of total fiscal spending in the initial years of the current Awami League government. Thereafter however while allocations continued to grow in absolute terms, in relation to GDP and total budgetary spending, expenditure on social protection programmes declined. Given the low level of revenue base, the level of spending on social protection compares favourably with its regional comparators. As percent of total spending Bangladesh's social protection spending—ranging between 12.2 - 16.5 percent of total fiscal spending--compares even more favourably.

However, because of the very large number of social assistance programmes currently in operation, spending under each programme tends to be rather limited and the total number of beneficiaries as reported in government documents tends to be very high. Reporting by ministries is also not uniform. Programmes like open market sales allow buyers to purchase rice and wheat at below market prices fixed by the government more than once in a year, and the ministry records number of purchases. Various employment schemes administered by several ministries record employment generated rather than number of participants in the schemes. Some recipients are also receiving benefits from more than one programme. It is, therefore, not easy to know the exact number of beneficiaries of the totally 145 programmes brought under the Social Protection and Empowerment budget. The World Bank[4] estimates the total number of households benefitting from 30 core programmes (but excluding civil servants' pensions) to be 8.1 million in 2010, of which 7.3 million are rural and 0.8 million households are urban. There existed around 8.5 million poor rural households and 1.9

[4] Poverty Assessment for Bangladesh: Assessing a Decade of Progress in Reducing Poverty 2000-2010 (data based on HIES 2010)

poor urban households in 2010, but it was also estimated that only around 40 percent of beneficiaries of these 30 core programmes were below the poverty line.

Most of recipients/beneficiaries, however, derive benefits from various family income, welfare or assistance programmes. The major components of these types of programmes include income support programmes like VGD and old age assistance in the form pensions to old persons, widows, freedom fighters, and to retired government staff.

The problem with precise targeting is visible in most developing countries with SP programmes targeted only to the poor. This problem is not unique to Bangladesh and can be alleviated significantly by broadening the target group through inclusion of near poor households, consolidating the large number of programmes into a few major programmes, improving the means testing of households, establishing and properly updating a comprehensive data base for the eligible households and their members, and establishing cash payments through bank or mobile account transfers.

Benefit Levels under Social Protection (SP) Programmes

The large number of SP programmes also means that each programme receives a relatively smaller amount of the total budgetary allocation for SP programmes. Attempts to distribute the smaller budgeted amount allocated for a particular programme to a broader target group essentially means low benefit levels per person for most programmes (Table 4.7). Efforts were also made to increase the number of beneficiaries under the programmes, while keeping the benefit levels unchanged in nominal terms for many years and thereby implicitly reducing real benefits per person over time significantly.

Table 4.7: Amount of Benefits per Person under Major Programmes
(In Taka per month and in percent of poverty level monthly income)

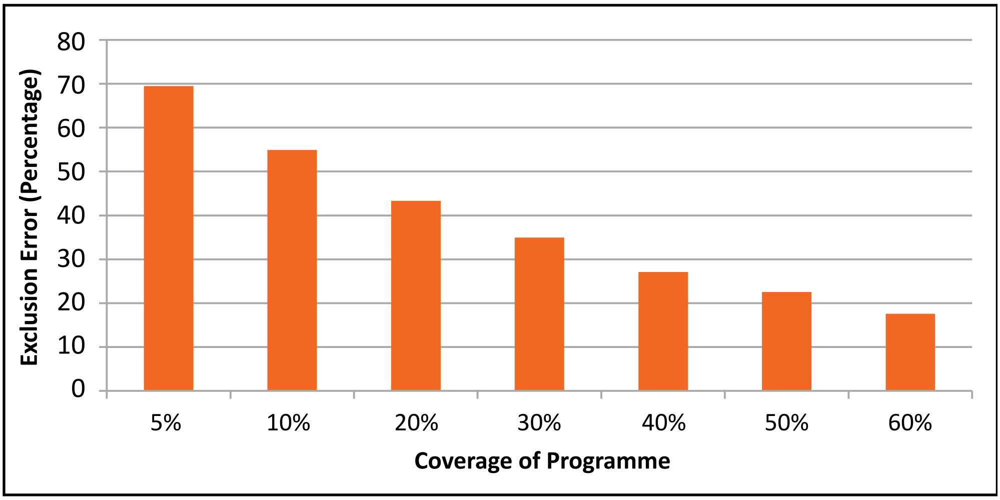
Ministry	Scheme	Benefits per Person/Monthly in BDT	Benefit as % Upper Poverty Line Income 2010
Social Welfare	Old Age Allowance	300	23.6%
	Widows' Allowance	300	23.6%
	Disability Allowance	300	23.6%
Women and Children Affairs	VGD	625	49.2%
	VGD for Ultra Poor Women	400	31.5%
Primary and Mass Education	Primary Stipend	100-125	9.8%
	Drop-outs Stipend	Average 55	4.3%
Education	Secondary Stipend	Average 150	11.8%
Local Government	Rural Maintenance Program	3000	236%
Disaster Management	Employment Generation	4500	354%
	Food for Work	-	

Source: Rahman (2012),' Social Safety Nets in Bangladesh' Volume-2, PPRC, UNDP

Effectiveness of SP Programme Targeting in Bangladesh

Figure 4.9 indicates potential exclusion errors at different coverage rates, based on analysis of the 2010 household survey. Since these results do not include errors introduced through implementation – which can be considerable – they should be regarded as underestimates. However, when the poorest 10 percent of the population is targeted, the minimum exclusion error is 55 percent while, when coverage is 40 percent, the minimum exclusion error would decline to 27 percent.

Figure 4.9: Theoretical Exclusion Errors for the Bangladesh Proxy Means Test



Source: Iffath A. Sharif, 2009

This finding provides a compelling justification for significantly increasing the coverage of programmes to include near poor. If all poor and near poor persons/families are included, coverage of SP programmes would increase to more than 60 percent and the exclusion error would correspondingly decline to 17 percent, which would be much more acceptable.

Financial Implications of a Major Restructuring of the Public Funded Social Protection Programmes

Key Elements of the Proposed Restructured SP Programme

Based on Lifecycle approach to SP, most of the numerous SP programmes can be merged into five major programmes:

- **Health and nutrition support for the poor and near poor mothers and infants.** First 4 years of a child's life is critical for his or her future development. Stunting and wasting are two major problems facing Bangladeshi children. Bangladesh has also fallen behind in achieving the MDG targets in these two areas. Despite significant progress, the level of child undernutrition at 41 percent is still very high in Bangladesh. There is good evidence from around the world that nutritional outcomes in young children can be significantly increased with provision of child benefit and pre-natal care of the pregnant mothers
- **Child Development programmes** to encourage primary and secondary school going

children with financial support so that they are not forced to work as child labours and get the necessary basic education to develop themselves as future productive citizens of Bangladesh. The form of supports currently being made—in the form of stipends for primary and secondary school going children and dropouts--may need to be reviewed to enhance their effectiveness. Orphans and children of abandoned fathers/mothers should be taken care of by the state through expanded and improved quality of orphanage system with more liberal access/eligibility to the programme.

- **Enhancing Access of Vulnerable Women to the Labour Market.** The objective may be achieved by expanding and redesigning the current Vulnerable Group Development (VGD) scheme. This programme will also provide support to disadvantaged and vulnerable women including widowed and deserted women and destitute women.

- **All persons with Severe Disabilities** irrespective of their age should receive state support until the retirement age when they will be eligible for retirement benefits.

- **Old Age Pension System.** The three tier pension system comprising (i) a tax financed pension system that provides all pension age people with a minimum income guarantee; (ii) a mandatory contributory pension system for all formal sector employees and on a voluntary basis for the self-employed persons; and (iii) a voluntary pension scheme—managed by the private sector (often employment based schemes) into which people may participate if they desire an additional income in old age. All new government/ public sector employees should participate in the fully funded contributory scheme.

The restructuring of SP programmes aims at consolidating all major and minor programmes into the five major programmes noted above providing protection at all stages of lifecycle for the poor and vulnerable persons/families and the old. The other purpose is to cover a broader target group encompassing the poor and near poor. This broader coverage would essentially double the size of potential eligible beneficiaries but help improve targeting efficiency significantly. Total number of beneficiaries would accordingly increase to 95.8 million compared with 76 million currently covered under various forms of family support programmes. This larger beneficiary base would certainly increase costs of running the programmes, although a significant part of the increased costs could be covered by transferring resources from other programmes which would become redundant once a comprehensive lifecycle based SP programme is put in place.

Costing of Individual SP Programmes

Costing of the 5 core programmes are presented in a manner that covers the full lifecycle of a person: beginning with health and nutrition support for infants and mother (as the first stage) to old age pension (as the final stage). Comparative static analysis has been used first to highlight: (i) the financial impact of the proposed significant increase in coverage to more than 60 percent of population (considered to be poor and near poor) under unchanged real benefits, after allowing for a major consolidation of SP programmes in all these areas; and (ii) the financial cost of doubling the benefit levels under these programmes in real terms. The comparative static presentations for each of the programme shows the magnitude of the increased financing need which will arise even after consolidation of most small Programmes into the proposed major one. However, it is comforting to observe that dynamic factors like economic growth induced reduction in the poverty rate, rapidly expanding fiscal space due to revenue growth in relation

GDP, and demographic developments like increase in labour force would help mitigate the financial burden over time by allowing the government to allocate additional fiscal resources for SP funding. Some dynamic factors like aging of the population would however increase the financing needs in some areas of social protection over the long run. In the discussion that follows, we start with the comparative static cost estimates for all major programmes including the financial gains from merging of smaller programmes in the same area. The impacts of dynamic issues like real GDP growth, fiscal space and demography are discussed after the comparative static analysis.

Comparative Static Scenarios for Various Core Programmes

1. Health and nutrition support for the poor and near poor mothers and infants: Following the lifecycle approach, we start with the health and nutrition support programme for pregnant mother and infant. About 0.6 million beneficiaries currently receive supports under this programme, administered through the Ministry of Health. Mothers get Tk. 3,500 per annum and infants get Tk. 3,600 per annum currently. With increased coverage to all potential mothers and infants belonging to poor and near poor households, the coverage would increase to 8.3 million mothers and infants together. Even with unchanged benefit levels, the total cost will increase from Tk. 7.9 billion to Tk. 34 billion due to increased coverage. The average monthly benefit level per beneficiary in FY 2013 was very low but not out of line with the benefit levels of other SP programmes. Covering all potential beneficiaries and also increasing the level of benefit per case may not be feasible at the beginning but certainly should be achievable over the medium term.

Under the proposed plan the amount for maternal health can be increased to Tk. 10,000 per pregnant mother which was the amount under the previous maternal health Voucher scheme. The benefits should primarily be provided through health vouchers for health related services to be administered by government hospitals initially. Only after gaining enough administrative capacity the vouchers may also be redeemed through private sector health providers. The purpose of providing vouchers to pregnant mothers is to ensure that the resources are used only for the intended maternal healthcare purpose. This would also avoid undermining the government's efforts to contain population growth through Family Planning Programmes.

Table 4.8: Health and Nutrition Support for Mother and Infants Programmes, FY 2013

					Expenditure (BDT in Millions)		
	Current Beneficiaries in Millions	Eligible Population Using Near Poor in Millions	Current Benefits Per Capita/Per Annum	If Benefits are Doubled or More/Per Capita Per Annum	Current Level	Budget If all Eligible Population is Covered	Budget with Full Coverage and Double Benefits
Health and Nutrition Support for Mother and Infants	0.571	8.32			7918.8	34282	73984
Maternal Health	0.067	2.5	2500	10000	1675	6250	25000
Infant Health	0.0469	5.82	3600	7200	168.84	20952	41904
Public Health	0.504	-	-	-	7080	7080	7080

Source: Health MIS Data, Ministry of Health and Family Welfare

2. Child Development Programmes: The next phase of the lifecycle will be covered through Child Development Programmes by supporting school going children of poor and near poor families. With the objective of universal primary education, all primary school children of poor and near poor families should be eligible for this support. Since the number of total beneficiaries at the primary school level will increase by almost 60 percent, the cost of the programme would increase by similar proportion with unchanged benefits. In the case of secondary school age children, the number of potential beneficiaries would more than double to 5.5 million from the current level of 3.8 million, even after allowing for 60 percent enrolment rate initially. Resources provided under other Child Development Programmes, except for early childhood (pre-school) Programme which is shifted to Programmes to enhance vulnerable women's access to the labour market, may be merged with these two major Programmes initially for greater impact. Over the medium and long term, however, considerations should be given to provide child care support and Pre-school programmes for children for enhanced child development.

The fiscal cost of covering all eligible school going children of primary and secondary school age--without any change in the benefit level in nominal terms--would increase to Tk. 31 billion compared with Tk. 19 billion currently allocated for these two programmes. Currently the number of orphans supported by government is about 68,000, which is very low. Many orphans (including children of destitute families and single mothers) are being looked after by Madrasa based private religious institutions. This reliance on Private Madrasa based support for orphans should change and public sector should take care of all orphans who cannot be looked after by their close non-poor relatives. It is proposed that the number of orphans covered under the government programme be increased to at least one million to cover all or most orphans and street children under the government orphanage programme with full support for living, feeding, healthcare and schooling. This is essential for proper development of orphan children and moving them to formal education and away from street or informal religious institutions. All other child development Programmes may be eliminated with the strengthening of the basic child development programme.

Table 4.9: Child Development Programmes Budget FY 2013 (Expenditure (BDT in Millions)

	Current Beneficiaries in Millions	Eligible Population Using Near Poor in Millions	Current Benefits Per Capita/Per Annum	If Benefits are Doubled/Per Capita Per Annum	Current Level	Budget If All Eligible Population is Covered	Budget with Full Coverage and Double Benefits
Child Development Programmes	**12.398**	**22.6**			**19210**	**44440**	**88880**
Primary School	7.8	12.4	1200	2400	9250	14880	29760
Secondary School	3.8	5.5	1800	3600	6475	16560	33120
Dropout	0.51	-	600	1200	940.1	-	-
Orphans	0.068	1.0	13000	26000		13000	26000
Others	0.22	-	-		2545	-	-

Source: Ministry of Primary and Mass Education

3. Enhancing Access of Vulnerable Women to the Labour Market: This Programme may evolve primarily from the programmes currently in operation for vulnerable members who are not old, such as widows and deserted women, vulnerable destitute women, food and livelihood security, and food assistance to families in special regions like Chittagong Hill Tract (CHT). The best way to tackle poverty is to enable these vulnerable women and families from CHT to engage in the labour market and earn decent incomes. The VGD scheme managed by MOWCA and some similar Programmes like BRAC's Targeting the Ultra Poor (TUP) are already providing such supports. In the process the food assistance programmes may be phased out and replaced by cash transfer programmes which are easy to administer with better targeting.

Table 4.10: Enhancing Access of Vulnerable Women to the Labour Market Programmes Budget FY 2013

					Expenditure (BDT in Millions)		
	Current Beneficiaries in Millions	Eligible Population Using Near Poor in Millions	Current Benefits Per Capita/ Per Annum	If Benefits are Doubled/ Per Capita Per Annum	Current Level	Budget If all Eligible Population is Covered	Budget with full Coverage and Double Benefits
Total Enhancing Access of Vulnerable Women to the Labour Market Programmes *(a)	4.063	3.874			25099.9	15243.2	26763.2
Widows, Deserted Women	0.92	3.2	3600	7200	3312	11520	23040
Vulnerable Destitute Women	2.26				8588.6		
Early Childhood Programmes	0.002	0.200	6500.0	6500	-	1300	1300
Food Assistance to CTG	0.357	-	-	-	2423.2	2423.2	2423.2
Food and Livelihood Security	0.05	-	-	-	906	-	-
Others	0.474	0.474	-		9870.1	-	-

Source: Ministry of Food

In terms of potential recipients, vulnerable and destitute women would potentially account for the largest number of beneficiaries (2.26 million), followed by widows and deserted women (0.92 million). The largest budgetary allocation of Tk. 8.5 billion is currently made to this first category of vulnerable women. As a matter of fact, these two programmes can easily be merged under one programme covering all poor and near poor vulnerable women (vulnerability arising from many potential sources) and the resources allocated to these two programmes can be combined into one major programme for vulnerable women. Able-bodied and working age vulnerable women should be provided support to make them fit for finding jobs with necessary training and skill development and placement services to be arranged by the relevant (Social Protection) Department and local authorized NGOs. From the time of filing for support, these vulnerable women may be eligible to receive financial support and relevant training commensurate with their potential to be employed in productive activities. The overall duration for such programmes could be 2-3 years and for the purpose of budgeting we assumed 3-year support for each vulnerable female. If all the major programmes mentioned in this strategy are effectively implemented, there may not be any need for continuing with various other family support programmes and resources saved thereby may be diverted to finance the enhanced coverage proposed under the restructured SP programme. Nevertheless, we have kept the Food Assistance to CHT intact, although its relevance would diminish/disappear over time and it can be administered as an augmentation of standard benefits for the CHT vulnerable women.

To enable poor and near poor vulnerable women to have a more productive working life and earn higher income the SP programme will also provide for childcare services for mothers of young children, across the formal sector. As increasing number of women are entering the formal sector workforce, in particular as factory workers or in the service sector, there is need for taking care of their special needs. Particularly, on giving birth, many women workers are forced to leave their jobs to take care of their children during the working time. The main cause of child poverty is believed to be the absence of childcare facilities at affordable costs and by making childcare available at affordable prices would go a long way toward alleviating child poverty.

Although childcare facilities should, in principle, be fully funded by the larger (50 or more workers) private and public sector employers, the Government may consider some budgetary support to cover a certain part (say 50 percent) of the total spending on this account for mothers working in smaller establishments (less than 50 workers). It could be a cost sharing arrangement under which the mother and the government shares the child care cost equally. Employers may also be asked to compensate the working mothers for this enhanced cost for a certain number of years for up to 2 children. MOWCA may establish a small setup to monitor setting up these childcare facilities as per the new law in this regard and also disburse financial support, as appropriate, to the eligible childcare institutions.

4. Disability Benefit Programme: All persons with severe disabilities, aged between 19-64years should be eligible for financial support under Disability Benefit Programme. At retirement age, persons with severe disabilities will transition to the Government supported National Pension Plan. Almost 9 percent of population suffers from some form of disability. Currently, about 0.4 million disabled persons are receiving support from SP programmes for disables, which needs to be more than doubled to 0.89 million to cover all poor and near-poor working age population with severe disabilities. The financial benefit level for the severely disabled persons should be same as that received by the eligible Government funded social Security Pension. In FY 2013, Tk. 1.2 billion was spent on people with disabilities, which should be increased to Tk. 3.2 billion even without increasing the benefit level of Tk. 300 per month if we extend the coverage to both poor and non-poor severely disabled persons.

Table 4.11: Disability Programme Budget FY 2013

					Expenditure (BDT in Millions)		
	Current Beneficiaries in Millions	Eligible Population Using Near Poor in Millions	Current Benefits Per Capita/ Per Annum	If Benefits are Doubled/ Per Capita Per Annum	Current Level	Budget If All Eligible Population is Covered	Budget with Full Coverage and Double Benefits
Disability Programme	0.4	0.89			1212.6	3204	6408
People with Disabilities	0.4	0.89	3600	7200	1212.6	3204	6408

Source: Social Service Department, Ministry of Social Welfare

5. Old Age Social Protection: There are two major types of public funded SP for the elderly people in Bangladesh—the Pension Plan for Retired Government Servants and Old Age Assistance (OAA) for the elderly poor (60 years and more). Government pension plan covers almost 0.4 million retirees and spent Tk. 55.3 billion in FY 2013. In contrast, the Old Age Assistance for the poor is a relatively modest programme covering 2.5 million persons with budgetary spending of Tk. 8.9 billion in FY 2013. Based on the current retirement age of 60 years, the potential number of poor and near poor elderly persons would be about 8.9 million as of FY 2013 and the number is expected to grow rapidly with the inevitable aging of the population.

The comprehensive Pension System described in Chapter 4 of the strategy, provides for a three-tier pension system, the first one (Tier 1) being a State Financed Minimum Pension System for the Poor and Near Poor termed the National Pension. Current OAA programme will be replaced by the publicly funded Pension System for the Poor and near Poor. Thus in this area much more resources will be needed in future. Even with the current very modest benefit level, with increased coverage Tk. 22 billion will be needed compared with Tk. 8.9 billion allocated in FY 2013. A doubling of benefits would increase fiscal cost for the programme to Taka 43 billion.

In order to make the public funded pension system affordable for the Government in the long run, the retirement age would need to be increased from the current 60 years to 65 years. The shift in the retirement age would need to be phased in over time, by allowing current retirees, aged between 60-64 years, to retain their pension benefits and increasing the retirement age every year by one year until the fifth year when it will increase to 65. Politically it would not be possible to deny current recipients their pension benefits till they become 65 years old.

Table 4.12: Old Age Pension System Budget FY 2013

					Expenditure (BDT in Millions)		
	Current Beneficiaries in Millions	Eligible Population Using Near Poor in Millions	Current Benefits per Capita/Per Annum	If Benefits are Doubled/Per Capita Per Annum	Current Level	Budget If All Eligible Population Is Covered	Budget with Full Coverage and Double Benefits
Old Age Pension System	3.107	6.607			71074	83764	105364
Old Age Allowance/ National Pension for Poor	2.5	6	3600	7200	8910	21600	43200
Government Pension	0.398	0.398	-	-	55327.8	55327.8	55327.8
Insolvent Freedom Fighters	0.209	0.209	-	-	6836.2	6836.2	6836.2
Total Budget of Restructured Core SP Programmes	20.5	48.3			124515.4	221883.2	381358.6
As percent of Total Old Age Pension System Beneficiaries							
Old Age Allowance/ National Pension for Poor	80.5	90.8	-	-	-	-	-
Government Pension	12.8	6.0	-	-	-	-	-
Insolvent Freedom Fighters	6.7	3.2	-	-	-	-	-
As percent of Total Budget of Restructured Core SP Programmes							
Old Age Allowance/ National Pension for Poor	-	-	-	-	7.2	9.7	11.3
Government Pension	-	-	-	-	44.4	24.9	14.5
Insolvent Freedom Fighters	-	-	-	-	5.5	3.1	1.8

Source: Social Service Department, Ministry of Social Welfare

The Government Pension Plan is a "Defined Benefit Plan", based on a "Pay-As-You-Go (PAYG)" principle. All the contributions of the government employees go to a general fund and pension liabilities are paid out of the budget based on actual obligations. Because of its unfunded nature and benefits being defined, over time sizable unfunded liabilities have already been incurred, although the magnitude of that is not yet known in the absence of a proper actuarial study of the Government Pension System. It would be best to introduce a fully funded system for new government employees which could run in parallel with the current PAYG defined benefits system for the current employees. While current government employees should be "Grand Fathered" by continuing the current system available to already employed workers, if a new fully funded system with contributions from both employees and the government is introduced, the new system will apply to employees joining the government service after its full operation. Many countries are steadily moving away from PAYG defined benefit plans and Bangladesh Government should also consider this option carefully.

For the purpose of deriving the fiscal cost of the Government Pension Plan, it is assumed that the benefit levels of government retirees and freedom fighters would remain unchanged in real terms. For the comparative static analysis, the number of beneficiaries under the government pension plan and for freedom fighters is assumed to remain unchanged, while the beneficiary level for the National Pension for the poor would jump significantly as shown in Table 4.12.

Financing Gap for All the Life-Cycle Based SP Programmes: As of FY 2013, spending on various programmes which could be merged under a transformed lifecycle based SP system, amounted to Tk. 124.5 billion. The number of beneficiaries covered was about 20.5 million, which was 48.3 percent of the people under the national poverty line as of FY 2013. If we extend the SP coverage for the 5 core programmes to both poor and near poor, the total number of targeted beneficiaries would have increased to almost 39.4 million, entailing an increase of almost 92.2 percent. In terms of budgetary resources, the additional cost with unchanged benefits, would increase by Tk. 52.9 billion (42.3 percent over the actual FY 2013 spending on these core lifecycles based programmes.

The financing requirement will jump sharply if the benefit levels, which are generally considered to be inadequate for all practical purposes, are increased significantly and meaningfully. If we double the benefit levels for all programmes in real terms, except for government pension plan and for the freedom fighters who are already getting much higher benefits, the financing requirement will increase to Tk. 381 billion (306 percent of actual FY 2013 spending on these and other merged programmes). Certainly, it would not be practical that Bangladesh Government would be able to allocate such an increased level of resources for the core lifecycle based SP programmes in the first year of restructuring. However, as shown below, with sustained high growth and better revenue mobilization envisaged under the Perspective Plan, there will be greater scope for accommodating such increases with the consequent realization of greater fiscal space and reduced number of potential beneficiaries. Initially the objective may be to allow the coverage level to reach the target level by encompassing all poor and near poor citizens/persons, while keeping the benefit levels broadly unchanged in real terms. Once the level of coverage reaches the targeted level, the new and growing fiscal space which would be available over time for SP programmes may be used to double the benefit levels in real terms while maintaining the coverage level to all poor and near poor. These issues are discussed in greater detail below.

Table 4.13: Consolidated Table of All Lifecycle-based Social Protection Programmes

	Current Beneficiaries in Millions	Eligible Population Using Near Poor in Millions	Current Benefits Per Capita/ Per Annum	If Benefits are Doubled /Per Capita Per Annum	Current Level in Millions	Budget If All Eligible Population is Covered BDT in Millions	Budget with Full Coverage and Double Benefits
All Restructured Core SP Programmes							
Health and Nutrition Programmes	0.571	8.32			7918.84	53032	98984
Child Development Programmes	12.398	22.6			19210.1	44440	88880
Enhancing Access of Vulnerable Women to the Labour Market Programmes* (a)	4.063	9.911			25099.9	37443.2	74886.4
Disability Programme	0.4	0.89			1212.6	3204	6408
Old Age Pension System	3.107	6.607			71074	83764	112200.2
Total Budget of Restructured Lifecycle Based Core SP Programmes	**20.5**	**48.3**			**124515.4**	**221883.2**	**381358.6**

Note: Total budget of Women Development and Empowerment Programmes includes budgets of other smaller programmes which have been added to the total, so the sum of sub-components may not add up to the total.

Source: Ministry of Health and Family Welfare (MoHFW); Ministry of Primary and Mass Education (MoPME); Social Service Department, Ministry of Social Welfare

Covariate and Miscellaneous Programmes

The costing exercise for core lifecycle programmes does not include funding for food security, workfare and disaster management programmes. However, about 42.5 percent of the current SP budget is spent on these programmes, described below.

Open Market Sales Programme:

Open market sales (OMS), primarily of basic food grains, have been used by Bangladesh Government for a long time to provide basic cereals like rice and wheat at below market prices for the ordinary people. Although anybody can buy from OMS operations, it is basically self-targeted since it is mostly poor persons who tend to buy from OMS by queuing up in long lines. Ministry of Food generally undertakes such OMS operations when market price of cereals increases sharply due to supply shortages. Generally, a fixed amount of rice or wheat is sold to each individual at prices significantly below their market prices. The OMS operations are also considered to be a market price stabilization mechanism at a time when there are signs of supply shortfalls/disruptions.

In FY 2013, Tk. 17.5 billion was spent to cover the subsidy element implicit in the below market price sales under OMS operations. The number of beneficiaries of the OMS programme is very high at 22 million and being self-targeted it tends to benefit primarily the poor. This is also considered to be an important element of ensuring Food Security for all citizens of Bangladesh by making rice, wheat available at affordable prices, particularly for the poor. At times when the economy is faced with major supply shocks and domestic prices of rice and wheat jump sharply, OMS of food grains play an important role in ensuring basic food supplies to the poor at affordable prices. In FY 2008, when Bangladesh faced a major supply shocks of both domestic (Cyclone Sidr and two rounds of major floods) and external (global commodity price shock) origins, OMS played a major market stabilization role and provided food security to the poor at affordable prices.

As in the past, OMS should continue to remain an important element of the restructured SP strategy. However, it is important to note that management of these operations are quite costly and its relative importance as a SP programme would decline over time as real income levels of all segments of the population will increase steadily and the share of cereals in total expenditure or in the consumption basket will decline in relative importance. Accordingly, as Bangladesh becomes a middle income country and as the coverage of the SP programme is significantly broadened along the lines proposed in the strategy, the need for old-fashioned OMS type market interventions would diminish and the programme should be phased out in the long run.

Income Generation and Employment Support Programmes: Income and employment generation (IEG) programmes account for a major part of Bangladesh SP programme, accounting for about 22 percent of all expenditure (excluding disaster management). These types of programmes originated from the British India administration to provide income support for the poor in the event of famine type situations. These programmes have played important social safety net roles in the past by providing cash or food grains to the poor unskilled manual labourers in exchange for working at rural basic infrastructure projects.

There were about 28 employment generation programmes of various types in operation in FY 2013 and the total amount spent was Tk. 43.3 billion. Food for works programme, with spending of Tk. 14.9 billion, was the largest programme under this category. Employment generation for the Ultra Poor was the second most important programme with Tk. 12 billion in spending. The other major programmes with allocations of Tk. 1 billion or more include Social Development Foundation (Tk. 2.9 billon), Rural Development and Road Maintenance Programme (Tk. 2.6 billion) Asrayan Project (Tk. 1.2 billion), and Economic Empowerment of the Poor (Tk. 1.1 billion). Altogether, 9.9 million persons benefitted through temporary jobs, of various durations, created under these programmes in FY 2013. Most of these programmes are very similar in nature, except for a few micro-credit supported programmes, and can be merged into one major programme with greater focus on targeting interventions in areas where employment situation is really poor during slack seasons.

Table 4.14: Income Support/Employment Generation Social Protection Programmes

	Programme	Budget in Millions	Beneficiary (00,000 People)
1	Food for Work	14927.1	16.7
2	Employment Generation Program for the Poorest	12000	0.42
3	One Household One Farm	5380	9.67
4	Social Development Foundation	2887	-
5	Rural Employment and Road Maintenance Programme	2574.6	1.33
6	Ashrayan-2 Project	1201	0.11
7	Economic Empowerment of the Poor (EEP)	1104.5	40.1
8	Others	3228.9	31.24
	Total	**43303.1**	**99.57**

Source: Ministry of Disaster Management; Local Government Division; Ministry of Women and Children Affairs; Ministry of Social Welfare; and Ministry of Finance

Recent labour market developments however indicate that job creation in non-farm sectors, both formal and informal, have gained momentum and there are signs of tightening of labour supply in rural areas. Except for some regional pockets, in most areas there is significant shortage of workers during the peak agricultural season and otherwise. The job market is likely to get even tighter in the coming years if the growth momentum is sustained. Already the wages received by workers generally exceed the wage rates offered by the employment generation schemes in most areas. Against this backdrop, there is need for making an objective assessment of continuing with these types of old-fashioned employment generation schemes at a broader level throughout Bangladesh. Traditional rural road or infrastructure maintenance schemes should not be mixed with SP schemes. Rural roads and infrastructure maintenance should be done on a regular basis as part of public sector maintenance programme of the local or central government. These programmes should be done through contractors who will be hiring labour at market determined wage rates for maintaining rural infrastructure. These genuine public sector maintenance and work programmes should not be mixed up as SP programme. Furthermore, when market wages are reasonably high and market conditions are relatively tight, the case for employment generation schemes for social protection purpose loses its relevance.

Based on these considerations, for the purpose of estimating costs associated with employment generation programmes, it is proposed to maintain the overall size unchanged in real terms (allowing for inflation adjustment only) for the next 5 years and thereafter making it fixed in nominal terms for another 5 years. As public sector employment generation programmes for SP purpose would surely lose their relevance over time, this type of programmes could be phased out over a 10-year period and replaced by a formal unemployment insurance scheme for formal sector workers.

Disaster Management Programmes:

There are 10 programmes administered by the Disaster Management Ministry which also have social protection and poverty alleviation characters. Disaster management programmes in Bangladesh have evolved over time as mitigating strategies for alleviating the sufferings and property destructions caused by natural disasters like flood and cyclone. However, instead being of temporary nature and for providing temporary income, shelter or nutrition support for the poor and vulnerable impacted by natural disasters, these programmes have become almost permanent in nature. Even during years when no major flood or cyclone impacted Bangladesh disaster management operations continued uninterrupted and expanded with additional budgetary support. In many respect, these programmes have become quasi-permanent social protection or income generation programmes.

The two main disaster management programmes are Test Relief (TR) and Vulnerable Group Feeding (VGF) programme, which together account for more than 80 percent of the disaster management budget. The objective of the TR programme is to develop rural infrastructure so as to reduce the damage caused by natural disasters and to improve disaster-preparedness. It also aims to accelerate the process of adaptation to ecological and lifestyle caused by climate change. In developing the infrastructure TR programmes also helps reduce poverty and provide food support for the impacted communities by creating employment in the immediate aftermath of disasters. Total number of beneficiaries under the programme was estimated to be 1.3 million in FY 2013 and the amount spent on TR activities was Tk. 12.6 billion.

Table 4.15: Disaster Management Social Protection Programmes

	Programme	Budget in Millions	Beneficiaries (00,000 People)
1	Test Relief (TR) Food	12602.5	13
2	Vulnerable Group Feeding	12007.8	85
3	Gratuitous Relief (GR) Food	2596.3	80
4	Block Allocation for Disaster Management	1000	-
5	Others	2066.2	30.06
	Total	**30272.8**	**208.06**

Source: Ministry of Disaster Management and Relief

VGF programme is designed to provide food support for one or more months to a selected number of households during the distress period. Under the VGF programme 8.5 million destitute women have received food support in FY 2013 for a limited period and Tk. 12 billion was allocated for this purpose. All other programmes (such as TR, Gratuitous Relief, Agriculture Rehabilitation, Comprehensive Disaster Management Programme, and Rehabilitation of Cyclone Aila Affected Areas) under the Disaster Management Programme may be considered as temporary intervention programmes following natural disasters and should continue to be administered by the Ministry of Disaster Management& Relief.

There is however scope for improving the focus and faster response to disasters and making a conscious effort to design and include a comprehensive **Urban Disasters Management Programme** as part of the national disaster management programme. The recent Rana Plaza

Collapse has highlighted the weaknesses in Bangladesh's disaster preparedness in tackling industrial accidents or urban rescue operations. Many urban slums are burned down by fire in major cities creating hardships and financial disasters for the affected families. Until now disaster management in Bangladesh is almost entirely rural focused primarily aimed at tackling flood and cyclones. With rapid urbanization, industrial and high-rise building fire and earth quake type disaster preparedness and rehabilitation programmes should deserve urgent attention. For the purpose of budgetary projection, we assume that these programmes will cost about the same in relation to GDP over time entailing significant increase over the years to accommodate restructuring of the programme with much more urban focus and coverage and modernization of rescue and recovery system.

Consolidated Social Protection Expenditure Comparative Static Scenario:

Table 4.16: Social Protection Budget for Core Programmes calculations for Fiscal Year 2013

Consolidated Table of All Lifecycle-Based Social Protection Programmes

	Current Beneficiaries in Millions	Eligible Population Using Near Poor in Millions	Current Benefits Per Capita/Per Annum	If Benefits are Doubled/Per Capita Per Annum	Current Level in Millions	Budget If All Eligible Population is Covered BDT in Millions	Budget with Full Coverage and Double Benefits
All Restructured Core SP Programmes							
Infant Health and Nutrition Programmes	0.571	8.32			7918.84	53032	98984
Child Development Programmes	12.398	22.6			19210.1	44440	88880
Enhancing Access of Vulnerable Women to the Labour Market Programmes*(a)	4.063	9.911			25099.9	37443.2	74886.4
Disability Programme	0.4	0.89			1212.6	3204	6408
Old Age Pension System	3.107	6.607			71074	83764	105364
Total Budget of Restructured 5 Core SP Programmes	20.5	48.3			124012.9	203133.2	349522.4
Open Market Sales BDT in millions	22.0	22.0			17580	17580	17580
Income Generation/Employment Support Programme BDT in millions*(b)	11	11			52279.9	43532.3	43532.3
Disaster Management	23.6	23.6			30473	30473	30473
Total SP Budget	77.1	104.9			224345.8	294718.5	441107.7

Source: Ministry of Disaster Management; Local Government Division; Ministry of Women and Children Affairs; Ministry of Social Welfare; and Ministry of Finance

Outlook for Fiscal Space and Financing of Social Protection Programmes Over the Medium and Long Term

Revenue Generation will be the Main Driver of Fiscal Space. Bangladesh's size of the public sector and fiscal space is currently severely constrained by its very low tax/GDP ratio. After a long period of relatively low government spending in terms of expenditure/GDP ratio, constrained by the very low tax/GDP ratio, the government has been reasonably successful in increasing the size of the government in relation to GDP in recent years primarily because of gains on the tax revenue front. Supported by strong performance by the National Board of Revenue (NBR) in terms of collection of VAT and direct taxes, the tax/GDP ratio increased from 9 percent of GDP in FY 2009 to 11.3 percent of GDP in FY 2013. This increase in tax/GDP ratio allowed the government to increase overall fiscal spending by 2.9 percentage points over the corresponding period to 18.2 percent of GDP in FY 2013.

As indicated in Table 4.5, Bangladesh currently enjoys very high tax buoyancies in domestic VAT and direct taxes. The positive tax collection outturn is a manifestation of the high level of buoyancies in the areas of domestic VAT and direct taxes.

If these high buoyancies are sustained over the medium term, the tax/GDP ratio may be increased by 0.5 percentage point per year over the medium term (as envisaged in the Sixth Five Year Plan and Perspective Plan) generating significant fiscal space for higher government spending, including higher allocations for SP programmes. Sustaining the high tax buoyancy over the medium term would however depend on successful implementation of reforms in both tax policy and tax administration, which are currently underway in the context of the NBR Modernization Plan. [5]

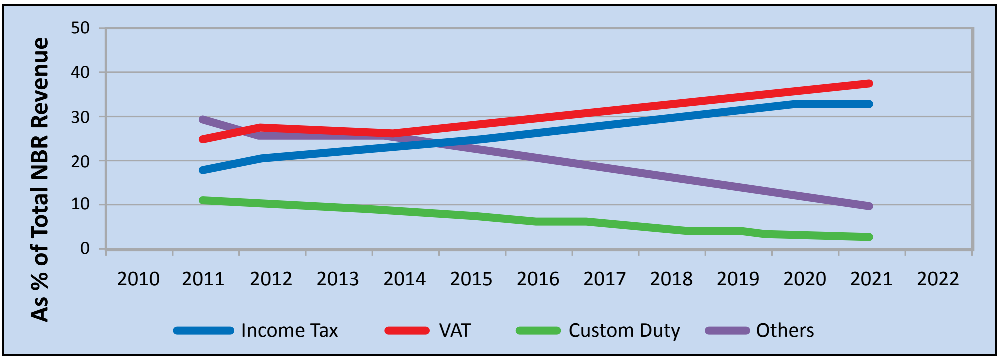
A review of the tax system in Bangladesh by Mansur and Younus (2012)[6], clearly indicates that VAT and direct tax systems will be key drivers of revenue growth in Bangladesh. The dependence on trade based taxes in the form of customs duty has been declining steadily in recent decades and the trend will continue over the medium term. As the VAT and direct tax systems would be the major drivers of revenue growth in Bangladesh, the Modernization Plan of the NBR rightly focuses on modernization of tax administration and tax laws in these two areas. A new VAT Law has already been enacted by Parliament in December 2012 and administrative arrangements are being put in place to implement the new VAT law effective July 2015. Drafting of a new Direct Tax Law is underway along with modernization of its administration. In all three major areas of taxation (direct tax, VAT and customs duly) the focus is on efficiency gains through computerization and business process reviews to support automation and modernization of tax administration.

The task will certainly be challenging. Increasing tax/GDP ratio by 0.5 percentage point per year over the medium term, in an environment when the share of customs duty would continue to decline in line with recent trend and international experience, would entail VAT and direct tax revenues increasing by 21.2 percent percent and 20.2 percent per year, respectively, on average. The fact that similar levels of growth rates have been observed in recent years in both domestic VAT and direct taxes, provide some assurance that such high growth rates may be achieved in future if the reforms and modernization tax administration are sustained.

5 National Board of Revenue Modernization Plan (2011-2016) http://www.nbr-bd.org/tender/NBR_Modernisation_Plan_Final_draft.pdf

6 http://www.theigc.org/sites/default/files/Evaluation%20of%20BD%20Tax%20System_A%20Mansur.pdf

Figure 4.10: Main Components of NBR Revenue Projection



Source: National Board of Revenue (NBR)

Baseline Scenario Assumptions and Fiscal Space over the Medium to Long Term: If tax efforts are successful, sizable additional fiscal space will be created over the medium term. By 2021, the revenue/GDP ratio may increase by 4 percentage points to 17.5 percent, potentially creating the scope for an equivalent increase in government spending (Table 4.17). The real GDP growth rates assumed for the purpose of GDP projection in the baseline scenario has been made broadly consistent with the ones assumed in the Government's Perspective Plan. Accordingly, the real GDP growth rate is projected to increase steadily to 10 percent by 2021 and thereafter decelerate somewhat to 8.5 percent by FY 2026 and further to 8 percent by FY 2030. Under this baseline scenario Government revenue as percent of GDP will increase to 17.5 percent of GDP by FY 2021 and further to 20 percent by FY 2026. On the realistic assumption that the fiscal deficit will be limited to 4.5 percent of GDP (including grants), which has been the case in recent years, total expenditure in relation to GDP will increase to 22 percent in FY 2021 and further to 26.5 percent by FY 2030.

Table 4.17: Baseline Scenario—Revenue and Expenditure Projections

	Actual			Projection			
	2005	2010	2013	2018	2021	2026	2030
GDP	6.0	6.1	6.0	8.5	10.0	8.5	8.0
Inflation (Percent)	6.5	7.3	7.5	5.6	5.2	5	5
Nominal GDP Growth	12.4	13.4	13.5	14.1	15.2	13.5	13.0
Nominal GDP BDT in Billions	3707.1	6943.0	10380	19741.3	29867.3	57757.6	94798.5
Revenue as Percent of GDP	10.4	10.9	13.5	16	17.5	20	22
Revenue BDT in Billions	386.3	757.3	1396.7	3158.6	5226.8	11551.5	20855.7
Expenditure as Percent of GDP	15.0	14.6	18.2	20.5	22	24.5	26.5
Expenditure BDT in Billions	556.3	1014	1893.26	4047	6571	14151	25122

Source: Ministry of Finance

For the purpose of this analysis, **Fiscal Space is defined to be the increase in resources available within the budget constraint or total expenditure limit after meeting the present level of total expenditure in real terms.** This is a quite conservative definition, which allows for protecting the level of total expenditures being incurred in the base year (FY 2014) in constant/real terms; i.e., allowing for inflation adjustment over time. The difference between projected total expenditure and the projected constant price base-year expenditure is defined to be the additional fiscal resources available for new discretionary spending, including on SP programmes. For the purpose of presentation and given the political imperatives for spending more on SP programmes, it is also assumed that in the initial years 25 percent of the additional fiscal space will be allocated to finance the restructured SP programme. In the later years, when the primary objectives of the restructured SP strategy are broadly achieved and the overall SP spending (including Disaster Management) reaches 3.5 percent of GDP, the percentage of fiscal space allocated to SP programmes may be reduced over time. In the period between FY 2026-2030, the proportion of fiscal space allocated to SP programmes will decline steadily to 15 percent by FY 2030.

If 25 percent of the additional fiscal resource is allocated for SP programmes in the beginning years, the resource base available for implementing the reformed SP strategy will be sizable and would reach the level generally considered appropriate for a developing country like Bangladesh. If Bangladesh could allocate 3 percent of GDP to core social protection programmes or 3.5 percent of GDP including expenditure on Disaster Management Programmes, the available resources should over the medium term cover all eligible poor and near poor through all stages of life cycle and also provide for increased benefit levels for all beneficiaries. The SP strategy will also allow protection of Disaster Management related spending in relation to GDP over the long term, and for employment generation and open market operations in real terms for the next 5 years and phasing them out over the next 5 years as these programmes will lose their relevance.

Table 4.18: Fiscal Space Projection—Baseline Scenarios, FY 2014-2030

	Projection					
As Percent of GDP	**2014**	**2016**	**2020**	**2021**	**2026**	**2030**
Nominal GDP	11781.3	15177.0	25926.5	29867.3	57757.6	94798.5
Revenue in Current Prices	14.00	15.00	17.00	17.50	20.00	22.00
Total Expenditure at Current Prices: (a)	18.50	19.50	21.50	22.00	24.50	26.50
Total Expenditure at Constant Prices: (b)	18.50	16.21	11.79	10.77	7.11	5.26
SP Budget at Constant FY 2014 Prices	1.85	1.64	1.20	1.10	0.72	0.54
Total Additional Fiscal Space (a-b)	0.00	3.29	9.71	11.23	17.39	21.24
Total Fiscal Space for SP	0.00	0.82	2.43	2.58	2.96	3.19
SP Budget w/Fiscal Space	1.85	2.46	3.63	3.68	3.68	3.72

Source: Ministry of Finance

Estimates of additional fiscal space created over time would increase to 9.7 percent of GDP by FY 2020, and further to 21 percent of GDP by FY 2030. In the initial years up to FY 2020, it is assumed that 25 percent of the total fiscal space will be utilized for SP programmes in order to accelerate achieving the target of full coverage (for both poor and non-poor), and thereafter the proportion of additional fiscal space allocated to SP programmes is assumed to decline steadily to 15 percent by FY 2030. The purpose of reducing the proportion of fiscal space allocated for SP programmes is to stabilize total SP spending at 3.5-3.7 percent of GDP in the long run.

Certainly the baseline scenario, consistent with the Perspective Plan objectives, is ambitious and there are significant downside risks, particularly with regard to the ambitious real GDP growth target of 10 percent by 2021.Accordingly, a more modest alternate scenario has also been prepared on the assumption that real GDP growth would remain stable broadly in the range of 6-7 percent per annum, as it has been in recent years. The purpose of this alternate (lower case) scenario is to determine how sensitive is the developments in fiscal space to changes in economic growth.

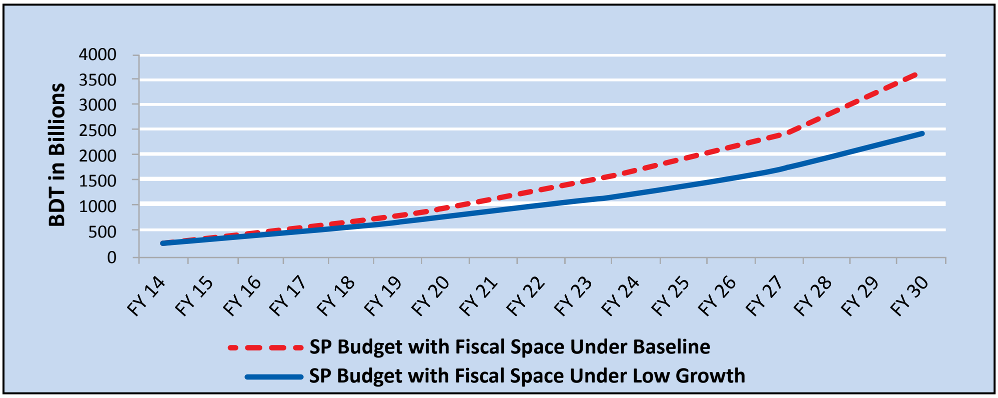
Table 4.19: Fiscal Space Projection—Lower Growth Scenario, FY 2014-2030

	Projection				
As Percent of GDP	**2014**	**2017**	**2021**	**2026**	**2030**
Nominal GDP	11733	16626	25927	44993	70635
Revenue in Current Prices	14	15.13	16.63	18.5	20
Total Expenditure at Current Prices: (a)	18.50	19.63	21.13	23.00	24.50
Total Expenditure at Constant Prices: (b)	17.35	18.18	19.57	21.25	22.61
SP Budget as of Total Real Expenditure	2.15	1.82	1.44	1.06	0.82
Total New Fiscal Space (a-b)	0.00	4.00	8.77	13.92	17.47
Total New Fiscal Space for SP	0.00	1.00	2.02	2.37	2.62
SP Budget w/New Fiscal space	2.15	2.82	3.45	3.42	3.44

Source: Ministry of Finance

While the two scenarios for fiscal space may not appear too different in terms of GDP, over time the resource availability under the baseline scenario for SP purpose would be significantly higher than that under the alternate scenario. By FY 2021, total fiscal resources (including additional fiscal space) under the baseline scenario for SP programmes would be at Tk. 1.3 trillion, significantly higher than the alternate scenario.

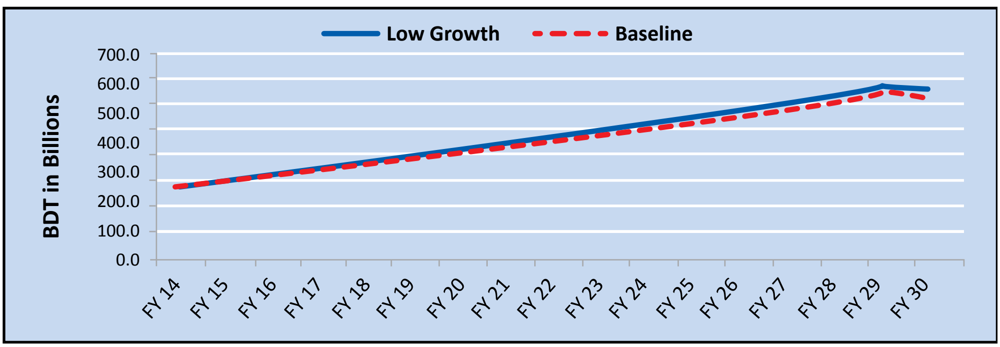
Figure 4.11: Social Protection Budget with Fiscal Space



Source: Ministry of Finance

It is worth noting that the required SP budgets under both benefits scenarios (constant in real terms and double benefits in real terms) would be significantly below the projected SP budgetary resources under both baseline and alternate (high and low case, respectively) scenarios. As seen from the two charts below (Figures 4.12 and 4.13), at the unchanged real benefits level total SP spending would increase to only Tk. 400 billion by FY 2021 compared with between Tk. 550-600 billion which will be required under the double benefits scenario (for core 5 programmes only) by FY 2021.

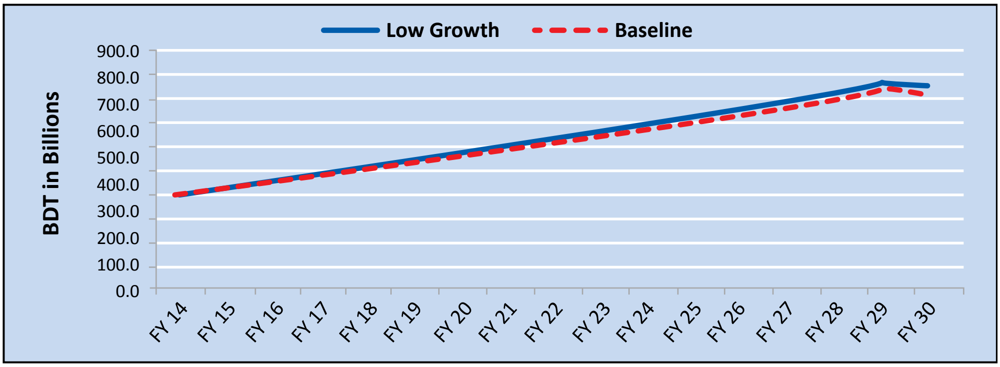
Figure 4.12: Social Protection Budget at Current Real Benefit Level and Broader Coverage



Source: Ministry of Finance

At the same time, the fiscal space for SP budget would increase to Tk. 1 trillion by FY 2021 under the alternate (low growth) scenario to Tk. 1.2 trillion under the baseline scenario. In both scenarios, the resource availability would significantly exceed the resources required for doubling of real benefits for the core 5 SP programmes.

Figure 4.13: Social Protection Budget at Double Real Benefit Level and Broader Coverage



Source: Ministry of Finance

Impact of Demographic Trend on Social Spending over the Long Term: Demographic changes and economic growth will significantly impact the relative size of eligible beneficiaries under various SP programmes. Over the medium to long term, the number of old age persons will increase significantly relative to the overall population and at the same time the number of mothers with infants and school-going children will decline in relative term.

If the current retirement age of 60 is maintained throughout the projection period, the number of retirement age persons will increase from 10 million in FY 2013 to 21.6 million by FY 2030. Like most other countries as life expectancy will increase contributing to a bulge in elderly population relative to the working age people. The retirement age has to be increased. Accordingly, Bangladesh Government should also consider increasing the retirement age to 65 years from the current level of 60 years. There is also no need for discriminating between the male and female in terms of retirement age. If the retirement is increased to 65, the number of persons at or above that age would increase to 13.6 million by FY 2030, but well below the number if the retirement age is 60 years and making the funding of the public funded pension plan for the poor and near poor affordable.

Table 4.20: Old Age Pension System—Demographic Developments

	Actual		Projection				
Person in Millions	**FY13**	**FY14B**	**FY15**	**FY16**	**FY21**	**FY25**	**FY30**
Number of Govt. Pension Recipients	0.40	0.48	0.55	0.57	0.76		
Population in Millions	153.6	155.6	158.3	160.4	169.2	175.5	182
Population at 65 yrs. Retirement Age	7.03	7.22	7.44	7.60	8.56	10.00	13.65
Population at 60 yrs. Retirement Age In Near Poor Group	5.97	10.61	10.92	11.35	13.77	16.67	21.65
Population at 65 yrs. Retirement Age in Near Poor Group	4.06	3.98	3.90	3.77	3.19	2.97	3.14
90 Years and Above in Near Poor Group	0.009	0.009	0.008	0.008	0.006	0.005	0.004

Source: Ministry of Social Welfare; and Ministry of Finance

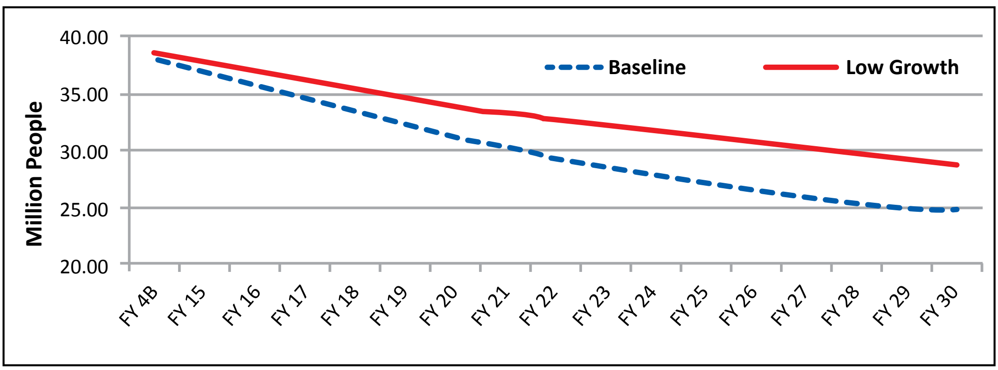
The number of eligible school going poor and near poor primary school children will however decline very rapidly from 12.4 million to less than 3 million by FY 2030. A similar but less steep decline is projected for poor and near poor secondary school children. This sharp decline will happen because of growth dynamics and demographic transition with further decline in the fertility rate. This outlook for school children essentially implies that spending for Child Development programmes will decline in relative terms quite significantly and rather rapidly over the long term.

Table 4.21: Primary and Secondary School Age Population Projection (Persons in Million)

	2013	2015	2021	2026	2027	2028	2029	2030
Child Development	**Population Projection**							
Primary School	21.3	20.8	19.9	19.4	19.2	18.9	18.7	18.5
Secondary School	15.9	15.7	14.8	14.2	14.1	14.0	13.9	13.8
Eligible Population Under Baseline								
Primary School	12.3	10.9	7.4	5.5	5.1	4.8	4.5	4.3
Secondary School	5.5	5.8	5.5	4.0	3.8	3.6	3.4	3.2
Eligible Population Under Low Growth								
Primary School	12.3	11.1	8.4	6.7	6.4	6.0	5.7	5.4
Secondary School	5.5	5.9	6.3	4.9	4.7	4.5	4.2	4.0

Source: Ministry of Primary and Mass Education; and Ministry of Finance

Figure 4.14: Total Beneficiaries Under Core Social Protection Programmes



Source: Ministry of Finance

Can Bangladesh Finance the Major Programmes Have Proposed in the Social Protection Strategy with Much Larger Coverage and Higher Benefits?

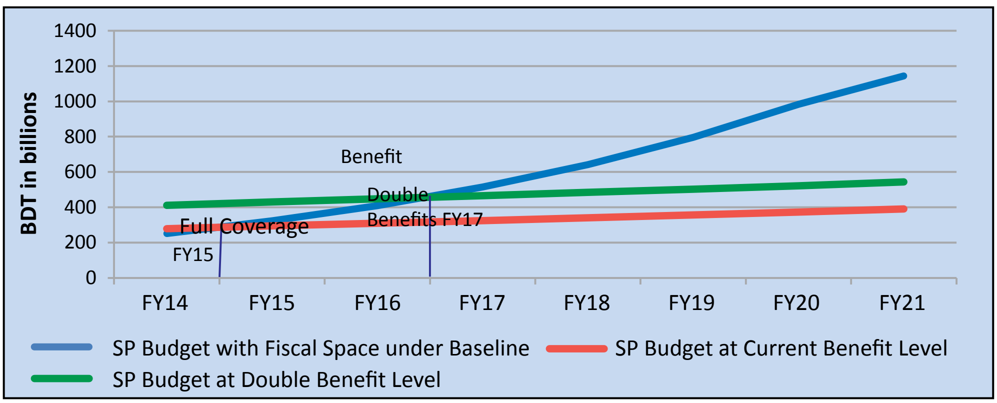
The background papers prepared on different important aspects of SP strategy indicate the need for significantly consolidating the numerous programmes currently in operation into several major core SP programmes covering the full life cycle and increasing both the benefits and the coverage of the core SP programmes. There is also need for increasing the benefits to meaningful levels of support and indexing the amount of benefits to inflation so as to maintain their real values over time. In the area of coverage, efforts will be made to cover all poor and near poor families over time since near poor families are most vulnerable to become poor and often slip below the poverty line with minimal shocks to their income levels.

Discussions based on comparative static analysis using FY 2013 resource allocation for SP in indicate that, increasing the coverage to include the near poor without changing the benefit level would require 2.36 percent of GDP in FY 2014, compared with 1.85 percent of GDP allocated in the FY 2014 budget. Full coverage of poor and near poor combined with doubling of benefits would be even more impossible since that would require 4.14 percent of FY 2014 GDP, compared with much less than half that amount provided in the FY 2014 budget.

Thus, the dual objective of a much broader/comprehensive coverage along with doubling of benefits under all restructured programmes would not be possible immediately. At the same time, as shown in the section on outlook for fiscal space available for SP programmes after including the additional fiscal space created over time coupled with a sustained reduction in poverty through growth dynamics would create scope for increasing coverage and benefits significantly over time. The envisaged broadening of the programme and increasing of benefits would accordingly need to be expanded in phases as more fiscal resources become available.

To ensure equity, we would propose that at the first phase consideration should be given to broaden the coverage to include all poor and near poor persons/families and preventing an erosion of the benefit level in real terms. Once the targeted full coverage with constant real benefit levels is achieved, in the second phase the growing fiscal space could be used to increase the benefit levels under the 5 major lifecycle programmes over time.

Figure 4.15: Baseline Scenario

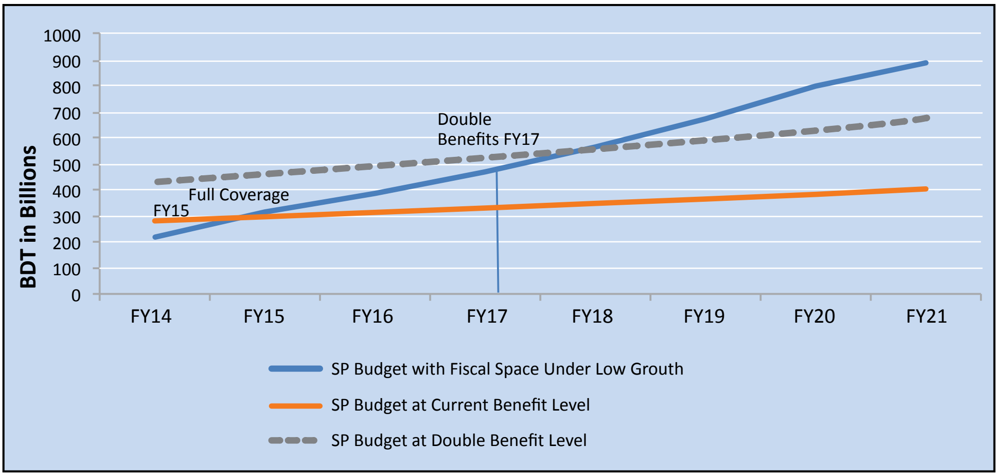


Source: Ministry of Finance

Based on the baseline simulations, in the first phase, all eligible poor and near poor beneficiaries may be covered under the core lifecycle programmes by FY 2015 with the current benefit levels unchanged in real terms (i.e., increasing only with inflation). **In the second phase,** the benefit levels of all eligible individuals can be increased in real terms and it is estimated that the benefit levels could be doubled in real terms by FY 2017. **In the third phase,** the objective would be to increase the benefit levels of all elderly persons receiving pensions, all destitute and handicapped persons and Freedom Fighter to bring their income/ support level equivalent to the upper poverty line. In constant FY 2010 prices this would entail increasing the benefit levels from Tk. 3600 to Tk. 12,000 per annum or 3.33 times in real terms. Based on fiscal projections and outlook for poverty reduction, such an increase would be possible after another 2-3 years.

It is interesting to observe that the fiscal affordability scenarios are pretty robust and not that much sensitive to the high growth scenario envisaged under the baseline projection. Even under the alternate (low growth) scenario, the targeted full coverage with unchanged benefits would be attainable after one year in FY 2015. Bangladesh should also be able to double the benefit levels in real terms with the targeted coverage within a three-year period after that (by FY 2018). The difference between the base line and the alternate low growth scenarios is that the time line for the doubling of benefits in real terms would be delayed by one year to FY 2018. This finding is remarkable in terms of robustness of the conclusion that Bangladesh should be able to afford the SP strategy outlined in this paper within a reasonable time frame.

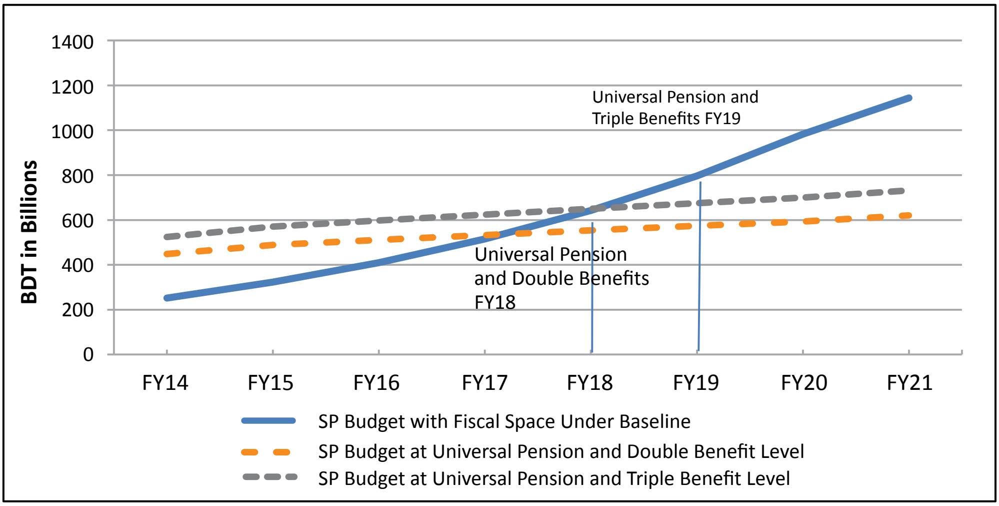
Figure 4.16: Low Growth Scenario



Source: Ministry of Finance

It is also interesting to note that even after doubling of benefits under both scenarios, there will be significant and growing additional fiscal space which would be available for further broadening and strengthening of SP programmes. This additional resource availability would enable the government to further broaden and deepen the SP programmes in terms of coverage and benefit levels. For illustrative purpose it may be observed that under the baseline scenario, double real benefits and universal pension coverage for 65-year old citizens may be achieved by FY 2018. Tripling of real benefits and universal coverage may also be achieved after one year in FY 2019 under the same baseline scenario.

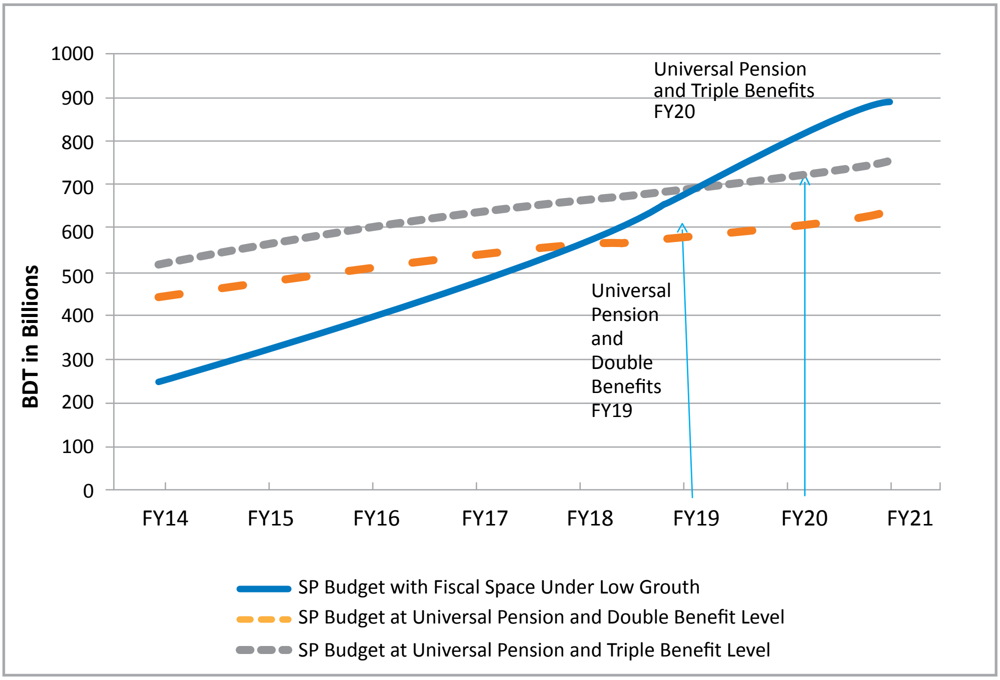
Figure 4.17: Baseline Scenario—Under Universal Pension and Double Benefits and Universal Pension & Triple Benefits



Source: Ministry of Finance

The projected outlook is quite robust in the sense that even under the alternate low growth scenario all these objectives are achievable by FY 2020. There are, of course, some down side risks to the outlooks presented under the two scenarios. The major one is related to the assumption that the NBR reform efforts would be successful in increasing the tax/GDP ratio by 0.5 percentage point per annum over the projection period. This is the key driver to the increased fiscal space under both scenarios. The second important driver of fiscal space is real GDP growth rates assumed under the two scenarios. Certainly, the alternate low growth scenario (assuming 6-7 percent growth rate) is more realistic and consistent with the growth rates already experienced by Bangladesh in recent years. It is still quite high growth and will require continued macroeconomic stability, sustained structural reforms and a stronger push for alleviating infrastructural constraints.

Figure 4.18: Low Growth Scenario- Under Universal Pension and Double Benefits and Universal Pension & Triple Benefits



Source: Ministry of Finance

Poverty Impact of the Proposed SPP Restructuring

The suggested restructuring of current SP programmes will only be meaningful if the introduction of these new programmes helps achieve better results in terms of impact on reduction of poverty and poverty gap. Actual results can only be determined after these programmes are in place and household surveys show their results. Ex-ante, on an experimental basis, it is possible to get some insight from running simulation exercises based on the latest available HIES data. The results should be viewed with caution in the sense that these are indicative and not supposed to be 100 percent accurate as simulations are rarely able to fully replicate real life outcomes.

In doing the simulations, it is important to clarify the underlying assumptions. The first point to note is the incorporation of exclusion errors due to use of PMT to identify the poor. As noted throughout the analysis, the NSPS defines the target beneficiaries as the poor and near poor who roughly amount to 60 percent of the households. The inverse relationship between exclusion errors owing to the use of PMT to identify the poor and the programme coverage in terms of the percent of households included in the programme was noted earlier. This result using HIES 2010 data is shown in Figure 4.9. The use of 60 percent cut-off yields a fairly reassuring outcome from deploying the PMT to identify the poor. As Figure 4.9 shows, the exclusion error is at18 percent, which is substantially lower than the 35 percent exclusion when programme benefits are targeted only to the poor. This exclusion error is built into the simulation exercise.

Secondly, all benefits of the civil service pension are assumed to accrue to the non-poor, as is likely the case. So, the five redefined programmes that benefit the poor are: the old age allowance; the child allowance; the school stipend programme; the disability allowance; and the women's VGD programme.

Thirdly, all programme benefits are converted to 2010 prices to ensure comparability with the 2010 programme benefits reported in the HIES.

Using these assumptions, the simulation results are reported in Table 4.22. The results are comforting in that they do suggest that the restructured programmes if implemented are likely to result in significantly better poverty outcomes when compared with the present programmes. Even with unchanged real benefits, the poverty level will decline to 27.2 percent and the poverty gap will decline to 5.1 percent. The results will certainly be much better if we allow for doubling of benefits in real terms. This simulated outcome is not at all surprising. The more positive results happen because a substantially larger number of poor households are benefitting from a better defined SPS.

Table 4.22: Poverty Impact of the Redefined Lifecycle Programmes

Core Programmes	Target Group Description	Pop Poverty Level (%)	Pop Poverty Gap (%)	Current Amount Given (Taka)
Under current SP Programme	ALL	31.46	6.5	
Under no SP Programme	ALL	32.95	7.4	
Pension System for the Elderly-Citizen's Pension	Aged: 65 plus; Pop: Under the Near poor line	31.9	7.1	300
Disability-Child Dependency Benefit	Aged: 0 to 18; Pop: ALL who apply	32.65	7.4	300
Disability Benefit	Aged: 19 to 64; Pop: ALL who apply	32.59	7.4	300
Child Benefit	Aged: 0 to 4; Pop: Under the Near poor line	30.67	6.6	300
Programme for School Age Children	Aged: 5 to 18; Pop: Under the Near poor line	30.52	6.6	120
Programme for Women*	Aged: 19 to 64; Pop: Women under the Near poor line	32.95	7	300
All above Programmes Together		27.23	5.1	
*The VGD Programme is only given to women under the working age who are eligible to receive the benefit over a period of 3-years which is the duration of the whole programme and is therefore given in 3 instalments to mutually exclusive groups who are ideally identified as the poorest.				

Source: Ministry of Finance

Short to Medium-Term Phasing Issues and Long-Term Transformations in Social Protection Programmes and Financing

Current social protection system in Bangladesh is both ad-hoc and not right based. Social protection for the poor, elderly people, and physically and mentally challenged persons are primarily based on family support and charity. The level of support provided by the government is limited both in terms of coverage and benefit levels. As a developing country with very limited tax base and a vast segment of the population being poor and vulnerable, government's capacity to provide comprehensive coverage and providing adequate level of support for those covered is rather limited. Given the limited resource availability for social protection and vast need for such resources, the first priority would be to use the available resources in the best possible manner to obtain the best possible positive impact on reducing the poverty level and poverty gap. As demonstrated above, this calls for better targeting through establishment of a centralized database, developing a comprehensive benefit payments system which will be based on direct transfers to the household's/person's bank/mobile banking accounts, and consolidation of numerous small programmes into several large programmes with central management.

The non-poor households, other than those covered under the government and military pension plans, are primarily self-insured through asset accumulation (financial and non-financial), life insurance products, provident funds for some formal sector employees, and traditional family support. However, in the absence of proper and reliable support through formal programmes, the vast majority of the middle and upper income groups primarily rely on asset accumulation in the form of real estate or savings deposits to ensure steady income stream during the old age. The poor and near poor families cannot afford insurance products, and in the absence of adequate coverage and due to inadequate benefit levels under publicly financed SP programmes, fall back on traditional family support or begging. The traditional family support system is also weakening over time with the breaking up of nucleus family structure due to urbanization and the irreversible trend of finding jobs away in the non-farm sectors. This is a universal phenomenon and Bangladesh should not expect to defy this inevitable outcome.

As Bangladesh economy grows, the structure of the economy transforms, and the formal sector of the economy gets bigger in relative terms (both in terms of size and employment), both the government social protection programmes and private sector protection programmes for households would need fundamental structural transformations. As regards Government programmes, in addition to making them right based in many instances, some of the programmes should become universal in coverage with minimal means testing, if any. Transformations of this type will certainly need to be phased in over time subject to availability of fiscal space within the overall fiscal strategy outlined in the earlier section.

Demographic developments would also dictate the relative importance/size of the publicly funded SP programmes. Experience of industrial countries indicates that, with the aging of population over time, Bangladesh would also face an increasing financial burden for its pension programme. Demographic projections indicate that, the share of elderly persons to the working age population will increase from 7.7 persons per one hundred workers in FY 2010 to 13 persons per 100 workers in FY 2030, and thereafter to 28.4 persons per 100 workers by FY 2050. In order to ease the burden of aging population on the working age population, Bangladesh would need to develop a comprehensive strategy for providing financial support for the elderly population through developing a comprehensive Fully Funded Pension Plans for all workers in the formal sector: public, private or self-employed. A major shift that any growing and prospering society would need to consider is establishment of a national contributory pension system over the long term. This contributory pension system will be complementary to the publicly funded social protection system for the poor and will cater to the future protection of formal sector employees outside the public sector or may even include the public sector employees. The experience of Chile is worth reviewing in this respect (Box 4.1). The publicly funded part of the pension system should be limited only to the poor and near poor, based on means testing, until the Government is willing and capable of financing universal coverage for all elderly under the public funded pension system.

At the same time, the relative burden for financing of health and nutrition support for mothers and infants would decline with the projected decline in fertility rate. However, these gains on the health care side will be more than offset by the health care burden of the elderly poor and near poor people. There will also be the need for putting in place some form of Health Insurance for the elderly poor and near poor who would not be able to take care of their growing healthcare expenses. Consideration should also be given to phasing in a Publicly Funded Health Insurance Plan for the Poor.

The relative size and importance of employment generation programmes will also decline along with the nature/character of those employment generation programmes. With the expected tightening of the labour market, if the envisaged growth momentum and employment generation targets are realized, the traditional employment generation programmes like food for work or test relief etc. will lose their relevance. At the same time, the need for training and retraining of unemployed workers and unemployment insurance benefit for the temporarily unemployed workers will continue to be more important and relevant elements of the SP strategy in future.

Box 4.1: Chile's Social Security System

Background

Chile has a long tradition of compulsory pension system, which was established by the Chilean Congress in 1924. In May 1981 a new privatized system of individual accounts (Sistema de Capitalización Individual) was established and the old system (Social Insurance Schemes) was closed to new entrants with a view to be gradually phased out. Special systems for key groups such as the armed forces and national police were however retained. The Sistema de Capitalización Individual currently covers the majority of workers in Chile. The remainders are covered (under grand fathering provision) by the Social Insurance Schemes or by special systems for key groups such as the armed forces and national police.

A top-up (old-age and disability) benefit called Aporte Previsional Solidario (APS) is paid to those individuals who have contributed to an individual account and whose self-financed monthly benefit is low (at the time of introduction in 2008 between 50,000 and 150,000 pesos).

Chile's Non-contributory Payments

There is a safety net welfare system in Chile that pays benefits to people in need. For the poor and vulnerable groups there is a non-contributory basic pension known as Pensión Básica Solidaria (PBS). Under this means tested system, old-age and disability benefits are paid to those individuals aged 65 or older who are not eligible for any other pension.

To qualify for assistance under the old-age PBS, a person must be:

* Devoid of resources - the person does not have their own income or have income less than 50 percent of the minimum pensions, and
* An individual must have lived in Chile for at least 20 years, including 4 of the 5 years immediately prior to applying for a benefit.

Administration

The central administration for the Ministry of Labour and Social Security (Ministerio del Trabajo y Previsión Social) is located in Santiago. The Ministry supervises the operation of Chile's social security system through the Superintendencia de Pensiones to guarantee the rights of those applicants covered in the legislation.

Prior to 2008, there were 2 administration agencies:

* The Institute of Social Security Standardisation (Instituto de Normalizacion Previsiónal - INP) administered age, invalid and survivors' pensions under the old schemes (Social Insurance Schemes).

* The Superintendency of Pension Funds Administrator (Superintendencia de Administrados de Fondos de Pensiones - SAFP) was the State's supervisory body within the Chilean pension system of individual accounts - Sistema de Capitalizacion Individual.

As the economy continues to grow, driven by the private sector, the formal private sector will continue to grow in importance and a major part of job creation will happen in the formal private sector. For the first time the Bangladesh, the Labour Force Survey of 2010 showed that non-agricultural sectors have created all the new jobs and agricultural labour force has shrunk. This is the beginning of an irreversible process and it will gain further momentum over time as Bangladesh becomes a middle income country and sustains its growth momentum in the long term. Although informal employment in the non-agricultural sector still dominates the employment situation, formal sector employment will increase rapidly and this segment of the population would also need a public supported SP programme for retirees and those who become unemployed due business related layoffs and structural transformations in the economy.

Formal sector employment in Bangladesh is still low at 12.5 percent of the total employed persons based on 2010 Labour Force Survey. However, this still amounted to almost 6.8 million workers in 2010 and may have easily approached 7.5 million by now. The RMG sector alone employs about 3.5 million workers, other medium and large industries also employ a large number of workers, education (1.3 million workers), financial (0.4 million), and health (0.5 million) sectors are also employing large number of workers. The NGO sector also employs about 0.7 million of workers. In addition to these, numerous other service related sectors also employ hundreds of thousands of workers. As a matter of fact, there is already a sizable pool of formal sector workers who could be brought under some form of government sponsored self-financed national pension plan or social security scheme. The scheme should be contributory and fully funded and allow portability provision to facilitate labour mobility between jobs.

The contributory system could be based on mandatory contributions from both employees and employers (say each party contributing 5 percent of gross salary). The funds accumulated through joint contributions, amounting 10 percent of gross salary, will be invested under approved investment guidelines and workers will receive pension benefits based on the total accumulated investment with returns over the years. There will be no government contribution to the private social security system (SSS) and it should be completely self-funded. Investment guidelines would be designed in a manner that best protects the interests of the participating workers. The pension fund resources cannot be mixed with government budgetary operations. Accidental injury and death benefits should also be covered under the funded social security system to provide full lifecycle protection to the workers and their families.

Self-employed individuals may also join such SSS by paying 10 percent of their gross income. They will also receive the same average rate of return as received by the formal sector workers. However, for self-employed persons, participation may be voluntary and they may use other market based financial solutions like insurance and longer maturity savings schemes to protect them and their families by guarding against accidental disabilities and death. As with the mandatory contributory system, the voluntary participation for the self-employed should not entail any budgetary costs/transfers.

If properly established and managed through professionals with market based criteria, the establishment of a public social security system for the private sector should help increase domestic and national savings rates by forcing most non-poor households to save for their future. Such savings would help reduce financial vulnerability of the future retirees. An important benefit would be enhanced financial intermediation by creating a sizable demand for long-term financial instruments like bonds. This would facilitate infrastructure financing through issuance of long-term infrastructure bonds, which is a major problem in Bangladesh because of lack of demand for such long-term financial instruments in the absence of well-developed institutions like pension funds.

The other major transformation in the SP programme will be related to the nature of employment generation programmes. Bangladesh's labour market has been tightening steadily in recent years and wage rates have been increasing steadily in real terms. Migration of labour from one region to another has also helped increase opportunities for augmenting labour income. In terms of the basic wage good like rice, in the 1970s and 1980s when a worker used to earn 3 kg of rice for one day of manual work, in recent months they earn equivalent to about 10-12 kg of rice for the same work. In some areas at certain peak harvesting times, because of high labour cost and unavailability, certain vegetables and potato are allowed to rot in the field or to be eaten by cows. While these are anecdotal evidence, this trend is likely to intensify over time as industrialization and related service sectors continue to gain momentum. Thus relevance of employment generation programmes in the traditional form of food for work or similar forms will be losing their importance steadily.

At the same time, Bangladesh would need to set up a comprehensive unemployment insurance programme to take care of the temporarily unemployed persons and retraining programmes for redeploying the temporarily unemployed formal sector workers. There should be some contributory system for covering the expenses of the unemployment insurance scheme for the formal sector workers. The contribution mechanism could also be in the form of deductions from the payroll of workers and depositing the sum along with the employer's contribution to the Unemployment Insurance Administration. The government may fund the training and redeployment programmes by diverting resources from the current Employment Generation Programmes, whose relevance will diminish significantly over time due to the ongoing structural transformations of the economy.

Concluding Observations and Key Recommendations/Findings

The data and analysis presented above indicate that Bangladesh has the financial potential to implement a **comprehensive lifecycle based SP programme** with significantly **higher real benefits** and covering a **much larger beneficiary/target group** encompassing all poor and near poor citizens of Bangladesh and all geographical regions (rural, urban and CHT). The key elements of the proposed restructured SP programme will include:

1. Consolidation of all programmes currently in operation, excluding open market sales of food grains, disaster management programmes, and employment generation programmes, into a Core Lifecycle based SP programme with 5 major elements: **Health and Nutrition Support for mothers and infants; Child Development programmes; Enhancing Access of Vulnerable Women to the Labour Market; Disability Payments to All Persons with Severe Disabilities; and a Comprehensive Old Age Pension System.**

2. Important programmes related to disaster management, income or **employment generation** (workfare) programmes, and **open market sales** should continue over the medium term as these would help mitigate collateral risks like flood and cyclone, food price shock creating food insecurity, and creating employment opportunities for the poor and near poor certain areas where at times there is no employment opportunities.

3. Under all programmes the definition of eligible beneficiaries should be broadened to include persons with income levels at or below the 1.5 times the national poverty line. This would essentially mean all poor and near poor families covering more than 60 percent of the population, based on FY 2010 HIES data, would be eligible to receive financial support under all the restructured programmes. This expansion of coverage to include the near poor would almost double the number of potential beneficiaries under the restructured lifecycle based core SP programmes.

Simulations exercises reported earlier in the background paper relating financial affordability indicate that:

1. Increasing the coverage to include near poor under the five core lifecycle SP programmes, even with unchanged benefits, would require additional Tk. 52.47 billion, an increase of 42 percent over what was allocated under those programmes in FY 2013-14 even after including the resources saved from the smaller programmes which will be phased out or merged with the remaining ones.

2. However, with additional fiscal spaces created over time and if the government decides to allocate 25 percent of the additional new fiscal space to finance the restructured SP programme, it would be possible under the baseline scenario, to cover all potential poor and near poor beneficiaries under the lifecycle based programmes by FY 2015, while keeping the benefit level unchanged at FY 2014 level in real terms.

3. Even under the alternative scenario with less optimistic growth outlook (real GDP growth ranging between 6-7 percent per annum), the projected fiscal space with 25 percent allocated to SP programmes would enable Bangladesh to reach the targeted broader coverage of beneficiaries by FY 2015. Benefits would still remain low but increasing only in line with projected domestic inflation.

4. The projected outlook for fiscal space also indicate that the benefit levels under the core lifecycle SP programmes can be doubled in real terms along with the targeted coverage level by FY 2017 under the baseline scenario. However, under the alternative scenario achieving the important dual objectives will be delayed by 1 year to FY 2018. It also appears that under either scenario tripling of real benefits and expanded beneficiary coverage should be attainable well before the end of the Perspective Plan in FY 2021.

The key assumptions and parameters driving the projected reduction in the poverty rate and the availability of fiscal space in the simulation exercises presented in this paper are:

1. The projected decline in the national poverty rate with the projected real GDP growth is based on the elasticity assumption of 0.7 in the initial years (up to FY 2021) and thereafter the poverty elasticity with respect to real GDP growth declining to 0.6. The elasticity of 0.7 is essentially based on what was actually recorded in Bangladesh during FY 2006-FY 2010.

2. Macroeconomic assumptions like real GDP growth and inflation in the baseline scenario are primarily based on the targets established under the Perspective Plan. Achieving the revenue projection or targets will be the key to realizing the projected fiscal space. So far, the NBR has been successful in increasing the tax/GDP ratio by 0.5 percentage point per year in recent years and for the purpose of both baseline scenarios it is assumed that the tax/GDP ratio will continue to increase at this high pace through FY 2030 to 22 percent under the baseline scenario and to 20 percent by under the alternate scenario.

3. Demographic developments are based on population projections made by the UN.

4. Government's strong commitment to speedy implementation of the proposed restructured SP programme will be the key to achieving the objectives. In practical terms this would entail fulfilling the assumption that 25 percent of the additional fiscal space will be committed to increase coverage and benefit levels under the proposed SP programme. This is a very strong assumption because historically SP expenditure ranged between 11-14 percent of total budgetary spending. Increasing new allocations to 25 percent of available new resources (fiscal space) in the initial 5-year period until the level of SP spending reached 3.5-3.7 percent of GDP would indeed constitute a very strong government commitment to strengthen the SP programme and its coverage. If the envisaged level of resource commitment does not materialize, the target dates for achieving full coverage and for doubling or tripling of the benefits in real terms would be further delayed.

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5. Social Protection Strategies to Address Idiosyncratic and Covariate Risks and Shocks, including Seasonal Poverty, Economic Recession and Natural Disasters

*Professor M. Ismail Hossain

Background

Risk and uncertainty are defined by economists as stochastic events with known and unknown probability distributions respectively. Both result in welfare losses when they occur. There are two components of risks which lead to different types of decisions of households: the possibility of unforeseeable future events and the actual occurrence of risks. A risk's occurrence with a negative impact is called an adverse event or a shock. The first component leads people to try and reduce future risk and its consequences (ex ante risk management strategies) and the second component leads households to cope with the consequences of shocks (ex post risk coping strategies).

The causes of risks and shocks can be categorised in various ways (e.g., ILO/STEP-GTZ 2006, Devereux 2001). For our purposes risks and shocks are classified into idiosyncratic and covariate shocks. Idiosyncratic shocks are household specific, while covariate shocks affect a group of households or the entire community. Idiosyncratic shocks include health shocks (illness/injury) and unemployment, while covariate shocks include floods, cyclones, epidemics and droughts. This distinction is important because they may have different consequences on livelihood and well-being of households and may require different strategies.

Livelihoods and well-being of the poor in many parts of Bangladesh are severely affected by seasonal swings in employment opportunities and occasional natural disasters. They contribute to increasing poverty by bringing destitution to previous non-poor and increasing depth of poverty by pushing the poor further below the poverty line. Large-scale natural disasters have another aspect – they can debilitate the fiscal capability of a country as it strives to support the affected community. Expansion of employment opportunities through development of crop and non-crop agriculture as well as rural development has reduced the intensity of seasonal variations in employment opportunities but some degree of variation still exists especially in particular regions of the country. Available literature and government documents agree that though the worst of the seasonal poverty in Northern Bangladesh has been tackled with various programmes and policies, it still requires another decade's effort to remove this curse altogether.

For the poor in Bangladesh, natural disasters are the most agonizing in terms of asset loss and destruction of livelihood options. The 2002 Global Risks Report by World Economic Forum ranked Bangladesh as the 5th most risk prone country within the natural disaster category. The country suffers from various natural disasters which can be divided into two broad categories based on the rapidity of the shocks. First, there are rapid onset of disasters such as flooding of different intensities, cyclone and drought. Second, there are slow onset of disasters such as river bank erosion, salinity intrusion, and water logging. An emerging problem is the falling water table due to heavy extraction of underground water which threatens future water

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security of the country. The two types of disasters have different impacts and might require different responses for mitigation. The social security framework of Bangladesh only provides food and few house construction materials as aid to these victims. In some cases, e.g. river erosion, they do not get any support/aid from the government.

Economic recession characterised by short term fluctuation in output and employment has not been recorded in Bangladesh. Lack of availability of quarterly data on output and availability of employment data at three year or longer interval make it difficult to identify their fluctuations in the short run, if any. Short run volatility in output is sometimes generated by natural shocks. Domestic macroeconomic shocks or external shocks have not been observed to generate perceptible decline in output and employment because of resilience of the economy and its structural features. However, as the country becomes more industrialised and integrated in the global economy through trade, investment and migration both domestic and external shocks can generate recession with adverse effect on the labour market and hence the poor. The effect will, however, vary depending on the types of industry and types of labour (such as male-female, skilled-unskilled, and formal-informal). One of the reasons why the recent global financial crisis has not affected Bangladesh's exports is the low elasticity of demand for low quality readymade garments (RMG), our dominant exports.

Purpose of the Paper

The paper will accumulate evidence-based analysis on the impacts of various risks and shocks – seasonal poverty, natural disasters and economic recession– on the livelihood and economic well-being of the poor in Bangladesh. It will also examine and build an in-depth understanding on the coping strategies adopted by the affected people. Understanding the coping strategies is important as it will shed light on what supports they need from the government and the modes of providing those supports to them. It will also evaluate the adequacy of social safety net programmes in meeting the immediate and medium-term needs of the affected community.

The impact of Financial Crisis in South-East Asian countries on the poor will be reviewed and the affected countries' endeavour in supporting the poor will be investigated as an answer to how social insurance/safety net may address the needs of these afflicted people. Finally, social protection measures to help mitigate the shocks will be recommended.

Methodology

A comprehensive literature reviews and consultations with the experts, NGOs and related government departments constitute the basis of this paper. It also incorporates evidence from the evaluation reports of various programmes funded by bilateral and multilateral donors. The report has also examined the evidences from the South East Asian countries in addressing the poor during economic recession.

Incidence of Shocks in Bangladesh

All households in Bangladesh face multiple risks and shocks but the incidence varies across different groups of people. Available studies shed some light on the incidence of these shocks across households. In a longitudinal study in rural Bangladesh Quisumbing (2007) finds more than half of all households to be affected by shocks in the 10-year period (1997-2006/07) preceding the survey. The most frequently reported shocks for all households are found to be illness shocks (expenses related to illness and/or foregone income), wedding and dowry related expenses, and floods. Illness shocks comprise at least 22 percent of most commonly reported shocks. Dowry and wedding related shocks comprise 16-23 percent of reported shocks while flood related shocks comprise 13 percent of reported shocks. The relative frequencies of shocks as obtained from survey data are validated by insights from focus group discussion carried out in a sub-sample of communities.

In a nationally-representative sample of 2000 households Santos et al. (2011) find the most frequently reported shocks for all households are health related shocks (severe disease or death of a household member); 24.1 percent of all households report this shock. The other shocks reported in descending order of frequency include climate and environmental shocks (15 percent), economic shocks (14.2 percent), and asset shocks (7.5 percent). All households are exposed to risks and shocks but some differences are observed between incidence of shocks suffered by poor and non-poor households. While 55.25 percent of non-poor households suffer shocks of any kind, a lower proportion of poor households (50.13 percent) suffer shocks. This may seem surprising but it is consistent with the findings of Quisumbing (2007) who observes presence of respondent bias in reporting certain types of shocks. For example, relatively well-off households with greater capacity spend more on wedding and dowry and report this type of shock. The most frequently reported shock for both groups is health shock with 20.01 percent for poor and 27.22 percent for non-poor households. In this also non-poor households tend to spend more on medical care than poor households resulting in higher proportion of reporting of health shocks by non-poor households. The incidence of other types of shocks faced by poor households is economic shocks (13.96 percent), environmental (18.33 percent), and asset shock (4.22). Similarly, the incidence of shocks suffered by the non-poor households includes economic shocks (14.39 percent), environmental shock (12.63 percent) and asset shock (9.8 percent). An important difference between findings of Quisumbing (2007) and Santos et al. (2011) is the lower incidence of wedding and dowry shock found in the latter study. In contrast to 16-23 percent households in the former study only 3.55 percent of households in the latter study reported to have experienced this shock. The difference in incidence of wedding and dowry shock between these two studies may, however, be attributable to difference in the time span of the two studies. While the study of Quisumbing covers data for ten years that of Santos, et al uses data for only 1 year. Accordingly, the former study presents an average picture of a longer period in contrast to the latter study which provides one annual observation and is incidentally low.

Impact of idiosyncratic and covariate risks and shocks on livelihood and well-being of affected households

Households in Bangladesh face multiple household specific or idiosyncratic shocks which include health shocks (illness/injury), life cycle risk, economic risks, and social and political risks such as crime and theft and related loss of assets. Shocks often have financial consequences, i.e., loss of household income, reduction in consumption, loss of productive assets. Some shocks may also have consequences on individual's nutrition, health status, education, and on individual's feeling of security.

The consequences of shocks for households and their ability to cope with shocks depend on the nature of the shock, on economic circumstances and the households' initial characteristics, (which can, for example, influence whether households deploy adaptive coping strategies rather than unadaptive coping strategies that drive households further into poverty). With regard to the nature of the shock it is observed that shocks that affect individuals or households have different consequences compared to shocks that occur at the community level, i.e., covariate shocks.

The frequency and intensity of shocks are important in determining the consequences of shocks. Some shocks hit household once in a lifetime such as death of the main income earner but its consequences may be more adverse than shocks that recur frequently such as transient illness. Shocks can hit households with different endowments with more severe effects on households with relatively lower endowment.

In determining consequences of shocks it is useful to consider both direct costs and opportunity costs. For example, illness and injury have both direct costs for medical care and opportunity costs in terms of lost income when ill.

Some shocks can have both short term and long term consequences. Loss of human or physical assets that are crucial for generating household income affects not only current welfare but also future household welfare when they negatively affect human capital formation of children. Quisumbing (2007) observes unambiguous adverse impact of illness related income losses and death of a household member on consumption in Bangladesh.

Other household specific shocks such as wedding dowry, livestock death and division of property after death of household head have been found to have differential impact on households depending on their initial characteristics. Livestock death and division of property have significant adverse effect on household consumption with head having less than four years of schooling. In other cases, wedding dowry has significant adverse impact on consumption in households with landownership less than the median landholding. This suggests that shocks have stronger adverse effects on households with lower endowments in terms of education, ownership of land and ownership of asset.

Covariate Shocks: Floods and Cyclones

Natural disaster is a regular phenomenon in Bangladesh because of its unique geographical location (The Himalayas in the north and the Bay of Bengal in the south). Natural disasters include hydrological disaster (flood), meteorological disaster (storm or cyclone), climatologically disaster (drought), geophysical disaster (earthquake, tsunami, and volcanic eruptions) and biological disaster (epidemic and insect infestation). Key natural disasters in Bangladesh are riverine floods in the rainy season, tropical cyclones during pre-monsoon and post-monsoon period, droughts and river erosion. Earthquake is also a potential threat to the economy.

Natural disasters occur in different scales sometimes covering a large area of the country resulting in significant damages. For example, the 1998 flood, the worst flood in recent history, affected about 57 percent of the area of the country, destroying 7 million homes and making 25 million people homeless. The flood also caused more than 1300 human deaths. Similarly, Cyclone Sidr that struck Bangladesh on 15 November, 2007 affected 2.3 million households scattered over four severely and eight moderately affected coastal districts and caused loss of 3406 human lives. Natural disasters of this scale have serious consequences for livelihoods and welfare of people. Many households that have multiple livelihoods can be simultaneously affected by losses in, for example, crops, livestock, fisheries, industry, and commerce and wage employment.

Severe covariate shocks, especially recurrent shocks increase the likelihood of poverty traps in affected areas for several reasons (World Bank, 2008). Apart from the asset losses caused by the disaster, grave shocks compel the vulnerable households to cope with the shock by selling the remaining productive assets, securing high interest loans and taking children out of school, all of which have negative consequences for the household in the long term. Disaster prone areas also have higher incidence of poverty and poor infrastructure and lower access to markets. These factors aggravate the effects of shocks which prolong recovery from a shock and sustain chronic poverty over longer period.

Coping Strategies of Households

When shocks hit households they develop strategies to cope with shocks and their consequences. There are different ways to characterize these strategies. One way is to follow World Bank (2000/01) which classifies the ex post mechanisms into formal insurance mechanisms and informal arrangements between individuals and communities (Table 5.1). Informal strategies are developed at the individual and household level or are group based. Formal mechanisms may be market based or provided by government/NGOs. Household's use of these strategies varies depending on the type of shock and characteristics of households.

Table 5.1: Risk Coping Strategies

Informal Mechanisms		**Formal Mechanisms**	
Individual and household	Group based	Market based	Publicly provided
• Sale of assets • Loans from money lenders • Child labour • Reduce food consumption • Seasonal or temporary migration	• Transfers from networks of mutual support	• Sale of financial assets • Loans from financial institutions	• Social insurance • Workfare • Subsidies • Social funds • Cash transfers

Source: World Bank, World Development Report, 2000/01: Attacking Poverty.

This section focuses on risk coping mechanisms adopted by individuals and households that are not publicly provided. Publicly provided risk coping mechanisms are discussed in the next section.

Santos et al. (2011) investigates the risk coping measures adopted by the poor in Bangladesh through a nationwide representative survey. The coping strategies are grouped into 10 different types: reduction of non-essential consumption, reduction of essential consumption, help from friends, help from government and NGOs, low interest loans, high interest loans, savings, increase in labour supply and depletion of assets.

The average number of shocks experienced by households over a one-year recall period is 1.6. The households were not able to cope with each of the shock. More than one third (36.51 percent) of the households has not been able to cope with one or more shocks. This lack of ability to cope with shock has been interpreted as household's inability to mitigate the negative effects of shocks. Households are more likely to fail to cope with climate shock (59.1 percent), asset shock (44.8 percent) and economic shock (41.4 percent). Higher incidence of inability to cope with community shock arises from the fact that it is a covariate shock. Other households in the community being similarly affected are unable to help each other. Both poor and non-poor households report their respective inability to cope with shock with higher percentage of poor (39.7 percent) compared with non-poor (34.41 percent) households. There is also difference between rural and urban households with a higher proportion of rural households (38.71 percent) reporting they could not cope with shock compared with 29.28 percent urban households.

Use of savings is the most important mechanism to cope with shock; about 34 percent households report use of this mechanism. It is used relatively more to deal with health, climate and asset shocks compared with economic shock. Low interest loan plays an important role in coping with shock. It is more important for coping with asset and health shocks than two other types of shocks. People also sell their remaining assets and sell products at a lower price to deal with shock. This strategy is used more frequently to deal with asset shock. Help from friends is another important strategy to deal with shock. It is relatively more important to deal with health shock than with other shocks.

Reduction of essential as well as non-essential consumption are also used to cope with shock but they are used more to deal with economic shock than with other shock. Reduction of essential consumption has marginal use in case of climate and asset shock which implies essential consumption is largely protected from these shocks. About 8 percent of households' report taking high interest loans to cope with shock. This strategy is adopted to deal with health and asset shocks more than with other shocks. A similar percentage of households cope with shocks by increasing their labour supply. The current state of the labour market characterised by underemployment and lack of ready demand for labour provide limited scope for this strategy. There are, however, two interesting aspects of the strategy.

Table 5.2: Coping Mechanisms by Type of Shock, Poverty Status and Location

	Coping Mechanisms										
	Reduce Essential Consum -ption	Reduce Non-essential Consum -ption	Help from Friends	Help from Govt./ NGOs	Saving	Low Interest Loans	High Interest Loans	Increase Labour Supply	Deplete Assets/ Sell Products for Less	Other	Could Not Cope
All households With shock	7.59	9.37	10.21	1.16	34.22	24.87	7.93	7.60	18.62	12.38	36.51
Type of Shock											
Economic	13.8	15	6.1	0.8	26.3	21.5	90.1	9.6	17.8	12.5	41.4
Health	9.1	9.5	17.7	0.8	44.3	30.62	12.5	6.8	20	15.1	21.8
Climatic	6	9.3	5.4	1.2	38.75	22.6	8.2	11.2	14.6	21.1	59.1
Asset	6.2	10.7	10.1	2.5	37.5	34.6	11.6	5	31.9	18.1	44.8
All Shocks	5.39	6.77	6.54	0.71	25.25	17.52	6.28	5.14	14.50	8.77	26.80
Poverty Status											
Poor	9.21	8.16	11.23	1.56	25.66	23.93	10.26	7.96	11.44	7.31	39.70
Non-poor	6.52	10.17	9.54	0.91	39.87	25.26	6.41	7.37	23.36	15.73	34.41
Poorest quintile	8.85	7.29	13.02	2.08	25.52	23.96	8.85	9.90	10.94	2.60	41.15
Second quintile	9.57	8.61	9.09	0.96	25.84	23.92	11	7.18	11	11.96	38.28
Third quintile	8.70	7.25	8.70	0.97	28.50	31.40	7.73	10.14	18.84	13.04	36.71
Fourth quintile	7.08	12.83	10.18	1.33	42.04	25.22	7.96	7.96	19.91	14.16	32.74
Richest quintile	4.78	11.30	10	0.87	48.70	20	3.91	3.91	28.70	20.43	30.87
Location											
Urban	8.58	10.59	9.5	1.70	37.31	25.26	6.33	8.64	15.04	15.52	29.28
Rural	7.29	9	10.43	1	33.29	24.57	8.43	7.29	19.71	11.43	38.71

Source: Adapted from Santos, Indhira, Iffath Sharif, Hossain Zillur Rahman and Hasan Zaman (2011), How do the poor cope with shocks in Bangladesh? Evidence from survey data. Social Protection Unit, South Asia Region, World Bank.

Its marginal use to cope with health shock and relatively greater use to cope with climate shock. Health shock may reduce labour supply directly (when income earner is sick) and indirectly by increased domestic use of labour time in patient care. In the aftermath of climate shock demand for labour decreases due to depressed regular economic activities. However, climate shocks can create demand for labour in certain activities, such as rehabilitation and reconstruction work.

The last issue concerns the help from government/NGOs which plays a negligible role in helping households overcome shocks. This indicates the current low coverage of government safety net programmes of shocks or NGO programmes to help mitigate shocks (beyond their regular activities).

As mentioned before coping strategies depend on characteristics of the affected households. A higher proportion of non-poor households use savings, low interest loans, deplete assets/ sell product at lower price and reduce consumption of non-essential goods and services to cope with shocks. In contrast, a higher proportion of poor households use reduction in essential consumption, help from friends, and high interest loans to cope shocks. Use of high interest loans by a higher proportion of poor households indicates their desperate situation. In contrast, use of low interest loans by a higher proportion of non-poor households indicate mismatch in the credit market.

The proportions of households using different strategies to deal with shocks in urban and rural areas are close to each other except in the case of savings and depletion of assets/ sale of products at lower price. Savings is used as a strategy by a higher proportion of urban households while a higher proportion of rural households use the latter as a coping mechanism. The difference arises perhaps from the difference in the savings propensities of the rural and urban households.

Government Programmes to Mitigate the Impact and their Effectiveness

The public social protection system in Bangladesh has been gradually developing since independence in 1971. The most noteworthy change has been transformation of the programmes from relief orientation to development orientation. Over the past decades the social protection system has grown along the following courses (Kidd and Khondker 2013).

i. Public works programmes, such as Food for Work, Employment Generation Schemes;
ii. Food transfer programmes, such as Vulnerable Group Feeding, Vulnerable Group Development;
iii. Lifecycle social transfer schemes, such as stipends for school children, allowances for vulnerable categories of the population; and
iv. Donor supported programmes outside government that provide social services including social transfers for income generating activities.

There has also been expansion of pension scheme for public civil service and employees of semi-autonomous bodies/institutions. An important change has been taking place in the payment system, namely, increase in the share of payment in cash compared to payment in kind (food).

The expansion of the programmes has resulted in increased coverage of households and use of resources. According to HIES 2010 around 25 percent of households benefit from at least one social protection programme with greater coverage of rural households (30 percent) compared to urban households (9 percent). An estimated 2.5 percent of GDP is spent on social protection (Rahman et al. 2011).

Despite increasing expenditure on social protection its impact on poverty reduction has been limited. According to HIES 2010 social protection expenditure reduces poverty by 1.4 percent and poverty gap by 2.1 percent (Kidd and Khondker 2013). Table 5.2 reveals use of government/ NGO help to deal with individual and covariate risks and shocks has been marginal.

Future Social Protection Programmes

Individuals and households suffer from idiosyncratic as well as covariate shocks which affect their livelihoods and welfare (poverty). The shocks often worsen poverty of the poor households and push the near poor households to poverty. The coping measures are adopted to mitigate the negative effects of shock. But some coping measures such as high interest loans, depletion of income earning assets and reduction in essential consumption including food, whilst helping to mitigate present shock, also often sustain poverty in the future. In this context, social protection becomes important not only for the poor but also for the near poor individuals and households. Social protection is needed to lift the poor from poverty as well as prevent people from sliding into poverty or deeper poverty.

Social protection programmes can prevent the occurrence of an adverse event, mitigate its impact and enhance capacity of the poor to cope with it. For example, Health insurance can contribute to utilization of health services through reduction of financial constraint that delay or prevent access to health care. This helps households to avoid health shocks or mitigate its impact. If better health results in increased labour productivity and thus higher earnings and savings health insurance will increase the capacity of the poor to cope with the shock. Similarly, cash transfers which brings in improvement in health, nutrition and education results in higher productivity and earnings.

The magnitude of impact on an affected household depends on its vulnerability to shocks. Households differ in their vulnerability to shocks. It has been found that poverty and vulnerability are concentrated more in households with illiterate household heads while they are significantly lower in households with heads having more than higher secondary education. Further, vulnerability is higher among rural households than urban households. One reason for higher vulnerability of rural households is their greater dependence on agriculture for livelihood (Azam and Imai 2012). These findings have implications for appropriate social protection in Bangladesh in the coming years.

Once the shock occurs the household has to deal with the shock. While some households have not been able to cope with each of the shock they suffered, others have been. The latter households have dealt with it using a variety of measures. Despite adopting mitigating measures some households have to reduce their consumption of essential and/or non-essential consumption, i.e., they cannot fully protect their consumption. Some households receive help from friends which is a form of social insurance. The measures which have been used by a larger proportion of households include use of savings, depletion of assets and low interest loan. Social protection in a broader sense and complementary measures would need to focus on measures that help generate savings, accumulate assets and access low interest loans. Savings gives claims to a stream of future income and hence enhances capacity to deal with shocks.

Social protection helps create assets at the individual, household and community level with profound implications for poverty reduction and shocks. School stipend programmes help create human capital of children. Food for work and cash for work programmes help build rural infrastructure which have multiple effects on poverty reduction including access to markets for goods as well as inputs, enhanced production.

Bangladesh implements a social protection system comprising social safety nets such as FFW, CFW, VGD and VGF, and social sector policies such as free primary education, student stipend programme, old allowance, and honorarium for injured freedom fighters. The social protection programmes, it has been observed, have positive impact on poverty reduction but the impact has been small. Assessments of the programmes (e.g. Ahmed, Quisumbing and Hoddinott 2007; Kidd and Khondker 2013; Rahman, Choudhury and Ali 2011; Rahman and Choudhury 2012; World Bank 2006) identified several weaknesses of the programmes which reduce their impact on the target beneficiaries. These include inadequate coverage, insufficient amount, leakages, exclusion errors, disparities between regions and governance issues. Future social protection programmes will need to address these issues to enhance effectiveness of the programmes.

There are several issues that need to be considered when selecting programmes to deal with idiosyncratic and covariate shocks as discussed above. First, whether to adopt a few general programmes to deal with the risks or to adopt different programmes for different target groups which face similar risks. One view can be to adopt a general programme to cover risks and shocks. Secondly, whether to adopt programmes to deal with all the different types of risks and shocks faced by individuals or to focus on some major risks. One approach can be, in view of limitation of resources, to focus on major risks faced by larger proportion of households. Thirdly, the time path of evolution of social protection will depend on level of development of the economy and evolving nature of risks and shocks. New programmes will need to be adopted with phasing out of less relevant programmes.

In this context, the following programmes merit consideration:

01. Student stipend programmes. As household heads with higher literacy are less vulnerable to shocks, providing education constitutes an important intervention for increasing capacity to deal with shocks. Education can reduce vulnerability in several ways (Azam and Imai 2012). First, education increases labour productivity which increases wages and income making individuals' less vulnerable and better able to cope with future odds. Secondly, they are better able to adapt themselves to changed circumstances and hence have better ex post capacity to cope with shocks. In this context, stipend programmes for primary education, secondary education and for dropout students will need to be continued along with addressing the weaknesses of the programmes. In addition, the quality of education has to be improved to enable students to acquire useful skills. The stipend programmes will need to combine both expanding and sustaining enrolment and improving quality as essential components.

02. Health insurance. Health shock is one of the more frequently reported idiosyncratic shocks that affect household livelihoods and welfare. Government expenditure in health sector focuses on health infrastructure, education, manpower, logistics and drugs. The government has been piloting a health insurance programme under which poor households will be provided 'health card' to be used in Upazila Health Complexes. This programme will need to be implemented and its coverage expanded to include vulnerable households both poor and non-poor. Further, with expanding private sector medical care services which are available in easy locations but less accessible to the poor alternative arrangements need to be considered. A health voucher plan for the vulnerable households can be introduced which can be replaced by a contributory health insurance plan in the future. Health shock can occur to any member of the household. In this situation preventive measures can be adopted to improve the general conditions of health in the household. Programmes that improve maternal health, post-natal child care and interventions to address malnutrition of pre-school and school children in poor localities can reduce health risks. Maternal allowance for poor mother and School feeding programme are two such programmes.

03. Microcredit programme. Microcredit is not a social protection instrument itself but has worked as an adjunct to safety net programmes such as VGD. In other cases, it has been allocated to borrowers as a stand-alone loan. Microcredit has been found to reduce vulnerability of borrowing households and promote human capital formation (e.g., Khandker and Pitt 1998, Zaman 2004) which enhances capacity to cope with shocks. Compulsory savings is an important feature of microcredit. Participants in microcredit programmes can thus have some savings of their own. Use of savings being one important coping mechanism, microcredit participants can better cope with shocks. There is another way in which microcredit reduces vulnerability of participants. If microcredit is used in an income generating activity such as buying cow, rickshaw, and goat, an asset is owned by the participant. If the asset yields a favourable return it can lead to accumulation of further assets. We have seen a significant proportion of households use assets to cope with shocks. Thus microcredit helps reduce vulnerability to shocks.

04. Post disaster relief. Relief is not a social protection measure but it can be very important for dealing with shocks. Short term relief can help communities to cope with the immediate impact of natural disasters. Relief programmes distributing food, drinking water, clothing, and essential medicines can save people from starvation and diseases. It can be critical to survival of people and preventing them from slipping into poverty or deeper poverty. Different by nature they complement social protection programmes in helping households and individuals deal with shocks.

05. Seasonal poverty: Seasonal variation in income, consumption, and poverty has been a recurrent phenomenon in the rural areas of Bangladesh like many other developing economies that have a sizable agricultural sector. This variation has coincided with the lean periods generated by the production cycles of three major rice crops of the country – Aus, Aman and Boro. One lean period spans from late March to early May and the other one spans from late September to early November. With rapid increase in production of Boro rice and related post-harvest activities the former lean period hardly exists. Further, the expansion of non-crop agriculture and rural non-farm activities and seasonal migration facilitated by development of transportation have helped smooth income in many areas of the country partially reducing the severity of seasonality in the latter lean period known as Monga period. However, there are some areas notably greater Rangpur district where pronounced seasonal fluctuation still persists.

Khandker (2009) using Household Income and Expenditure Survey data for 2000 and 2005 observes substantial decline in consumption in the lean period. The decline in consumption follows the decline in crop income, the higher the share of crop income in total income the more pronounced the decline is. A 10 percent increase seasonal crop income shares increases household's per capita consumption by 16.6 percent and food consumption by 11.9 percent respectively. Interestingly, total income including both crop income and income from other sources also declines in the Monga period exerting further negative impact on consumption. There are thus both individual and covariate shocks to income in the monga period.

A reduction in consumption, however, may not cause poverty if consumption remains above the poverty line. But seasonality effects are so strong that many households cannot maintain their minimum livelihood; their consumption is pushed below the poverty line. Table 5.3 shows higher incidence of poverty in monga season compared to non-monga season in 2000 as well as 2005. The incidence of both food poverty and extreme poverty increases due to seasonality effects. The seasonal poverty differential persists in 2005 despite improvement in poverty situation between 2000 and 2005.

Table 5.3: Distribution of Food Poverty and Extreme Poverty by Season, 2000 and 2005 (Percent)

Season(s)	Poverty	2000	2005
Monga	Food poverty	86.9	83.8
	Extreme poverty	45.6	33.0
Non-monga	Food poverty	79.6	76.4
	Extreme poverty	39.7	29.9
All	Food poverty	81.6	78.5
	Extreme poverty	41.8	31.1
Observations		5040	6040

Source: Adapted from Khandker, Shahidur R., Poverty and Income Seasonality in Bangladesh, Policy Research Working Paper No. 4923, the World Bank, April 2009.

Government Programmes to Mitigate the Impact and their Effectiveness

The government of Bangladesh implements a large number of safety net programmes throughout the country through different ministries and in some cases with donor collaboration. To understand the impact of these programmes on seasonal consumption and poverty they can be divided into short term and long term programmes (Khandker et al. Undated). Short term or seasonal programmes such as Food for Work (FFW) and Cash for Work (CFW), provide quick food or cash support to poor households in case of natural disasters or seasonal distress. Long term programmes such as Employment Generation Program for the Poorest (EGPP), Vulnerable Group Development (VGD) and Vulnerable Group Feeding (VGF) provide food or cash support to poor households throughout the year. According to HIES data for 2010, national coverage of the safety-net programmes is 25 percent of households with 30 percent rural and 9 percent urban households.

Khandker et al (undated) using data for greater Rangpur district makes an assessment of the safety-net coverage and their effects on seasonal deprivation. They find only 9.6 percent of rural poor are members of government safety net programmes. About one-third of them do not receive any support during monga though most of them receive support from long term programmes. Interestingly, one-quarter of the ultra-poor who are not members of the programmes, receive support during monga. In all about 31 percent of the rural ultra-poor receive some form of government help during the monga period. Further, the study notes “membership of government supported programmes contributes little to reducing starvation during monga, but does help to reduce hunger during the non-monga period.” Their results also indicate safety-net programmes, though have limited coverage due to lack of funds, have positive impact on mitigating monga. They also have positive impact on reducing both seasonal and non-seasonal starvation.

Coping Strategies of Households

In the context of inadequate public support to mitigate the impact of monga vulnerable households adopt various coping mechanisms. Data from a survey conducted by Institute of Microfinance in 2006-07 in greater Rangpur district is presented in Table 5.4. Households are divided into two groups- those who receive support from safety-net programmes during monga and those who do not.

Table 5.4: Coping Mechanisms Adopted During Monga by Recipients and Non-recipients of Safety-net Benefits, 2006-07 (Percent)

Coping Type	Recipients of Support During Monga	Non-Recipients of Support During Monga
Informal	54.6	46.4
Advance sale of labour	6.0	3.6
Advance sale of crop	0.5	0.5
Sale of asset	14.5	9.9
Out-migration	38.6	34.8
Borrowing from informal sources	15.9	10.7
Formal	6.5	5.5
Borrowing from formal sources	6.5	5.5
Any type	57.2	49.1
No. of observations	152,317	328,601

Source: Khandker, Shahidur R., et al., 2011, Can Social Safety Nets Alleviate Seasonal Deprivation? Evidence from Northwest Bangladesh.

About 57 percent of households who receive support during monga some coping mechanisms to deal with monga compared to about 49 percent households who do not receive such support. Out-migration in search of jobs and income is an important coping mechanism for a large proportion of households. Borrowing from informal sources and sale of assets are two other mechanisms frequently used by households. Advanced sale of crops is the least used mechanism. Coping mechanisms are mostly informal; only around 6 percent of the households have resort to borrowing from formal sources to deal with the shock.

Future Social Protection Programmes

Bangladesh implements both short term and long term safety net programmes to help smooth consumption and income of households throughout the year. The programmes suffer from problems of inadequate coverage, insufficient amount, exclusion errors and leakages. However, NGO run programmes had wider coverage –double the amount of the public programmes. There has not been a separate assessment of the impact of public safety net programmes. But the joint assessment of both public and NGO programmes as mentioned earlier reveals positive effect of the SSNPs on seasonal poverty reduction. Over the years the coverage and amount of the programmes have significantly improved resulting in noticeable decline in seasonal poverty in Monga area of Bangladesh. Though food poverty in both monga and non-monga period declines by similar percentage points, extreme poverty declines in monga period by a higher percentage points. In any case, poverty reduction in monga period is more challenging than in non-monga period. Apart from large scale safety net programmes, other changes such as introduction of short maturity Aman crop generating employment in the lean period have also contributed to this development. In this context the traditional safety net programmes can be continued.

The government of Bangladesh implements both short term and long term safety net programmes to help smooth consumption. The short term programmes such as Food for Work (FFW) and Cash for Work (CFW) provide quick and emergency support to households to mitigate impact of seasonal disasters. Long term programmes that include Employment Generation Program for the Poorest (EGPP), Vulnerable Group Development (VGD), Vulnerable Group Feeding (VGF), Rural Maintenance Program (RMP), Integrated Food Security (IFS) which provide year round support to households and longer term benefits. Both short term and long term programmes will need to be deepened in terms of coverage and size. However, it may be necessary to restructure the programmes, perhaps integrating some of them with others to enhance their impact on poverty reduction. Increased harmonization, coordination and synchronization of programmes may be considered to increase their impact.

Environmental Displacement

Natural disasters such as floods, cyclones, riverbank erosion, and salinity ingress trigger displacement of people from their ancestral homes. Loss of homes and properties caused by natural disasters results in destitution of people. Lack of employment opportunities immediately after the disaster causes drastic fall in purchasing power to buy food by people who depend on regular wage income for their livelihood. This leaves them with little choice but to migrate elsewhere in search of job and food. This has been a persistent phenomenon in Bangladesh for long time. During the period from 1970 to 2009 on average 2 percent of the population have been displaced in cyclone (3 million people), 25 percent (39 million people) in flood, 0.1 percent (50,000 people) in river bank erosion, and 3 percent (5 million people) in drought. It is evident that flood has been the major factor behind displacement of people. In the future, Bangladesh is expected to have massive environmental displacement, which is calculated to be about 63 million people in 2015 and increases to 78 million in 2020. The environmental displaced people will constitute 42 percent of the total population of the country in 2020 (Akter, 2009).

Understandably not all households are equally affected by natural disasters of any type. Tidal floods in coastal areas have been found to destroy houses and lands of 32 percent of households. Of these 64 percent were displaced locally in embankments or higher grounds in the disaster affected region, 27 percent moved to other locations including Dhaka and 9 percent were placed along international borders. About 42 percent of the inhabitants in the affected regions have had their houses and lands destroyed by annual riverbank erosion often coupled with floods. Of them 66 percent were displaced locally in embankments or higher grounds in the disaster affected region, 26 percent moved to other locations including Dhaka and 8 percent were placed along international borders.

Along with (often painful) changes in livelihoods a number of socio-economic issues intensify the plight of the displaced. The internally displaced people have to adjust to a new way of life mostly characterized by alienation and marginalization. Most of them, particularly women and children, become victims of human rights abuses. They also become prime targets of human traffickers. Displaced people also become indebted as they move to new locations.

When they move to slums they often face the risk of eviction. They are not recognized as "especially affected people" and thus are deprived of government benefits. The government response to floods and riverbank erosion is mostly limited to engineering solutions. A more holistic solution is required to take into account the socio-economic, cultural, demographic, as well ecological considerations (Rahman, undated).

Shrimp Farming and Environmental Displacement

Shrimp sector comprising inland (culture as well as capture) and marine fisheries has experienced rapid growth and contributed to increased income, employment and foreign exchange earnings of the country (Alauddin and Hamid, 1995). However, the benefits are obtained at substantial costs in terms of environmental impacts such as ecological imbalance, environmental pollution, disease outbreak, saline water ingress and decline in biodiversity. Shrimp farming also involves significant social and economic costs in terms of loss of land security, changes in agricultural pattern, food insecurity and social unrest and conflicts. An important aspect of socio-economic costs has been marginalization and migration of negatively affected rural population. Small fishers turned into daily workers, peasants lost their grazing lands and others lost employment. The conversion and salinization of rice and other agricultural lands contributes to marginalization of rural communities. Dispossessed farmers are forced to look for employment elsewhere. This results in migration of poor rural people to cities leaving their children and women in the village. One estimates show shrimp farming has displaced nearly 120 thousand people from their farmland in Satkhira region (Baird and Quarto, 1994). Further, local people mostly get low paying jobs of labourers and guards in the shrimp farms thus perpetuating poverty (Hossain et al. 2013).

Social Protection for Environment Displaced

There is hardly any social protection programme targeted to environment displaced people in the country. However, they can benefit from the existing social safety net programmes if they become eligible for assistance under such programmes. Some of these programmes benefitting the poor especially in rural areas have been discussed above. The urban poor, a large proportion of whom are environment displaced, are by design neglected by government social safety net programmes. Only one of social safety nets – the old age allowance (pension) – is accessible to the urban poor. In addition, there exists a Housing Fund for Homeless People that covers both rural and urban poor. However, loans made available under this fund make specific reference to rural poor but they do not make such reference to the urban poor. Local government and governmental agencies are limited in their ability to run programmes for the urban poor, because no agency, department or ministry has been allocated responsibility for urban poverty. More recently, UNDP Bangladesh has been implementing the Urban Partnerships for Poverty Reduction project in 30 towns and cities across Bangladesh, in partnership with DFID, Local Government Engineering Department (LGED) and UN-HABITAT.

International Experience

Chinese experience can be useful in designing social protection policies for environment migrants in Bangladesh. China applied strict restrictions on rural urban migration from the mid-1950s to the mid-1980s followed by relaxation of restrictions from mid 1980s to late 1990s. Since 2000 it has been encouraging migration with social protection. The policy reforms include free employment services with training, workplace safety, and free health services including maternal care, a labour contract law, free compulsory education and social housing with free or low cost housing provided by both employers and the government. It may be noted that about half of the migrant workers live in dorms provided by employers free of charge and others live in rented rooms. In some cities government has built apartments for migrant workers to rent at relatively lower price. The future agenda includes full coverage of portable social security programmes for migrants and reform of household registration.

Future Social Programmes

Future social programmes for environment migrants should emphasize the following:

I. Introduce portability of social protection programmes irrespective of where migrants reside. National identity card for all voters in the country provides information for operation of portable system. Public health services and education for migrants' children should constitute part of social protection agenda.

II. Recognize right to work and right to social security for environment migrants.

III. Assist environment migrants in attaining economic self-sufficiency during displacement through provisional work programmes, vocational training, social security programmes, and provision of necessary economic inputs.

IV. Take necessary measures to protect environment migrants against discrimination in the labour market and access to social security benefits.

Food Price Shocks

Annual fluctuations in food prices especially price of rice, which is the main food grain in Bangladesh, is generated by harvest failure and has been a regular phenomenon in the country. It reaches crisis proportion if domestic harvest failure coincides with supply shortage in the world market. In the recent past there was sharp increase in world food price during the first quarter of 2008 and during the period from mid-2010 to early 2012. Between 2005 and 2008 rice prices increased by 25 percent, wheat prices by 70 percent and maize prices by 80 percent. Sudden food price hike as observed in the first quarter of 2008 has important implication for livelihoods and welfare in Bangladesh because Bangladesh is a net importer of food and food absorbs a large proportion of household expenditure. For example, rice accounts for 40 percent (23 percent) of total consumption of households at the bottom (top) quintiles.

Impact of Food Price Shocks

Impact of food price shocks on households depends on several things such as (i) their ability to cushion against the shock, (ii) their position as net buyers (or net sellers) of food, and (iii) availability of cheaper substitutes for food grains (World Bank 2013). The food price shock in 2008 made about 12.3 million people food insecure and about 34.7 million people under-nourished in Bangladesh. The impact of sudden high food price on household well-being can be appreciated from another perspective. HIES 2010 reveals that although the average daily calorie intake is 2318 about 24 million people (16 percent of the population) is severely food deficient, i.e., they cannot afford an average daily intake of 1805 calories. The number of moderately food deficient people, who cannot afford an average daily intake of more than 2122 calories, is a staggering 57 million (38 percent of the population).

World Bank (2013) has measured "household exposure" to food price shock considering (i) short run impact when food price increases, (ii) medium term impact when wages adjust to food prices, and (iii) long term impact when economy wide sectoral (agriculture, manufacturing and service) adjustment takes place. Different households are found to be affected differently over these periods. In the short term the poor who spend most of their income on food are more severely affected. In the medium term when wages are adjusted to increased food prices households along the wealth distribution are equally affected. In the long term when prices have spill-over effects on other sectors households in the higher income group are affected more than the poor as the former group consumes a larger proportion of service output.

In the short term, the extremely poor suffer a 22 percent decline in consumption while the poor experienced a decline of 20 percent. As expected the non-poor experienced a much lower decline in consumption – a mere four percent. These results relate to rural households only. As 95 percent of urban households are net buyers of food a large proportion of urban poor is likely to be adversely affected by food price shock.

Government Responses to Food Price Shocks

Government policies have historically sought to stabilize price of rice and at the same time to achieve self-sufficiency in consumption. The Government has maintained food grain stocks through domestic procurement and imports and distributed food grains through different measures such as safety net programmes, workfare programmes, and open market sales. After opening of food grain import to the private sector in the early nineties the private sector has also played a large role in food grain import.

In the 2007-08 period the Government, in the face of domestic production failure, tried to build up food grain stock through imports. India was a key supplier of rice but it banned exports in early 2008 which resulted in dramatic increase in Bangladesh's rice prices. The Government explored alternative sources of imports which along with India's agreement to export fixed quantities of rice enabled the government to substantially enhance the stock. Incidentally, a large proportion of the import from India arrived after the crisis was over in 2007-08.

The Government scaled up food distribution through its safety net programmes. Food for Work (FFW) programme that provide rice to workers in rural areas in return for work on building rural infrastructure was sharply scaled up. A new cash based workfare programme, presently known as Employment Guarantee Program for the Poorest, was introduced. Open Market Sales (OMS) for urban areas also received sharply enhanced expenditure. Despite administrative problems with the social safety net programmes, they helped cushion against the impact of food price shocks. In this context timeliness of public response to a shock and targeting the poorest section of the community who need help most are two important considerations.

Future Social Protection Measures

Despite increasing role of the private sector in the food grains market government has to continue to undertake preventive as well as curative measures for mitigating the impact of food price shocks on the vulnerable people of the country. The vast public food distribution system can be used not only to face food crisis but also to distribute food to achieve other objectives such as under-nutrition.

Economic Recession

Economic recession is one of the phases of a business cycle characterised by slowdown of economic activity when gross domestic product, investment, employment, business profits and household expenditure fall and unemployment and business failure increase. Technically, a recession occurs when level of real national income of an economy declines over two successive quarters causing contraction in level of total production. Textbook case economic recession as part of a business cycle is rare in Bangladesh because of its economic characteristics. In recent past the economy has faced the risk of external shock on several occasions such as Asian financial crisis in 1997-8, phasing out of MFA in 2005 that governed international trade in textiles, global economic recession which started as a financial crisis in 2007 in the U.S. which could reduce export, remittance, and official development assistance leading to reduction in national income and employment. But this did not happen. In the absence of real experience of economic recession in the country, the experience of economic, currency and financial crisis of East Asia has been discussed. This will give an idea of what can be expected in Bangladesh in the event of such shock.

Impact of Economic Recession: Experience of Developing Countries

Sustained economic growth in east and south east and south East Asian countries such as Indonesia, Malaysia, the Republic of Korea, and Thailand led to high per capita income and better standard of living in these countries. But the financial and economic crisis of 1997-98 brought in its train a series of events which adversely affected livelihood and welfare.

There was sharp reduction in rate of growth; per capita GDP growth declined by 13.6 percent in Indonesia, 7.4 percent in Thailand and 5 percent Korea. Unemployment rate increased in most of the countries with 1.5 percentage points increase in Thailand and 0.7 percentage point increase in Indonesia. Labour market also adjusted in other ways. Underemployment defined as employment less than 35 hours per week increased as in Indonesia and labour force participation rate declined as in Korea. There was also sharp decline in real wage with about 38 percent in Indonesia, 7.4 percent in Thailand and 5 percent in Korea.

Declines in economic growth and real wage led to changes in income inequality and poverty. The distribution of income moves in favour of the richest quintile or richest decile population. Decline in per capita household income pushed many households – near poor households, below the poverty line and the incidence of poverty increased. The incidence of poverty has been found to increase also in other countries that suffered from financial crisis in the past. Table 5.5 shows the incidence of poverty in some selected countries before and during crisis. The incidence of poverty increased by 1 to 12 percentage points in different countries depending, among other things, on the severity of the crisis.

Table 5.5: Economic Crisis and Poverty in Selected Developing Countries (Percent)

Country	Before Crisis	During Crisis	Change (Percentage Points)
Argentina	25.5 (1987) 16.8 (1993)	34.6 (1989) 24.8 (1995)	9.4 8.0
Brazil	27.9 (1989)	28.9 (1990)	1.0
Costa Rica	29.6 (1981)	32.3 (1982)	2.7
Indonesia	11.3 (1996)	18.9 (1998)	7.6
Republic of Korea	2.6 (1997)	7.3 (1998)	4.7
Malaysia	8.2 (1997)	10.4 (1998)	2.2
Mexico	36.0 (1994)	43.0 (1996)	7.0
Thailand	9.8 (1997)	12.9 (1998)	3.1
Venezuela	25.7 (1982) 40 (1988) 41.4 (1993)	32.7 (1993) 44.4 (1989) 53.6 (1994)	7.0 4.4 12.2

Source: UNICEF, Aggregate Shocks, Poor Households and Children: Transmission Channels and Policy Responses, Division of Policy and Practice, February 2009

Coping Strategies: Experience of Developing Countries

There are many ways that households respond to changes in their economic environment such as income and price. During the Asian financial crisis, the affected households undertook a variety of coping measures. Rural people migrated to cities where they doubled up with their relatives. The migrants reduced remittances to their families in rural areas. Workers formerly employed in agriculture and manufacturing moved to informal trading. The share of food expenditure in total expenditure increased due to increase in food prices. They tended to reduce expenditure for consumer durables and other goods whose consumption could be postponed; expenditure on medical care and education decreased significantly. Within food, staples were substituted for meat.

Households sold assets like land, appliances, jewellery and livestock. The reasons for selling assets included general consumption needs (52 percent), school expenses (11 percent), health care (8 percent), and loan repayment (4 percent) and investment in a productive activity (3 percent). Households also borrowed during the crisis. Most of them borrowed from relatives, friends, and informal lenders; borrowing of 44 percent households exceeded their pre-crisis level borrowing.

Social Protection Measures: Experience of Developing Countries

In the crisis affected countries, social safety net programmes were relatively less developed compared to those in developed countries. Yet the government undertook a wide variety of measures to provide social protection to the disadvantaged groups in the society. These included "(i) employment regulation; (ii) unemployment insurance and other forms of assistance to the unemployed; (iii) job retraining and job creation; (iv) pensions and provident funds; (v) public works and other forms of income maintenance; (vi) price controls and subsidies; and (vii) maintaining access to social services." (Knowles, et al. 1999). These policies helped mitigate the shocks but could not fully protect the disadvantaged. In the future, more efficient, equitable, and adequately funded social safety nets need to be developed to meet economic crisis. More emphasis needs to be put on reducing poverty so that crisis affects only a small number of people who are unable to cope.

Future Social Protection Measures

In developed countries where recession occurs at some interval and institutions are highly developed, publicly financed state-contingent financial assistance is provided to the unemployed. This type of benefit is also provided to workers for work place injury or disability. Programme benefit starts on the realization of an event and amount of benefit depends on past contribution and employment history. Bangladesh will need to implement these types of programmes in the future.

In the short to medium term Bangladesh can strengthen some of its current social protection programmes to protect the vulnerable households against recessionary shock. For example, Food for Work, Cash for Work, Employment Generation Program for the Poorest (EGPP), and Rural Employment and Road Maintenance Programme (RERMP) can be used to generate and protect employment and help attain food security. School stipend programmes can be used to enable children to continue their education.

The existing programmes can be supplemented by other programmes such as grant for unemployed, SME development loan, training and retraining of laid-off workers to expand opportunities for self-employment as well as wage employment.

Summary of Findings and Conclusions

Bangladeshi households confront multiple idiosyncratic and covariate shocks. The vulnerable households adopt different measures to mitigate the adverse impact of shocks. But they are less capable of meeting with shock. Further, some of the coping measures such as high interest loan and sale of assets appear to be costly for the vulnerable households. The measures can make poor households poorer in the future. Government's social protection measures protect the households from return to poverty and the poor from sliding into deeper poverty. Poverty reduction being the over-ridding strategy of the government it has an obligation to protect the poor. An examination of the existing social protection measures indicate that these measures can be used in the medium to short term to protect the vulnerable provided their current deficiencies are gradually corrected. These measures will need to be supplemented by new social protection measures as well as other policies which are consistent with the social protection policy framework and other strategies of the government.

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6. State of Governance within Social Protection Sector in Bangladesh

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Introduction

Any scrutiny of the Bangladesh development narrative will remain incomplete if it fails to acknowledge the substantial improvements in social services outcomes that amounted to improvement in living standards and socio economic indicators over the last four decades. In fact, the pace of progress during the 1990s was so rapid that by the 2000s, Bangladesh positioned itself ahead of some of its' neighbours in the region. As noted by eminent political thinker and economist Amartya Sen, social service sectors within Bangladesh fare better than South Asian economic giants like India across key development parameters, despite entertaining relatively poorer income status.[1] However, it is also observed that failings in governance within the social sectors are likely to tarnish this well achieved progress. More precisely, there is consensus that progress could have been faster in the past and that social policy challenges that persist will require some deep institutional - or governance – reforms (Hossain and Osman, 2007).

Against this context, this examination aims to provide an in-depth assessment of the state of governance within the social protection sector. Our objective is to isolate institutional arrangements that are likely to improve the quality of governance within the social protection sector by enhancing the effectiveness of the overall sector in delivering services. However, before we delve into such broad analysis, it is essential to mention what we understand by 'good governance' and why such concerns are crucial while we evaluate the prospects of any social protection sector. The idea of 'good governance' has received multiple interpretations, but there is a broad agreement that governance is about how authority is exercised over a country's economic, political and social affairs (Carothers and Gramont, 2011). In essence, it is about ensuring that public organs operate in an effective, transparent and an accountable manner.[2] Furthermore, focusing on the governance challenges in social protection programmes is of both intrinsic and instrumental importance. To be precise, given the absolute poor is dependent on various social protection schemes for addressing their basic needs, the ethical case for ensuring good governance within social safety net

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[1] For more information, please see: http://www.risingbd.com/english/detailsnews.php?nssl=b0a665a28efd91535abb111d656ecd04&nttl=201307190932524438#.Uf4E-zvIs9I

[2] A more elaborate definition includes: "Governance is the system of values, policies and institutions by which a society manages its economic, political and social affairs through interactions within and among the state, civil society and private sector. It is the way a society organizes itself to make and implement decisions—achieving mutual understanding, agreement and action. It comprises the mechanisms and processes for citizens and groups to articulate their interests, mediate their differences and exercise their legal rights and obligations. It is the rules, institutions and practices that set limits and provide incentives for individuals, organizations and firms. Governance, including its social, political and economic dimensions, operates at every level of human enterprise, be it the household, village, municipality, nation, region or globe" UNDP (2000).

programmes is substantial.[3] Even to ensure the effective use of resources under various social protection schemes, one needs to implant institutional arrangements that minimize leakage to an optimal level.[4] Yet, what exact institutional design will produce such outcome is little understood in social policy discourse. Moreover, one can prudently argue that effectiveness of any given institutional design (or programme design) to deliver social services will be sensitive to the ground-zero political realities of the society. Thus, a rigorous assessment of the state of governance within the social protection sector cannot ignore the political conditions within which the sector operates. These political conditions constitute formal and informal institutions, political norms and historical factors that interact with various aspects of a given social protection programme to determine its effectiveness in service delivery.

Hence, the present scrutiny will examine the state of governance within the social protection sector of Bangladesh from a political economy lens, so that the reforms we prescribe are not only economically sound, but are also politically feasible. In fact, any pragmatic reform prescription must ensure three core issues: (i) feasibility: the proposed reform must not conflict with the exiting institutional set-up and organizational processes. Thus, it highlights the need of an institutional analysis of any proposal to see how it sits within the institutions and organizational processes; (ii) acceptability: the prescribed reform must be acceptable to political decision-makers, administrators, the claimants and wider stakeholders (Fritz et al 2009); (iii) suitability: a proposed action must have 'value for money', which refers to the social gains added through enhanced effectiveness and efficiency of a proposed action (Stolk, 2010).

The paper, however, refrains from evaluating or providing a synopsis of the effectiveness of each individual programme within the social protection sector of Bangladesh. Rather, our aim is to evaluate the effectiveness of the macro-institutional arrangements within which the entire sector operates. Before we proceed to the main body of our analysis, in the next section we discuss the nature of politics that prevails within our society and its implications for services based on targeting. It also constitutes a discussion of the dominant narrative within the existing literature on state of governance in social protection sector of Bangladesh. The third section will provide an overview of Bangladesh's social protection programmes. It starts off with a discussion on the historical evolution of social protection sector and then discusses the institutional arrangements within which social protection programmes in Bangladesh operates. In the fourth section, the study pinpoints some key governance weakness in the present institutional arrangements. Lastly, it discusses our suggested reforms.

Political Context and Governance in Social Protection Sector

A prominent definition of politics is that it is the art and science of explaining 'who gets what' in a society (Lasswell, 1958). In that respect, political scientists have used patron-client political framework, first pinpointed by anthropologist and sociologist to describe

[3] Even from the view point of 'need based distributive justice', acute needs should be provided with resources required to meet those needs. These groups should be given more resources than those who already possess them, regardless of their contribution in the tax pool. Hence, effective delivery of social safety net services must receive upmost priority within the public policy domain.

[4] Focusing on 'good governance', in general, is important as it can play a significant role in shaping long-run economic fortunes of nations. For example, Dani Rodrik mentions that "the long-run association between good governance and high incomes is incontrovertible." For more information, see: Dani Rodrik, (2008) "Thinking about Governance" in Governance, Growth, and Development Decision-making" Washington D.C: World Bank pp: 19–20.

the hierarchical social relations that were very influential in peasant societies (Schmidt et al 1977), to better understand political dynamics that unfolded in many non-consolidated democracies. Moreover, such framework views politicians as patrons and citizens as clients and their interactions are understood through the lens of reciprocity: the patron distributes excludable resources (money, jobs) to dependents in return for their cooperation and support (votes, attendance at rallies, etc.). The patron is argued to have disproportionate power and thus entertains considerable leverage and power over resource distribution decisions. In contemporary politics, most patrons are not viewed as independent actors, but as member of a wider grid of contacts, usually serving as a middlemen or intermediaries who pioneer exchanges of resources between local level and centre (Kettering, 1988).[5]

The political arena of Bangladesh can also be adequately understood from the lens of patron-client framework. Even after the re-introduction of democracy in 1991, the democratic process remains non-consolidated (IGS, 2010-11), and qualitative political economy examinations have often pinpointed deep rooted patron-client tendencies in shaping such outcomes. To be precise, political parties in government tries to use patronage to establish loyalties and allegiance within state institutions[6] to ensure they can distribute resources to their support base.[7] This in essence creates a ‘winner takes all' phenomenon in politics, which in turn enhances the returns from coming to power and increases the cost of losing it. Cumulatively, these factors created conditions for ‘confrontational politics', which dictates that political actors will employ both de jure and de facto tactics to either hold onto position or come to power (IGS, 2008).

Yet, the patron-client tendencies, which are often isolated to explain democratic deficit within the society, also had positive side effects. Under democratic political arrangements, politicians could not ignore citizens as they found an object for trade – votes, which in effect softly empowered the general population eligible for participation in election. Hence, political actors supported reforms and programmes that either advocated private participation of agents in economic activities that was previously produced by some state organs (such as private provision of services related to banking, education, healthcare, etc.) or they expanded social services that could reach their clients from whom they periodically seek support. As a result, it is no surprise that Bangladesh witnessed a massive expansion of social protection programmes in the 1990s as opposed to precious decades, and some governance narrative attribute this success to the nature of politics that prevailed within its landscape (Hossain and Osman, 2007). It is also argued that such local patronage politics have worked as an informal mechanism for ensuring protection (Hossain and Martin, 2007).

Nonetheless, the expansion of social protection programmes in the 1990s also coexisted with increase in leakage and corruption. In particular, political conditions that were sufficient to support the achievements of the 1990s were no longer conducive the reforms needed in 2000s. Since governance reforms in the 2000s in essence demanded greater accountability and transparency in the use of public resources, political incentives that supported reforms

[5] Patron-client political framework can experience numerous shapes under different cultural settings, but they generally involve three core characteristics: (i) the relationship is developed between agents of unequal power and status; (ii) it is based on the principles of reciprocity; (iii) the relationship is particularistic and private (Kuafman, 1975).

[6] This takes the form of politicization of public bodies.

[7] Such phenomenon is often categorized as ‘pork barrel politics', usually referring to situation where political actors target spending to the support base or constituents in return for their campaign contribution or support (Shepsle and Weimgast, 1981)

geared towards the expansion of social protection services could not see such reform prescriptions with similar enthusiasm. An issue that further complicates this scenario, in the context of social protection schemes, is the lack of comprehensive evidence on the magnitude of corruption that persist within respective social protections schemes.

For example, the Food-for-Education (FFE) programme began in 1993, when the government decided to transfer wheat to targeted poor households whose children met a set of primary schooling conditions. The primary objective was to help poor households to send their children to primary school. Consequently, the School Managing Committee (SMC) and ward Primary Education Committee were jointly responsible for the identification of poor beneficiaries at the local level.[8] As depicted in Table 6.1, studies that tried to estimate leakage in the FFE Programme produced dramatically different results. To be precise, estimates of leakage and corruption were far lower in Ahmed and Billal (1994) in comparison to estimates produced by the World Bank (2003) and BIDS (2002). Furthermore, such inconsistencies concerning the estimates of leakage often armed opponents of governance reforms with the argument that prescriptions inspired by the possible existence of corruption are not grounded in solid evidence.[9]

Table 6.1: Estimates of Leakage in the Food for Education (FFE) Programme

7%	Ahmed and Billal (1994)
30%	BIDS (1997)
up to 75%	World Bank (2003)
14-17%	Ahmed and del Ninno (2002)

The prevailing political dynamics also complicates one essential issue of various social protection schemes. That is, the principal targeting[10] challenge experienced by most safety net Programme in Bangladesh is exclusion: the scale of need is significantly larger than the size of provision. Hence, while all selected beneficiaries may be eligible, a large portion can be excluded despite their eligibility (World Bank 2003).[11] These conditions coexisting with a patron-client political norm can allow political leaders to offer selective patronage without any formal corruption or bias against the poor. A more challenging concern also arises if

[8] The selection of the deserving unions, within which all schools that met the criteria were to be eligible, took place in Dhaka (Hossain and Osman, 2007).

[9] Other studies also report varying estimates on programme leakage. More precisely, studies point to leakages of the magnitude of 10-50 percent for food-based programmes and 5-25 percent for cash-based programmes (World Bank, 2006). Even so, this remains higher than estimates revealed by an international benchmark study on fraud and error in social security systems undertaken by RAND Europe for the UK system which pinpoints leakage at 2 to 5 percent of overall government expenditure on social security (NAO, 2006).

[10] The usage of targeting has also received some strong critique in the social protection literature. To sum up these critiques, it is argued that any case for targeting has to adequately take note of the various costs of targeting, including the possibility of informational manipulation, incentive distortion, disutility and stigma resulting from such methods, administrative and invasive losses, and problems of political sustainability. For a more detailed discussion on this topic, please see Sen (1995)

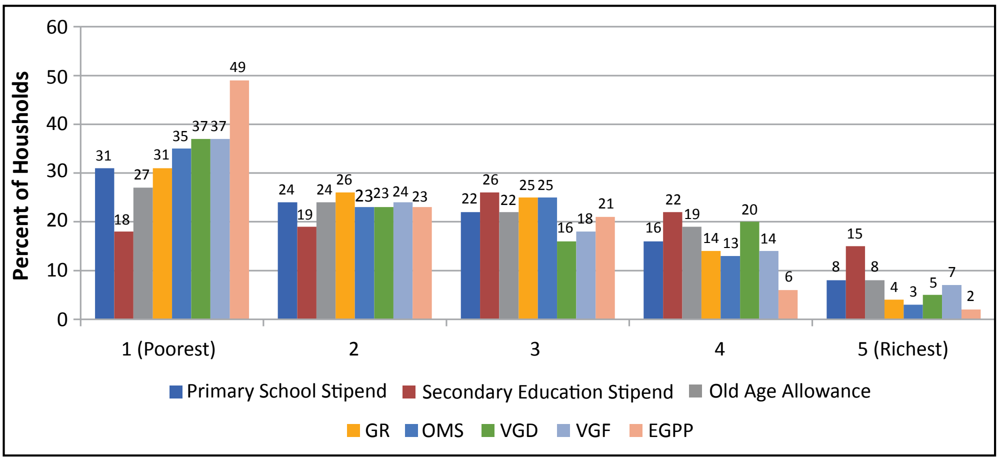
[11] A recent study by National Food Policy Capacity Strengthening Programme (NFPCSP) has found that Social Safety Net (SSN) programmes are not completely reaching the targeted group due to a lack of proper selection of beneficiaries. In fact, it is noted that 26.4% eligible households are being denied the facility while 14.2% of non-eligible households are receiving safety net benefits. For more information, please see: http://www.dhakatribune.com/editorial/2013/aug/31/target-social-safety-net-help-%E2%80%98poorest-poor%E2%80%99

the same sets of eligible people are included repeatedly, and less well-connected eligible population is left out social protection schemes. To exemplify the noted issue further, an examination of local party politics in two Upazilas undertaken by the State of Governance Report in 2006 project identifies that relief goods and safety net resources (VGD, VGF, old age and widows' allowances) distributed by Union Parishads roughly followed a pattern of distribution to each of the following group: i) needy eligible people; ii)vulnerable people with good political connections or vote bank potential, and iii) ineligible with local political influence or relations (IGS, 2006).[12]

Recent evidence on the effectiveness of targeting is suggestive that all major social safety net Programmes allocate some portion of the resources to the top income quintile (figure 6.1). In essence, it indicates that mechanism employed for targeting are suffering from some core loopholes – allowing people towards whom the Programme is not targeted to benefit from state resources. An earlier study also finds that almost 47 percent of beneficiaries of the Primary Education Stipend Programme are non-poor and are incorrectly included in the Programme (Ahmed, 2004a).

While conditional factors that can assist the effectiveness of targeting is still not known, anecdotal evidence is indicative that leakages from Programmes maintain a strong correlation with the number of intermediaries in the transfer process (World Bank, 2006). For example, VGD (and other food transfer Programmes) and Primary Education Stipend Programme, which generally involves a large number of intermediaries – also experiences a large degree of leakage.[13] In contrast, a distinguishing characteristic of the Rural Maintenance Programme, which has an estimated leakage of less than 5 percent, have far fewer intermediaries.

Figure 6.1: Effectiveness of Targeting of Major Safety Net Programmes



Source: World Bank (2013)

12 Arguably, this indicates a political settlement in which political representatives seek to use public resources intended for the poor to a) reflect a concern for the poor; b) build their own political capital; c) finance personal political activity; and d) serve personal and family interests.

13 For example, evaluations of Primary Education Stipend Programme suggest that it has leakage of over 20 percent (Ahmed 2004)

Patronage politics have also undermined the effectiveness of health sector. For instance, Bangladesh Medical Association (BMA) is the single most powerful interest group in health sector. The BMA became politicized along partisan lines during the 1991-2006 periods. These dynamics also ensured that appointments under each political regime to key position in the health care administration is subject to party bias and are not merit driven. [14]

On the whole, the governance challenges in the social protections schemes are very much related to the political dynamics that prevail within Bangladesh. Prospective institutional reforms that this analysis will prescribe must take into consideration these existing political conditions so that the changes are both feasible from an institutional perspective and acceptable to the key stakeholders. In the next section, we provide a brief overview of the social protection sector in Bangladesh. In doing so we bring to attention the institutional arrangements that remain in place and how it is likely to result in governance deficiencies under our prevailing political dynamics.

Evolution and Overview of Social Safety Net Sector

Historical Development of Social Protection

The underlying causes of poverty are complex and multidimensional. As recognized in the Sixth Five Year Plan in Bangladesh it is associated with vulnerability, social exclusion, and lack of assets and productive employment; although the central symptom is often hunger. The poor are unable to adequately access health and educational infrastructure due to their low asset exposure and thus often fail to build up their capabilities. This in turn also acts as a constraint for them to participate in the entire process of economic growth.[15] Hence in a given political space, as policymakers find it complicated to correct the distributional aspects of poverty, they are increasingly recognizing that social protection measures may assist in reducing the severe implications of the poverty (Priyadarshee 2011). Risks and vulnerability are mainstream problems in the lives of the average Bangladeshi and are recognized as such by governments, individuals and communities. Social Safety Net Programme have been an integral part of the anti-poverty strategy for the government (and previous ones) to address risk and vulnerability (Raihan, 2013).

As discussed above, initially social protection focused on keeping people out of poverty by guaranteeing a minimum support to meet their basic needs. The concept and practice of social protection in developing countries has advanced at an astonishing pace over the last few decades or so which, in part, has shaped the nature of the current social protection system. In the late 1990s, it did exist in the vocabulary of a number of development partners, but very few had major spending Programme. At present, however, it is scarcely a subject of discussion anymore rather has evolved as a buzzword among key policy makers particularly in developing nations, engaged in designing policies to reduce poverty.

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[14] For more discussion on this, please see Hossain and Osman, (2007).

[15] See: Mahmood et al. (2008) and Alam (2012).

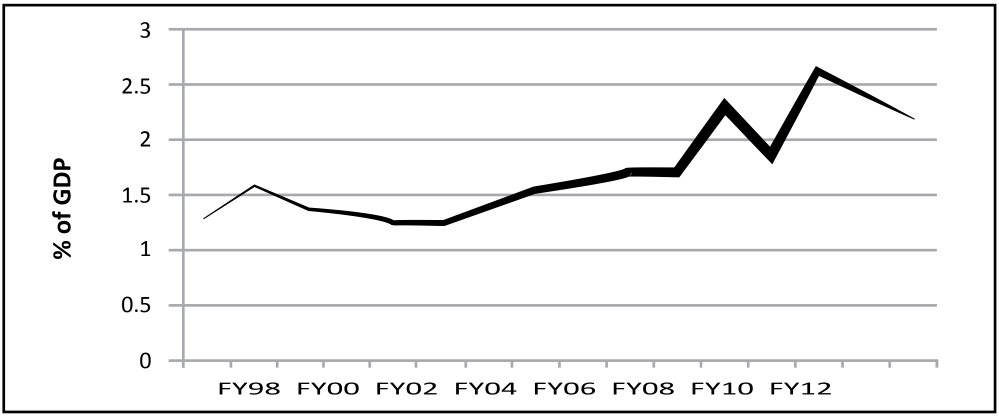
Box 6.1: 'Quiet Revolution' of Social Protection in Some Countries

After the 1997 East Asia crisis, protective measures became a key to development and political stability tool for South Korea. In Indonesia, the 1997 economic and political crises led to a fairly rapid institutionalization of a social welfare/security system. China remained fiscally conservative after the 1997 crisis, but was gradually expanding social services and social security (which it had let collapse with 'growth-first' reforms since 1978), and the 2008 crisis led to enhanced push to create a social safety net. In India, the 'Inclusive Growth' aspirations of the post-2004 Congress-led government and the civil society advocacy for rights-based development gave a major push to development of social protection schemes, most notably National Rural Employment Guarantee Act (NREGA), and (subsequently shelved) planned legislation for informal sector workers.

Overview of Bangladesh's Social Protection Sector

The Government of Bangladesh recognizes that shocks and vulnerability are mainstream problems for the poor. To address chronic poverty and vulnerability, the Government of Bangladesh (GoB) implements a large number of public social safety net (SSN) Programmes of varying sizes (World Bank 2013). While pinpointing an exact figure might be difficult, it is prudently noted that these Programmes reached 20.9 percent of the poor population in 2005 and 34.4 percent of the poor population in 2010. Furthermore, in line with the rise in the number of Programmes, the government has increasingly allocated more resources for social protection Programmes as a share of GDP over the last one decade.

Figure 6.2: Share of SSNP Expenditure as Percent of GDP



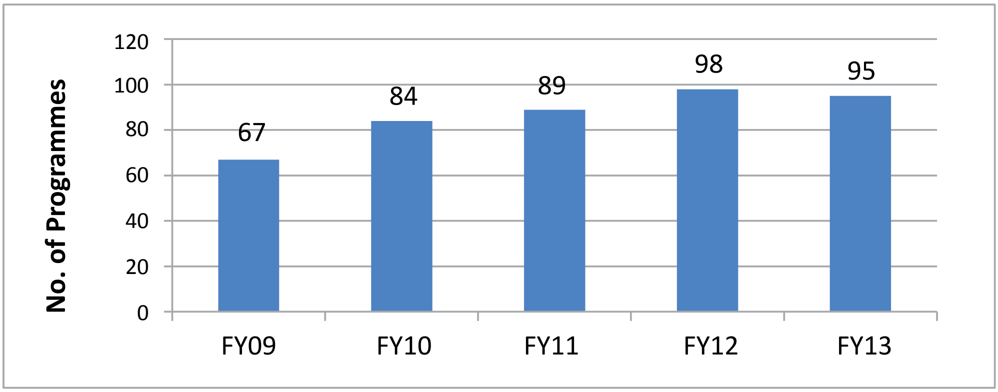
Source: World Bank (2013)

In addition, these Programmes provide benefits in the form of food, cash transfers, or a combination of the two, and are administered through the Government administrative bodies and elected local government officials. There is no single department or agency taking the lead in developing and implementing Programmes for the social protection and development of poor, vulnerable and marginalized people. Recognizing that a coherent, effective and re-engineered social protection system is central to Bangladesh's future economic and social development, the Government of Bangladesh (GoB) has now committed itself to a process of reviewing its social protection portfolio and developing a Comprehensive Social Protection Strategy. The safety net portfolio included 95 schemes in FY 2013-14[16], fragmented across

[16] Source: Budget documents, Ministry of Finance. The number of programmes was increased to 145 in the budget of FY2014-15.

various sectors, geographical areas and ministries, as well as having overlapping objectives and beneficiaries. It must be stated here, that over the last one decade, the number of social safety net Programmes witnessed a large increase.

Figure 6.3: Total Number of Social Safety Net Programme



Source: Budget documents, MOF, GOB

The safety net Programmes are administered through a wide variety of line ministries. These include, among others, the Ministry of Social Welfare, the Ministry of Food and Disaster Management, and the Ministry of Women and Children Affairs. Many of the Programmes are implemented in collaboration with NGOs and are often co-financed by development partners. The important Programmes as recognized in Raihan (2013) covered under SSNPs are: Food for Works (FFW), Vulnerable Group Development (VGD), Vulnerable Group Feeding (VGF), old-age allowances, allowances for retarded people, allowances for widow and distressed women, grants for orphanages. There are also micro-credit Programmes, allowances for freedom fighters and so on. Distressed people particularly women, children and disabled persons have been given priority under Social Safety Net. The Ministries and the major Programmes they are responsible for are set out in the Table 6.2.

Table 6.2: Ministries Responsible for Major Social Protection Schemes

Ministry	Scheme
Social Welfare	Old Age Allowance
	Widows' Allowance
	Disability Allowance
	Injured Freedom Fighters
	Insolvent Freedom Fighters[17]
Women and Children Affairs	VGD
	VGD for Ultra Poor Women
Primary and Mass Education	Primary Stipend
	Drop-outs Stipend
Education	Secondary Stipend

[17] The Insolvent Fighters Programme is overseen by the Ministry of Liberation Work Affairs, but it is administered by the Department of Social Welfare, under the Ministry of Social Welfare.

Ministry	Scheme
Local Government	Rural Maintenance Programme
Disaster Management	Employment Generation
	Food for Work

Source: Khondker and Kidd (2013)

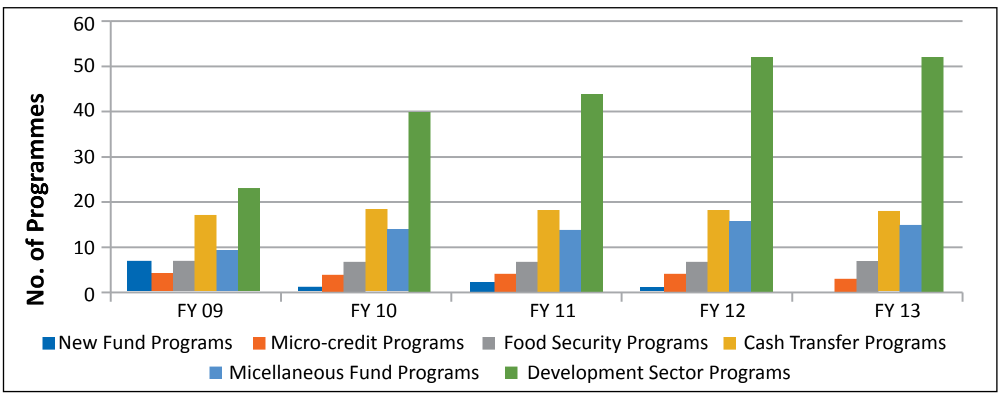
Budget Allocation in Social Safety Net Programmes:

Analysing the 2013-2014 budget documents on SSN programmes, Social protection schemes can be classified under the following broad heads – cash transfer programmes including allowances and special cash transfer, food security programmes, miscellaneous fund programmes, microcredit, and development sector programmes. All these programmes are further categorized into social protection and social empowerment schemes according to the beneficiary profiles and objectives of the programmes. Furthermore, as shown in Figure 6.4, number of social protection schemes within development programme category witnessed 250 percent+ growth between FY 2009 and FY 2013.

Looking at the expenditure side, Bangladesh spends a substantial portion of its GDP in social protection schemes - 2.22 percent of GDP for FY 2013[18]. This situation was aided by the fact that Bangladesh witnessed robust economic growth over the last one decade. In terms of responsibility for budgets, the leading ministries for social protection are set out in Figure 6.5.[19]

The Ministry of Finance manages the largest social protection budget, as the ministry operates the pensions for retired government employees. The second largest budget allocation is managed by Ministry of Disaster Management & Relief. The Ministry of Social Welfare is the most prominent ministry in terms of number of programmes. Ministry of Local Government, Rural Development & Cooperatives also manages a sizeable budget and a large number of schemes, through its two divisions. Furthermore, as mentioned in the preceding sections and as pointed out in Table 6.3, a large number of ministries are involved with the social protection schemes and it is noted that there is little coordination among them, raising the likelihood of duplication of instruments, beneficiaries, resulting in wastage of resources.

Figure 6.4: Social Safety Net Programmes (Categorized)

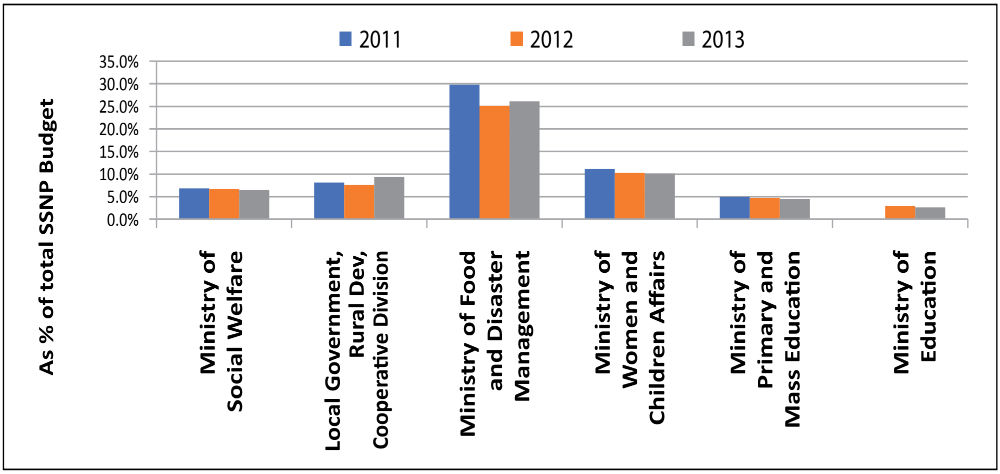


Source: Budget documents, MOF, GOB and author's own compilations

18 Revised budget figure taken from budget documents, MOF, GOB http://www.mof.gov.bd/en/budget/13_14/safety_net/safety_net_en.pdf

19 In reality, the Ministry of Finance manages the largest social protection budget as the value of the Civil Service Pension is Taka 39,900 million (Khondker and Kidd 2013).

Figure 6.5: Social Protection Budget Managed and Implemented by Ministries



Source: Budget documents, MOF, GOB and author's own compilations

Table 6.3: SSNP Budget Allocation Sorted by Ministries

Ministries	Number of Programmes		Budgetary Allocation (BDT in Million)		As % of Total SSN Budget	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Total SSNP Budget (BDT in Millions)	145	95	26654.01	23097.52	100.00	100.00
Local Government Division	18	7	2277.87	1352.07	8.55	5.85
Ministry of Agriculture	6	6	127.05	117.66	0.48	0.51
Ministry of Chittagong Hill Tracts Affairs	1	1	266.70	242.32	1.00	1.05
Ministry of Cultural Affairs	1	1	2.50	2.50	0.01	0.01
Ministry of Disaster Management and Relief	11	10	5672.93	5673.89	21.28	24.56
Ministry of Education	6	2	428.00	650.96	1.61	2.82
Ministry of Environment and Forest	4	3	259.45	449.00	0.97	1.94
Ministry of Finance		5	5	7174.05	5884.14	26.92 25.48
Ministry of Fisheries and Livestock	7	7	151.41	156.28	0.57	0.68
Ministry of Food	1	1	1565.00	1758.00	5.87	7.61
Ministry of Health and Family Welfare	10	5	1678.07	608.23	6.30	2.63
Ministry of Housing and Public Works	2	1	20.73	7.02	0.08	0.03

Ministries	Number of Programmes		Budgetary Allocation (BDT in Million)		As % of Total SSN Budget	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Ministry of Industries	1	1	150.00	1.30	0.56	0.01
Ministry of Labour and Employment	2		131.45	--	0.49	0.00
Ministry of Land	1	1	35.86	60.87	0.13	0.26
Ministry of Law Justice and Parliamentary Affairs	1	--	4.89	--	0.02	0.00
Ministry of Liberation War Affairs	4	4	901.15	683.62	3.38	2.96
Ministry of Primary and Mass Education	4	7	1516.00	1695.79	5.69	7.34
Ministry of Social Welfare	30	13	1726.80	1486.03	6.48	6.43
Ministry of Water Resources	1	2	86.34	72.16	0.32	0.31
Ministry of Women and Children Affairs	14	8	1101.31	1047.00	4.13	4.53
Ministry of Youth and Sports	4	2	251.79	320.82	0.94	1.39
Prime Minister's Office	2	1	181.00	120.10	0.68	0.52
Rural Development and Cooperatives Division	9	7	943.66	707.76	3.54	3.06

Source: Budget Documents, Ministry of Finance

Governance and Administrative Issues of the Social Protection Sector

As mentioned previously and as it can be seen above from Table 6.3, a large number of ministries and government agencies are involved with the social protection schemes. However, there is no clear indication of how such ministries coordinate on programmes with similar objectives and instruments. In fact, Table 6.4 and Table 6.5 brings to attention two key issues. First, a large number of programmes operate with a similar objective. To be precise, it can be seen from Table 6.4 that at least 29 programmes are in place to attain livelihood assistance. In addition, 15 programme are in place to improve education outcomes. Second, Table 6.5 highlights that a large number of programmes are targeted towards people within the same age threshold. Collectively, these issues can mean that such programmes might suffer from severe duplication of assistance towards the same group, which in turn can lead to leakage and wastage of development resources. Furthermore, given social protection programmes are administered through a wide variety of line ministries with little or no coordination, the norms of patronage politics can mean that each such mechanism can effectively become instruments for creating political patronage under different political agents. Thus well intentioned reform proposal that advocates the consolidation of all programmes by reducing the number of ministries responsible for safety net programmes might find very little political support.

The existing administrative capacity overlooking the social protection sector also experiences a substantial weakness in undertaking rigorous monitoring and evaluation. Two issues find most prominence underlying this phenomenon. First, line ministries often lack capacities to undertake such monitoring and evaluation exercise as they do not have the relevant human capital to perform such tasks. Second, programmes are often implemented in such manner that a rigorous impact assessment is no longer possible due to inappropriate programme design. However, without the effective monitoring and evaluation mechanisms, the social protection sector within Bangladesh will lack an evidence based framework. This will result in weak knowledge on the true effectiveness of public resources under various social protection schemes. Additionally, evidence, on the extent of leakage also provides a mixed picture as estimates vary substantially. This, in essence, undermines the legitimacy of reform prescriptions based on estimates of leakages.

The present targeting criteria may not also produce the desired results. To be specific, land criteria, are regularly used to distinguish between the poor and the non-poor but evidence from the HIES is indicative that the present targeting framework can lead to significant misallocation of resources (that is, to selecting those who are not in need). For example, one criterion used to pinpoint very poor is to include a portion of the population with at most 5 decimals of land. However, in Bangladesh, 59 percent of the poor have less than 5 decimals of land, as do 36 percent of the non-poor. Thus, if rural households with less than 5 decimals of land are randomly selected, one average over a third of them would be non-poor. Additionally, the issue of asymmetric information concerning the knowledge of who is eligible and who is not under the mentioned framework enhances the risk of adverse selection. This is because, economic agents – for whom the benefit is not intended – but have met the criteria through which the selection occurs has an incentive to participate for being selected. As a result, land ownership by itself, then, cannot be considered as a useful criterion.[20]

Table 6.4: SSNPs Sorted in Terms of Programme Objective

Objective of SSNP	Number of Programmes
Livelihood Assistance (LA)	29
Education (E)	15
Life Skills Training (LST)	14
Health (H)	10
Regional Development (RD)	5
Food Security (FS)	8
Nutrition (N)	4
Housing Support (HS)	2
Agriculture/Fisheries Support (AFS)	8
Climate Change (CC)	3
Income Generation Assistance (IGA)	15

Source: Safety Net Budget documents, author's own compilation

[20] A key insight here is that we need to view the targeted population and the non-targeted population as active rational agents who will evaluate the prospects of a given safety net programme in improving their livelihood (Sen, 1995)

Table 6.5: SSNP Sorted by Lifecycle

	Age Bracket	No. of Programmes	Percent of Total Programmes in 2013
Total No. of Programmes		95	100.0%
Prenatal	-1-0	8	8.4%
Early-Childhood	1-4	12	12.6%
School-Age			
Primary	5-12	19	20.0%
Adolescence	13-19	20	21.1%
Adulthood	20-onwards	49	51.6%
Old Age	60+	1	1.1%

Source: Budget Documents, MOF, GOB and Author's own compilations

Incentives are also not appropriately aligned within the institutions of social sector service delivery. This facilitates the prevalence of leakage within the social protection sector. At present, very few incentives are in place to ensure service providers achieve the objective of the social protection scheme.[21] Such arrangements are not likely to enhance performance as remunerations of economic agents working within the social protection sector have no relationship with whether programme objectives are satisfied or not.

Addressing the Governance Challenge: Possible Reforms

This section discusses the key governance reforms required for successful implementation of the social safety net programmes. It identifies governance reforms from both the demand and supply side perspective for effective social safety net programme delivery. It also advocates a specific institutional arrangement that can help attain this objective. The South African experience[22] has been shared in a box below as well since they have a developed institutional arrangement for social protection activities with spending about 3.5 to 4 percent of their GDP and covering 33 percent of the population[23].

[21] Disincentives are also scarce against service provider who fail to do so. Furthermore, incentives such as giving full payment and bonuses to distributors in food transfer programmes if full delivery occurs on time and penalizing them if it does not.

[22] As part of the process of developing a national strategy for Bangladesh, UNDP arranged study tours on Social Protection in South Africa and Nepal for Bangladesh Government officials to get acquainted with best international practices.

[23] Outcome Document: Report of the Study Tours on Social Protection, GED Planning Commission (September 2013)

Box 6.2: Responsible Institutions for Social Protection in South Africa

The Department of Social Development is the only ministry in South Africa that provides development, social protection and social welfare services to all South Africans. The responsibility of the Department of Social Development (formerly responsible for the implementation of the grants) is now only responsible for the development of policies for the implementation of the administrative system and the monitoring of the implementation of these policies. The Department has the following core functions:

To provide comprehensive social security systems: This comprises the development of comprehensive social security policies that focus on income support to vulnerable groups and seamless social assistance service delivery through the South African Social Security Agency (SASSA) and Appeals Tribunal.

To provide developmental social welfare services: This comprises the creation of an enabling environment for the delivery of equitable developmental welfare services through the formulation of policies, standards, best practice, and support to social service professional bodies and delivery partners.

To provide community development services: This comprises the development of an enabling environment for empowering the poor and vulnerable through the promotion and support of community development work, the strengthening of institutional arrangements, and dialogue with civil society.

The management of the South African Social Security System is the responsibility of SASSA. The South African Social Security Agency (SASSA) is a national agency of the South African Government and started functioning autonomously from 1st April 2006. SASSA administers the application, approval and payment of social grants in South Africa. SASSA is responsible for administering funds received for the payment of social assistance grants, and the Department remains accountable for the funding in the consolidated set of financial statements produced at the end of each financial year. It was also designed to reallocate the function of social security from South Africa's provinces to the national sphere of government and reports to the Ministry of Social Development.

The National development agency is another public body that reports to the Parliament of the Republic of South Africa through the Minister for Social Development and is mandated to carry out the following:

To contribute towards the eradication of poverty and its causes by granting funds to civil society organisations for the purposes of: implementing development projects of poor communities; andstrengthening the institutional capacity of other civil society organisations that provide services to poor communities.

To promote consultation, dialogue and sharing of development experience between civil society organisations and relevant organs of state, debate development policy;

and to undertake research and publications aimed at providing the basis for development policy.

Source: http://www.dsd.gov.za; Strategic Plan 2010-2015 Department: Social Development Republic of South Africa; Report on Incentive Structures of Social Assistance Grants in South Africa, Department: Social Development Republic of South Africa.

Improving Supply-Side Governance:

- A lead agency needs to be identified for overall social protection policy design and co-ordination, implementing the national social protection strategy, monitoring and evaluation and donor harmonization. The main aim is to be less dependent on a large number of actors so that one can minimize coordination ineffectiveness. This agency can be the Ministry of Social Welfare.[24]

The lead agency/ministry needs to be clear about its institutional responsibilities and accountabilities. Some of their responsibilities will be:

» Coordinating Agency: The lead agency will coordinate/consult with all the line ministries/departments and NGOs involved with different social protection schemes for successful implementation of the national social protection strategy and budgeting of the programmes. At present, a large number of line ministries overlook the operation of 145 social protection programme.

» Creation of Meta-Programmes: The lead agency in coordination with relevant line ministries, Planning Commission and (development partners in some cases) can consolidate programmes with similar objectives and instruments under a meta-Programme under fewer line ministries. This will help the agency to design the programmes in such a way so that social-protection schemes with similar objectives reframe from duplicating instruments for attaining programme objective. However, the exact process that must be followed to consolidate possible overlapping programmes into meta-programmes need further scrutiny. A possible way forward is to consolidate programmes into two themes: {i} family support; and {ii} income/employment generation.

» Monitor Regional Bias and Administrative loopholes: By being the coordination agency, the lead agency should also make sure that programmes do not suffer from regional bias due to political consideration.[25] In consultation with all the relevant stake holders the agency should tighten all administrative/operating procedures to ensure better usage of resources (World Bank 2006).[26]

» Monitoring and Evaluation (M&E) of the programmes: Thorough impact assessment has not been undertaken for all the programmes mentioned in the current safety net portfolio. In selective cases whenever an impact assessment has taken place the methodologies were questionable as they did not address the issue of causality through rigorous techniques.[27] In most studies the authors did not employ a randomised control trial (RCT) for evaluating the effectiveness of the programme[28],

[24] The Ministry of Social Welfare already has responsibility for a number of core social protection schemes (about 13).

[25] A recent study by Institute of Governance Studies is indicative that regions entertaining relatively more ministerial allocation receive more per capita development expenditure. For more discussion on this, please see Rahman and Zakaria (2012).

[26] An earlier work has pinpointed the importance of minimizing the number of intermediaries in programme delivery and making the decisions of intermediaries transparent. That is, programmes constituting large number of intermediaries making decisions about variable entitlements can facilitate leakage if decisions are not transparent (World, Bank 2006). Thus the lead agency can evaluate each such programmes involving a large number of intermediaries so that programme-centric reforms are pinpointed which will minimize the role of intermediaries in the overall programme.

[27] Studies, such as Khuda, Barkat –E (2011), PPRC study on Social Safety Nets (2011) and Rahman and Chowdhury (2012) did undertake impact assessment for some of the schemes.

[28] RCT technique ensures rigor and scientific validity by addressing issues such as selection bias.

which can essentially mean that the impact assessment can suffer from a wide variety of endogeneity issues. Therefore, to mitigate this concern, the lead agency must ensure future programmes consider the need for thorough impact evaluation and design the programmes accordingly. The department will frequently monitor the programmes and supply information about how well a programme is working so that policy makers can take actions to improve the programme implementation. It will be a continuous process that will take place throughout the programmes life and should be an integral component of all the programmes. The lead department should carry out independent evaluation of the programmes – or outsource such work to independent think tanks or consultants.

» Reforming targeting criteria: The lead agency can use household criteria that that carries better information concerning the occupation and income of individuals rather than assets such as land. It is noted in earlier work that potential misallocation could be reduced if criteria such as occupation and dwelling characteristics (e.g., access to electricity, toilets) of the household are used (World Bank, 2013). The lead agency can thus undertake work to enhance the efficiency of targeting. Targeting criteria also needs to be consistent across programmes, which again makes a case for consolidation of programmes.

» Good management information systems (MISs) needs to be developed rather than the traditional paper based management system which is the current way of administering the programmes by the local government (Khondker and Kidd, 2013). Once a lead ministry is identified a central beneficiary database for all the schemes should be placed for the lead agency to get access to data to monitor and evaluate all the programmes. Much of the information required for monitoring individual programmes can come from the respective management information and reporting systems of each programme. Formal and informal sector coverage can also be expanded through improved administration and compliance. A unique identification number for the beneficiaries and strong IT support are essential.

- Passing responsibilities at the local government level: Capacity of staffs at the local level needs to be developed and their incentives must be aligned to the objective of the programme. Once this is done monitoring of social safety net programmes can be more effectively done through the local government system. Local authorities are also more aware of local context which can facilitate experimentation through implementing heterogeneous implementation arrangements.

- This paper notes that programmes under Ministry of Food & Disaster Management should not categorized as social protection schemes as earlier argued by Khondker and Mansur 2013[29]. International experience is in line with this view. This is because the schemes under the jurisdiction of Ministry of Food & Disaster Management constitute a different nature and it deserves separate attention so that an effective disaster management strategy is developed. This is, nonetheless, not the mandate of this paper.

[29] Khondker and Mansur 2013 suggested that Disaster Management programmes be separated from the social safety net programmes since the latter should include programmes which provide consistent assistance and support. Disaster Management programmes are ones that come into effect and provide support and aid in the aftermath of natural disasters and should be segregated and administered solely by the Ministry of Food and Disaster Management

At present the social safety net programmes in Bangladesh are administered by various line ministries with the programmes having overlapping objectives and beneficiaries. For these reasons the paper suggests that the programmes be brought under the jurisdiction of two major ministries and the remaining programmes be either separated from the safety net programmes or eliminated altogether. As noted below, the core functions of the key agents are described below:[30]

Finance Division of the Ministry of Finance: The overall budget for the social protection sector will be formulated by Finance Division after undertaking a joint consultation with Ministry of Social Welfare, Planning Commission and respective line ministries to determine the overall budget for the sector.

Cabinet Division: The responsibilities and mandate of the Central Monitoring Committee (CMC) under the Cabinet Division will be expanded so as to convert it into an effective institutional platform for effective policy coordination among SSN implementing ministries. The CMC will play a vital role in formulating policies for improving delivery system of SSN benefits and enhancing the overall governance in this sector. The Cabinet Division will take initiatives to formulate a framework for integrating data of different ministries to build up a single registry MIS with a view to effectively reducing duplication in beneficiary selection and other cases of leakage.

Planning Commission: The policies concerning the social protection sector will be formulated by the Planning Commission. To implement these policies Ministry of Social Welfare will formulate and undertake necessary social protection programmes. The Results Based Monitoring and Evaluation (RBM&E) Unit within the GED should undertake independent monitoring and evaluation of each programme under the social protection sector. If it is considered to be necessary, then monitoring and evaluation of some specific programmes can be outsourced to independent agencies.

Development Partners: Funding necessary for operating certain social protection schemes can be provided by development partners. They can advise to introduce new programmes in consultation with Ministry of Social Welfare, Planning Commission and the relevant line ministries – provided such programmes do not overlap with existing ones in objectives and instruments.

Ministry of Social Welfare: The noted ministry can emerge as the lead agency for the social protection sector. All family-centric programmes will be overlooked by Ministry of Social Welfare. In particular, it will have five core functions: {i} maintain the master data base on the target population and share information with relevant line ministries so that better targeting effectiveness is achieved through reducing duplication; {ii} operate programmes which falls under its jurisdiction like old age allowance; {iii} undertake necessary monitoring and evaluation on all social sector programmes to understand the effectiveness of the programmes in meeting the desired objectives; {iv} undertake decisions on formulation of new programmes and termination of existing programmes; {v} coordinate with Ministry of Finance, Planning Commission, development partners and relevant line ministries to develop an efficient targeting criteria, update the data base and formulate an effective strategy for the overall sector. **Relevant Line**

[30] The motivation for the prescribed institutional reform is derived from the evaluation of the South Africa Social Protection sector briefly described in Box 6.2.

Ministries: Social sector programmes which do not strictly fall under the jurisdiction of Ministry of Social Welfare will be operated by relevant line ministries. For example, education stipend programme can be overlooked by Ministry of Education. However, relevant line ministries will not have any jurisdiction to introduce any new programme without consultation with Ministry of Social Welfare and Planning Commission to ensure programmes do not suffer from duplication. The relevant line ministries will also feed information to Ministry of Social Welfare.

Improving Demand Side Governance:

- All information needs to be readily available to stakeholders (Stolk 2010) in this case the beneficiaries, ministries and NGOs involved. The beneficiaries should be aware of the programme outcomes and the eligibility criteria for each programme. The beneficiaries should be encouraged to use instruments such as the Rights to Information Act (RTI) when facing difficulties to get information on the different social protection schemes. Schemes such as the employment generation programme for the hard core poor could integrate the RTI Act in its regular delivery process. Similarly, other safety net programmes could incorporate the RTI Act to bring a qualitative change in delivery system. Since the prime objective of the Act is to ensure transparency and accountability in governance, so integrating RTI Act will help in promoting good governance. On the other hand, targeted beneficiaries will be able to receive services offered by the government and non-government organisations.

- As noted in Stolk (2010) stakeholder (beneficiaries, civil societies and development partners) participation should be encouraged in programme decision-making, implementation and monitoring. Mechanism and procedure should be in place to allow beneficiaries and citizens to lodge complaints regarding programme administration, quality of programme delivery and even payment of benefits. The idea here is to accommodate voice of a wider number of actors within the social protection sector.

- Parliamentary Standing Committee on the Ministry of Social Welfare and Ministry of Local Government must frequently hold responsible entities within the ministry accountable by evaluating the performance of the overall social protection sector. In fact, Member of Parliaments must scrutinize whether social protection sector is suffering from any inefficiencies by bringing to attention difficulties faced by targeted population in getting support.

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7. Building a Social Protection System to Address the Demographic Challenges Faced by Bangladesh

*Stephen Kidd, **Bazlul Khondker, ***Naureen Khan and ****Tahera Ahsan

Introduction

Social protection systems should not be designed to respond only to the present-day social, political and economic context. They also need to adapt to the future challenges that countries face. Bangladesh is about to experience a rapidly changing future from, for example, processes such as climate change, transformations in the world economy, urbanisation and migration. However, one key change already underway – and marching forward at a rapid pace – is demographic. Bangladesh is rapidly turning into an ageing society, with elderly people comprising a higher proportion of the population, a gradually expanding – but ageing – workforce, while the proportion of children will fall.

Demographic change has, historically, been a key driver of social protection. For example, it explained, in part, the move from "poor relief" schemes in 19th Century Europe towards greater investment in old age pensions (Lindert 2004). And, demographic change can demand significant changes in broader social policy. For instance, as societies age, an epidemiological transition occurs, with non-communicable diseases growing in prevalence, requiring countries to move from prioritising mother and child health care towards establishing health systems that more effectively deal with diseases typical of an older population – such as cardiovascular disease – and which are more expensive to treat.

Following independence, Bangladesh established a system of social protection that was oriented towards mitigating the impacts of the famine and floods experienced in the 1970s, based around food handouts and workfare. It was a classic form of poor relief, similar to the social protection systems found in northern Europe, North America and Australasia in the 19th Century. However, since the 1990s, Bangladesh has begun to transition towards a form of lifecycle social protection, providing assistance for demographic categories of the population such as children, the elderly, people with disabilities and the working age underemployed. The current system, however, continues to be dominated by a commitment to selecting the extreme poor rather than establishing an inclusive form of social protection that provides social security transfers on the basis of citizenship. Despite relatively high expenditure of over 2 percent of GDP, the current system has not been cost-effective in tackling poverty, reducing the national poverty gap – which measures how close households are to the poverty line – by only 12.1 percent.

This paper explores the demographic transition underway in Bangladesh and its implications for the design of the country's social protection system. It examines changes happening at

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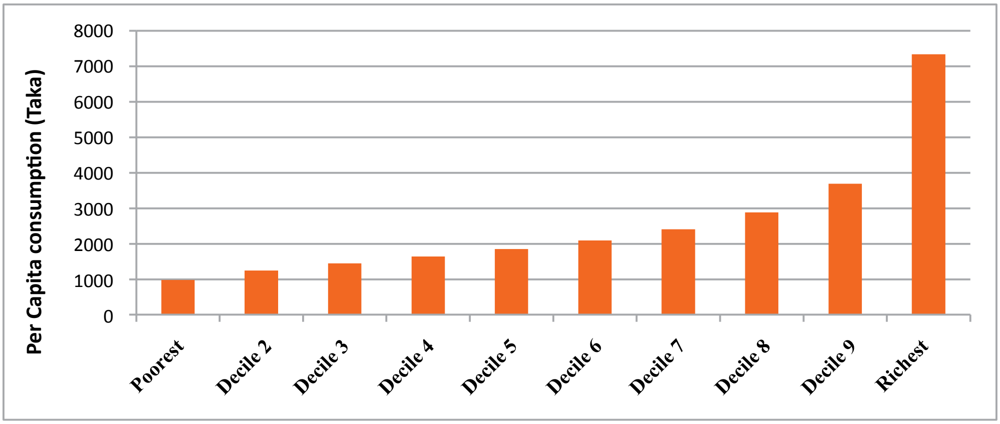
various stages of the lifecycle and the implications for current social protection schemes directed at those stages. It will argue that Bangladesh should begin to transition towards a form of inclusive social protection that provides effective income security and protection for a wide range of categories of the population, building on the transition towards a lifecycle social protection system that is already underway.

The arguments for an inclusive form of social protection are based on the analysis found in Khondker (2013), which indicates that the majority of the population of Bangladesh is either poor, in hardship or vulnerable to poverty. As Figure 7.1 points out, the average per capita consumption of the vast majority of the population was low in 2010. So, for example, even those in the seventh wealthiest decaled a per capita consumption of only BDT 2,400 per month, or US$34. Households on this level of income – with less than a US$1 per day for each person – are evidently facing various forms of hardship and unlikely to be resilient to crises that may throw them into greater poverty.[1] In some areas of the country and among some categories of the population, it could be argued that around 80-90 percent of the local population experience poverty and hardship.

Figure 7.1: Monthly Per Capita Consumption Per Wealth Decile (2010)



Source: Authors estimate based on HIES

As the population ages and urbanisation moves forward, the challenges faced by families may well increase, in particular among particular categories of the population.[2] Therefore, a comprehensive and cost-effective social protection system will need to be developed, one that ensures that the majority of the population are protected so that they have some minimum level of secure income and are more resilient to crises. While this will take time to be fully established – perhaps up to two or three decades (bearing in mind that developed countries took decades to establish comprehensive social protection systems) – the paper indicates that significant and progressive changes that will increase the effectiveness and impact of current spending can begin now.

The paper is organised as follows. Second Section will describe what is meant by a Lifecycle approach to social protection, since an understanding of this approach underpins the

[1] The international US$1.25 poverty line uses a purchasing power parity measure. This is not used here so that there is greater clarity on the actual expenditure of supposed relatively well-off families in Bangladesh.

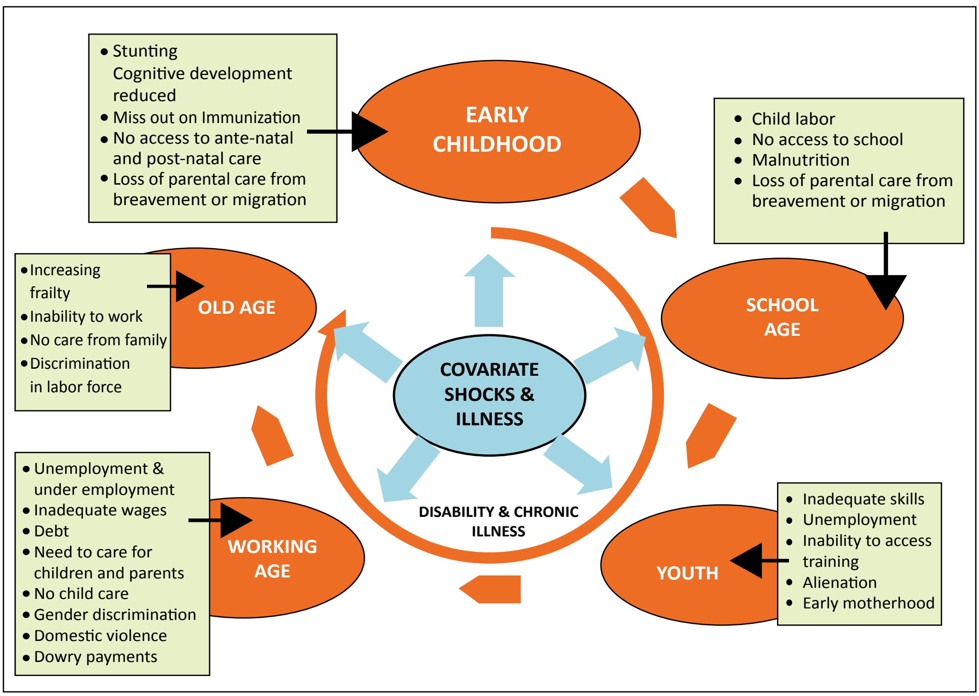
[2] The term "family" should be understood as referring to the nuclear family in this report, and includes families of one person.

arguments in the paper. Third Section examines the demographic changes underway in Bangladesh, with a particular focus on stages of the lifecycle. Fourth Section describes how the current social protection system is addressing each of the challenges and risks faced by people across the lifecycle, identifying key weaknesses and gaps. The Fifth Section sets out proposals for establishing a comprehensive and inclusive Lifecycle social protection system, providing simulations that estimate the impact of the schemes. These simulations indicate that an inclusive social protection system may well be significantly more effective in tackling poverty than the current system that targets resources at the extremely poor.

A Lifecycle Approach to Social Protection

Social protection systems are established not only to tackle poverty but to provide families with protection against the challenges, shocks and crises that make them susceptible to falling into – or deeper into – poverty. Families are vulnerable to a range of crises. Some crises can hit at any time, such as ill health or covariate shocks like natural disasters or economic recessions. Others are risks faced by individuals across the lifecycle, from birth to old age. Figure 7.2 sets out the types of risks and challenges that people in Bangladesh could face across the lives (and are described in more detail in third Section). While the risks focus on individuals, it needs to be borne in mind that individual risks also impact on others in the family, household and, indeed, broader kinship and social networks. So, for example, parents losing employment has significant impacts on the wellbeing of their children and any other relatives – such as their own parents – for whom they have care responsibilities.

Figure 7.2: Risks across the Lifecycle in Bangladesh



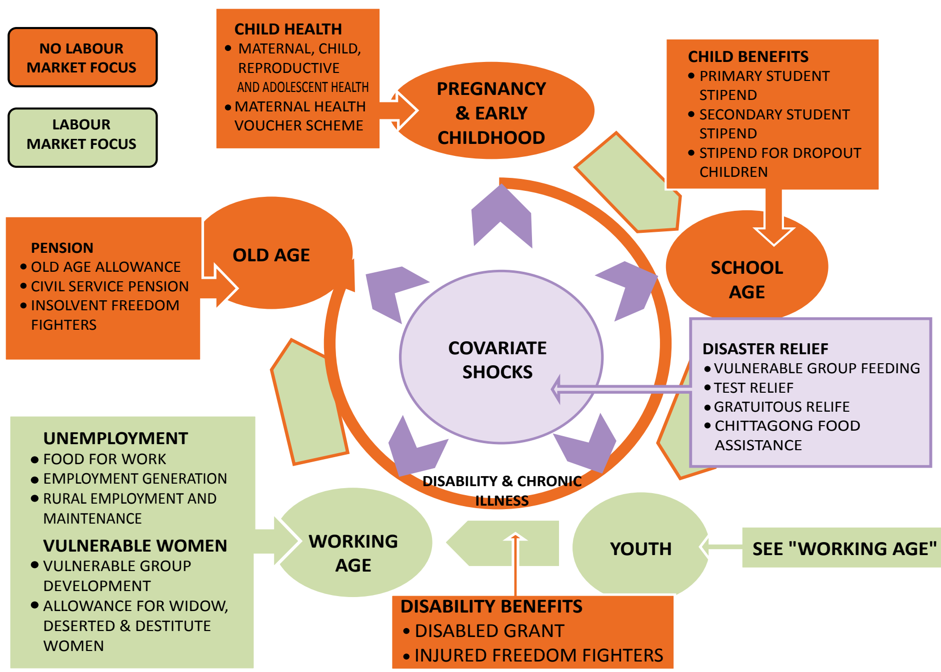
Source: Author's own source

A lifecycle perspective helps to understand the impacts of demographic change on countries since, as population structures evolve over time, the balance of policy attention and national resources dedicated to addressing lifecycle risks and challenges should also change. Demographic change will bring about a transformation in some of the underlying causes of broader national poverty, at least in terms of their overall contribution to explaining poverty.

As described in Kiddet al (2014), the social protection systems of most countries gradually evolve to address the risks and challenges across the lifecycle. In essence, countries shape their social protection systems to provide support to various demographic groups, although most countries also have a small safety net for those who fall through the gaps or need additional support. To a large extent, the lifecycle approach underpins the Social Protection Floor that has been endorsed by the United Nations and its member countries, including Bangladesh (see Bachelet 2011).

Fourth Section will describe how Bangladesh's social protection system has, over the past 30 years, begun to evolve towards a lifecycle approach. Figure 7.3 indicates the main social protection schemes currently in place and shows how they are addressing different aspects of the lifecycle. However, none of the schemes are particularly large in international comparison, having low coverage levels, low transfer values, or both. There is also a range of schemes – noted in Figure 7.3 under Disaster Relief – that are often referred to as social protection but, in reality, should not be considered as such since they do not provide regular and predictable transfers. Furthermore, while these schemes are intended to address covariate shocks, they do not perform this function particularly well.

Figure 7.3: Bangladesh's Main Social Protection Schemes Mapped Across the Lifecycle



Source: Author's own source

Demographic Change and Challenges in Bangladesh

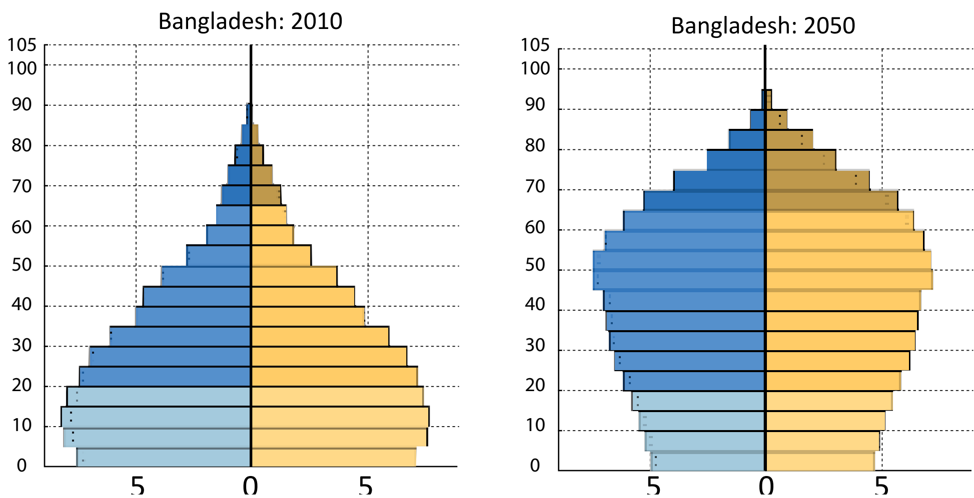
As Figure 7.4 indicates, Bangladesh still has a young population but its transformation towards an ageing society has already begun. The population pyramid for 2010 indicates that the majority of the population is still young –31 percent are under the age of 15 years – but it is evident that lower fertility is beginning to have an impact on the proportion of young children. While the fertility rate was 4.1 children per woman in 1990-95, it is projected to be 2.1 between 2010 and 2015 and could fall to around 1.8 by 2030.[3] However, the fertility rate is likely to be highly sensitive to the effectiveness of Bangladesh's pension system (see Box 7.1 for more information on how pensions influence fertility rates). An effective pensions system may result in a more rapid ageing process, since it may promote a further reduction in fertility.

Box 7.1: Impacts of Old Age Pensions on Fertility

Old age pensions have proven to be a very effective means of reducing fertility; indeed, in developed countries studies have indicated that they have been the main factor explaining falls in fertility during the 20th Century (Boldrin et al 2005; Galasso et al 2008). A further study has suggested that pensions may have contributed to a fall in fertility of one child per family in Southern Africa (Holmqvist 2010). The reason for the link between pensions and fertility is that, once the state provides support to older people, parents no longer feel that they have to produce as many children to care for them in old age.

If Bangladesh were to invest in an effective old age pension system, guaranteeing a reasonable level of income security for people when they reach old age, this may well impact on fertility, reducing the birth rate. However, the current old age pension system in Bangladesh – which mainly relies on the Old Age Allowance – does not provide this guarantee.

Figure 7.4: Bangladesh Population Pyramids for 2010 and 2050

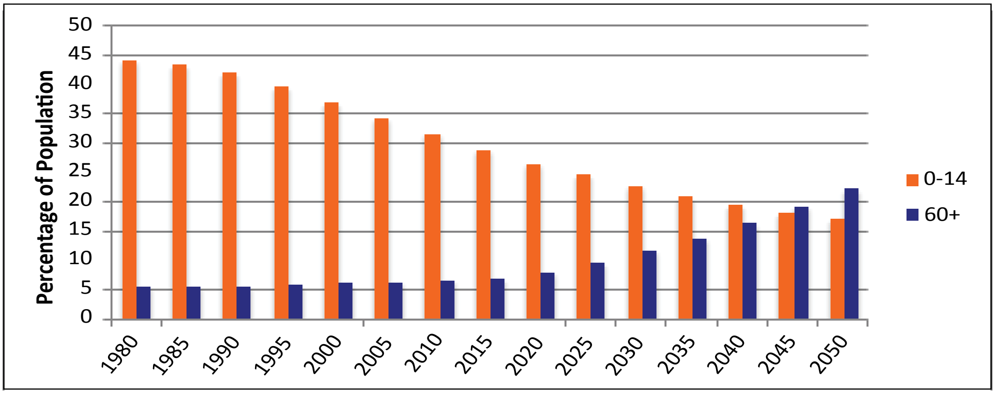


Source: World Population Prospects, 2012

[3] World Population Prospects: the 2012 Edition at: http://esa.un.org/unpd/wpp/unpp/p2k0data.asp

The fall in fertility that has already occurred means that, over the next forty years, the population will age. Figure 7.5 indicates the proportions of the population between 0-14 years and over 60 years up to 2050. While, in 1980, there were almost 10 times as many children aged 0-14 years as older people, the proportion of the population comprising children has fallen dramatically. The elderly population as a proportion of the population is now beginning to rise so that, by 2030, there will only be twice as many children aged 0-14 years as older people and, by 2045, older people will outnumber children aged 0-14 years.

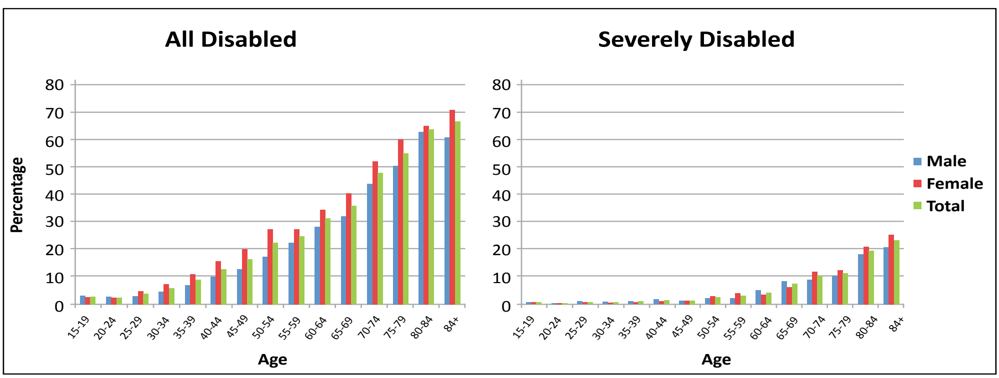
Figure 7.5: Proportion of the Population Aged 0-14 and Over 60 Years



Source: World Population Prospects: 2012

Another factor that needs to be borne in mind is how disability – and disability policy – will be impacted by demographic change. Figure 7.6 indicates the proportion of the population in each age group with a disability, as well as the proportion with a severe disability. Currently, around 8.9 percent of the population – 8 percent of males and 9.3 percent of females – has some form of disability, while the severely disabled comprise 1.5 percent of the population.[4] However, disability prevalence increases as people age, with severe disability, in particular, increasing from age 50 years onwards: 23 percent of those aged over 65 years having a severe disability.

Figure 7.6: Disability Prevalence by Age Group and Gender

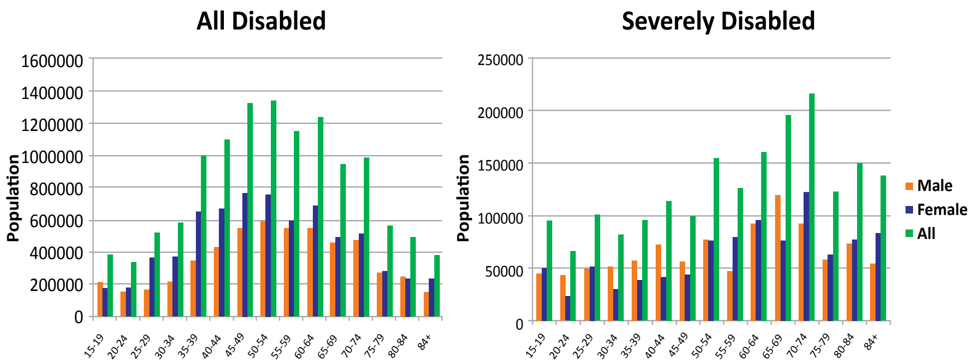


Source: World Population Prospects: 2012

4 These figures are calculated from the 2010 household survey. A person with a disability is anyone who reports "some difficulty" with one area of capability. A person with a severe disability is anyone who reports "significant difficulty" in an area of capability.

However, these prevalence rates disguise the fact that most people with disabilities – in absolute numbers – are aged between 35 and 75 years, with the peak numbers between 45 and 55 years, as indicated by Figure 7.7. The number of people with severe disabilities is highest at a slightly older age. With an ageing population, however, the proportion of the population with a disability will increase with potentially significant implications for family wellbeing as the care costs faced by families with children – who also need to care for disabled older people – will rise.

Figure 7.7: Numbers of People with a Disability in Each Age Group



Source: World Population Prospects: 2012

The shift in demographic characteristics is explored further in the sections below. Each stage in the lifecycle will be examined, with a focus on those challenges that can be addressed by social protection schemes. Within each lifecycle category, the challenge of disability will also be explored.

Where appropriate, the sensitivity of the household survey analysis will be tested by presenting the results using two different equivalence scales. The reason is that, when undertaking analysis of different demographic categories using household surveys, results are often very sensitive to the underlying assumptions used by analysts. So, to avoid poor policy recommendations, the robustness of the analysis should always be tested to understand whether the underlying data drives the results or the assumptions. Box 7.2 explains equivalence scales in more detail, and the impacts that they can have on poverty analysis.

Box 7.2: Note on Assumptions in Poverty Measures and Implications for Policy-Making

Poverty rates in Bangladesh are calculated using per capita equivalence scales. This means that the consumption of each person in the household is estimated as the equivalent of an adult. This has implications for poverty rates, in particular when different categories of the population are compared. For example, by counting each child as an adult, the poverty rates of households with children will be higher than if children were regarded as a proportion of an adult (for example, 0.5 of an adult, as is the practice in the Pacific region). So, in a country with a poverty line of US$300, a household of two adults and two children would be considered as poor, if children are treated as adults: the per capita income would be US$250, below the poverty line. However, if children were treated as 0.5 of an adult, the per capita income of the household would be US$333, making the household non-poor.

When comparisons are made between categories of the population, adult equivalent scales generate higher poverty rates for households with children than households with adults, in particular elderly and people with disabilities. A simplistic interpretation of poverty rates can lead to mistakes in policy-making.

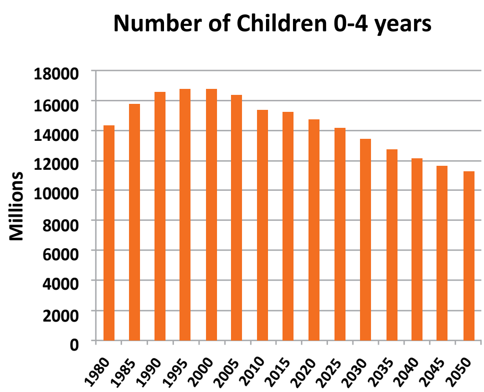
Furthermore, the Bangladesh household survey does not assume any economies of scale, which inevitably leads to larger households appearing to be poorer than smaller households.

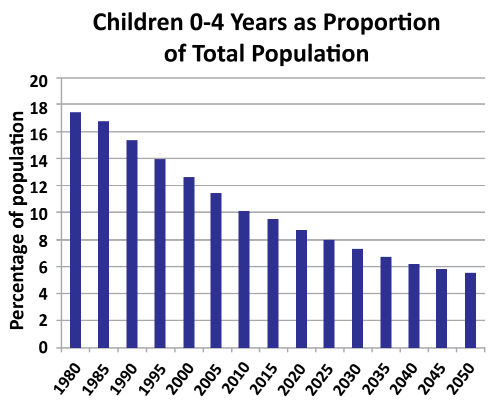
Therefore, the analysis in this section will – where appropriate – provide two sets of results, using two sets of equivalence scales: the current practice in Bangladesh and an additional analysis in which children aged 0-14 years are treated as 0.5 percent of an adult. The report does not argue that one is better than the other – indeed, many other options for equivalence scales exist – but it does test the sensitivity of any results and provides a broader evidence-base for policy-making.

Early Childhood

As Figure 7.8 indicates, the proportion of children aged 0-4 years in the population has been falling for decades. In 1980, almost 18 percent of the population was aged 0-4 years but this fell to around 10 percent in 2010 and will further reduce to less than 6 percent by 2045. However, Figure 7.8 also shows that, while the number of young children will also fall from its peak in 1995, the drop will not be as dramatic as the proportion of children in the population. Therefore, while there are currently around 15 million children aged 0-4 years, the number will remain above 13 million by 2030. It will, therefore, still be important to address the challenges faced by very young children. Indeed, at present around 38.5 percent of households include a child between the ages of 0 and 4 years, which suggests that this is a significant group to reach with social protection.

Figure 7.8: Number and Proportion of Children Aged 0-4 Years





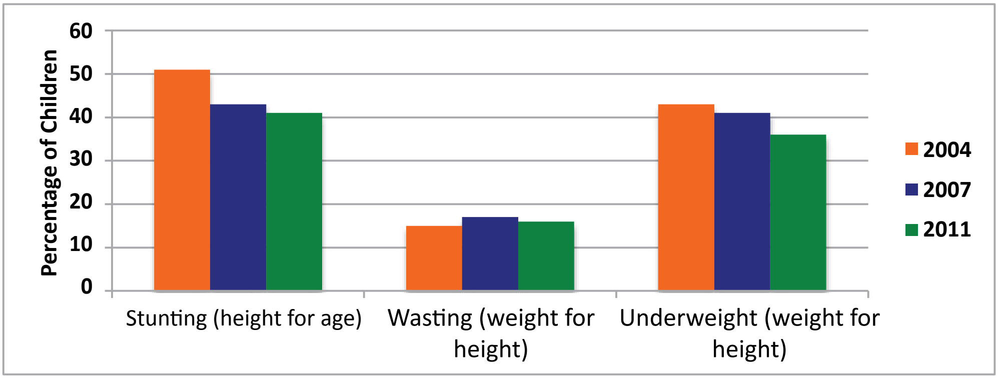
Source: World Population Prospects: 2012

Risks for young children begin in the womb, especially if their mothers are unable to access an adequate diet. It is common for women to eat less well than their husbands and, in a context of 40 percent of rural families being unable to afford a minimum-cost nutritious diet, there are significant challenges for pregnant women and their children, including lower birth rates which feed through into difficulties for children in later life (Sabina 2012). The poor diets of pregnant women are likely to be one reason explaining an under-five mortality rate of 53 children per 1000 live births, although it has improved from 94 per 1000 in the late 1990s (NIPRT et al. 2013).

It is, however, increasingly recognised internationally that the first 1,000 days of life are of critical importance for human development. If children do not receive adequate support at this time, they will be set back for the rest of their lives. One of the greatest risks they face is undernutrition: children who are stunted in these first 1,000 days are likely to be physically smaller throughout their lives while their cognitive development will be hindered. They may well underperform at school and, as adults, will probably have lower earnings, making it very difficult for them – and their families – to escape from poverty.

Undernutrition is a significant challenge for young children in Bangladesh. While there has been good progress in tackling undernutrition, with stunting rates falling from 68 percent in 1990 to 41 percent in 2011, they are still very high (Sabina 2012; NIPRT et al. 2013). The challenge is greatest in rural areas, where stunting rates are 43 percent compared to 36 percent in urban areas. Figure 7.9 indicates progress in tackling undernutrition in Bangladesh during the past 10 years.

Figure 7.9: Progress in Reducing Under-nutrition in Bangladesh (2004-11)



Source: NIPORT et al. 2013

There are multiple causes of stunting but it is evident that poverty is one reason for the continuing high levels of stunting. Over the past 20 years, both stunting and poverty have fallen, which indicates a correlation between the two (NIPORT et al 2013). Furthermore, the highest rates of stunting are among poor families (NIPRT et al. 2013). Low incomes are likely to impact negatively on nutrition because they restrict dietary options and increase the proportion of rice in the diet, impacting on both lactating mothers and children (c.f. World Bank 2013a).

Poverty rates in households with young children are high – at 41.7 percent - and, indeed, up to 72 percent of households with children aged 0-4 years could be considered to be poor or vulnerable to poverty. This suggests that, unless poverty among families with young children is tackled so that their diets are improved, undernutrition is likely to remain a major challenge in Bangladesh, which will set back millions of children for the rest of their lives.

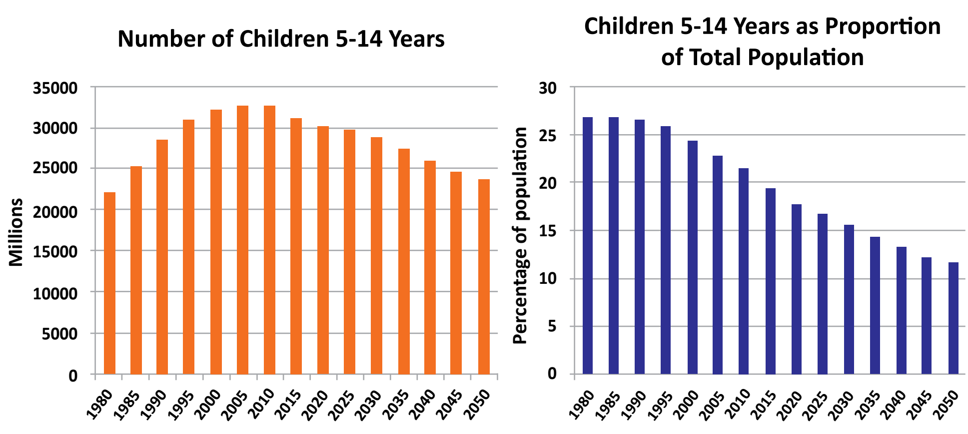
There is a growing recognition internationally that children should be able to enter Early Childhood Development (ECD) Centres from the ages of 3 or 4 years. This can prepare them for school and strengthen their intellectual development. However, the provision of ECD centres in Bangladesh is still limited with only two schemes noted in the Medium-Term Budget Framework (MTBF). Both are under the Ministry of Women and Children Affairs and constitute only 1.88 percent of the Ministry's budget.

Young children with disabilities – and their families – face a range of challenges. Giving birth to a disabled child can be difficult for many parents and provoke different reactions. While some parents abandon disabled children or give them away for adoption, many others choose to provide the child with a loving and caring home, dedicating their lives to their wellbeing. Depending on the disability and its severity, choosing to keep a child with disabilities can have significant impact on families. If the child needs additional care, a parent may have to give up work or, at the very least, have reduced time available to support their family economically. Family incomes may fall just at the time – with a new child – that they incur higher costs. Indeed, depending on the disability and its severity, the costs that families incur may be significantly higher than those experienced by the parents of children without disabilities. The impact of young children with disabilities on poverty is not possible to assess using the household survey since it is difficult to identify disability among children in household surveys.

School Age Children

The proportion of school age children in the population has been falling since 1980 and is continuing to reduce rapidly (see Figure 7.10). However, in terms of absolute numbers, the fall is much less. Indeed, the number of children aged 5-14 years is around 32.5 million and will still be 30 million by 2030. Overall, around 47 percent of households have a child aged between 5 and 18 years. Therefore, school age children – including those up to 18 years of age – will remain an important group of the population whose needs should be addressed by social protection.

Figure 7.10: Number and Proportion of Children Aged 5-14 Years



Source: Household Income and Expenditure Survey (HIES), BBS, 2010

Once children reach around 5 years of age, they face the challenge of accessing school. In recent years, Bangladesh has been making good progress in increasing access to formal education. Among poor children aged 6-10 years, school enrolment increased from 72 to 78 percent between 2005 and 2010 and from 54 to 70 percent among children aged 11-15 years[5] (BBS 2010). Enrolment among girls is higher than for boys in both age groups. However, a large proportion of children continue to drop out of school, potentially due to poverty: in

[5] Overall enrolment rates among children aged 6-10 years was 84.8% in 2010, compared to 80.4% in 2005 (BBS 2010).

2010, the dropout rate was 39.8 percent, although this was a significant improvement on 2008, when the dropout rate was 49.3 percent (BANBEIS, Basic Education Statistics 2011). Table 7.1 indicates when children are most susceptible to dropping out of school: it appears to be more likely to happen in Grades 1, 4 and 5 of primary school.

Table 7.1: Dropout Rates from Primary School by Grade, In 2010

Dropout Rate by Grade in 2010						
	Grade 1	**Grade 2**	**Grade 3**	**Grade 4**	**Grade 5**	**Total**
Boys	9.7	3.7	8.5	11.1	8.5	40.3
Girls	7.3	2.3	7	13.2	10.4	39.3
Average	8.5	3	7.7	12.2	9.5	39.8

Source: BANBEIS, Basic Education Statistics 2011.

While the increase in enrolment among children living in poverty is encouraging, much still needs to be done to address the challenge, especially in upper primary and secondary schools. A number of factors explain children's absence from school, and income poverty is almost certainly a major cause. The poverty rate among households with children aged 5 to 7 years is 41.9 percent while the proportion that could be regarded as living in or vulnerable to poverty – using double the Basic Needs Poverty Line (BNPL) – is around 85 percent, rising to over 89 percent in rural areas.

Poverty rates fall among older children. Households with children aged 8-12 years have a BNPL poverty rate of 36.8 percent while those with children aged 13-18 years have a poverty rate of 28.6 percent. While this may appear positive and may suggest that poverty is less of a factor in explaining school dropouts – and may indicate that their mothers are able to increase their engagement in the labour market – the figure is almost certainly misleading. It probably reflects the fact that, as children become older, they are more likely to become victims of child labour.

In fact, around 17.5 percent of children aged 5-17 years are child labourers (Ali 2006) with De Rooy and Islam (2010) estimating that 3.55 million children aged 7-14 years were in employment in 2005/06, around 12.5 percent of children in this age group.[6] Boys are more likely to be made to work, with 24 percent of boys and 10 percent of girls in child labour.[7] Furthermore, among older children, the proportion will be higher meaning that they miss secondary school. The majority of child labourers are – as would be expected – from poorer households (Ali 2006). The main reduction in child labourers since the mid-1990s has been among girls, potentially indicating the impact of the Female Secondary Stipend Programme – which has offered free access to school – providing further evidence that poverty drives child labour.

Female dropouts from school may be caused by a need for poor families to find carers for young children. There is limited provision of childcare facilities for mothers wishing to return to work and while, in other countries, grandparents receive adequate pensions and can afford to care for young children, Bangladesh's old age pension system – including the Old Age Allowance – does not provide adequate provision to enable older people to withdraw

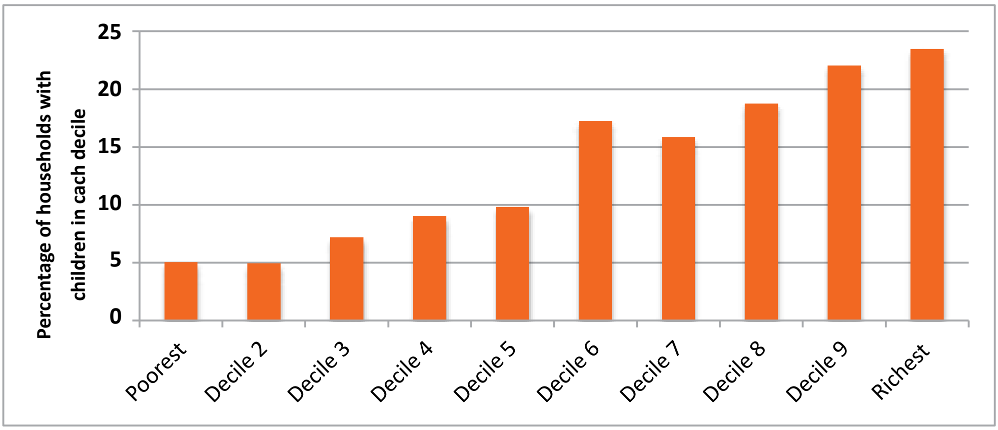
[6]Calculation based on HIES (2010) data

[7]Under a strict ILO definition of child labour, around 8% of children aged 5-17 years would be regarded as child labourers (11 percent of boys and 8 percent of girls).

from the labour market and care for their grandchildren while the mothers work. Therefore, pressure may be placed on teenage girls to leave school and care for their siblings.

Children of all ages may also face challenges from the growing trend towards people migrating for work, either to cities or overseas. Figure7.11 indicates the proportion of households with children benefiting from remittances, which averages around 13.2 percent nationally. Better off households benefit most. Migration could have some positive benefits for families if remittances are regularly sent home to boost incomes and enable families to invest in their children. However, often remittances can be irregular and may leave families without access to income for relatively long periods, putting pressure on children to seek work. If both parents migrate for work, children may be placed with grandparents who may not have the income to adequately care for them if remittances do not arrive. As recent reports from Qatar have indicated, overseas migration can be a dangerous and poorly paid profession and, potentially, could place families in a worse position (Amnesty International (2013).

Figure7.11: The Proportion of Households with Children Aged 0-18 Years Benefitting from Remittances, by Wealth Decile



Source: Household Income and Expenditure Survey (HIES), BBS, 2010

Around 4 percent of children aged 0-14 years in Bangladesh are orphans (De Rooy and Islam 2010). Becoming an orphan is likely to place significant pressure on children, since their surviving parent will find it more difficult to combine care and work.[8] Household incomes are likely to fall and it may result in children leaving school or entering work. The impact on children of losing both parents could vary greatly, depending on who assumes responsibility for their care. However, children who are members of kinship networks that experience poverty are less likely to be cared for by adults with the resources to provide an adequate level of care. They may be obliged to enter the labour force while some may end up on the streets. Their ability to gain an education may be compromised.

Children with disabilities face some of the biggest challenges in accessing school. According to UN Enable, 90 percent of children with disabilities in developing countries do not attend school.[9] It is likely that, in Bangladesh, a high proportion of children with disabilities are also out of school, which will significantly reduce their opportunities in later life.

[8] There is no information in the household survey to enable analysis to be undertaken of orphans.

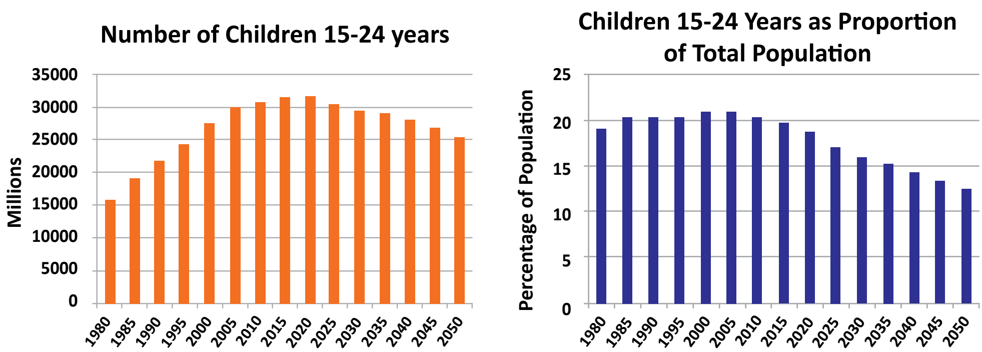
[9] Source: UN Enable Fact Sheet at: http://www.un.org/disabilities/default.asp?id=18

There are many explanations for the difficulties experienced by children with disabilities in attending school, including discrimination, the lack of appropriate infrastructure and insufficient teachers trained in special needs education. However, it is likely that poverty is also a cause, especially among families living in poverty facing higher costs in sending their children to school, which further impact on family budgets already hit by the additional costs of caring for a child with a disability.

Young People

In recent years, Bangladesh has enjoyed a "demographic dividend", with an increase of young people entering the labour force and a reduction in dependency ratios. The World Bank (2013a) has indicated that this increase in the labour force has been a key factor in reducing poverty. However, this dividend is beginning its end phase (and will be discussed further in the following section). As Figure7.12 shows, in absolute numbers, it is estimated that the number of young people aged 15-24 years will begin to fall from 2020. However, the proportion of young people in the population is already falling. While it peaked at 20.9 percent in 2000, it will be 19.7 percent by 2015 and only 15.9 percent by 2030.

Figure7.12: Number and Proportion of Young People Aged 15-24 Years



Source: World Population Prospects: 2012

The fall in the youth population means that the potential positive impact on economic growth of more young people in the labour force will also reduce. It could be argued that Bangladesh, to date, has not taken full advantage of its demographic dividend, given that many young people have insufficient skills to maximise their productivity in the labour market. Too many young people have not gained adequate secondary education and there is insufficient vocational training available to compensate. Indeed, businesses complain that a lack of skilled labour is a major impediment to growth, while also discouraging garment companies from locating outside Dhaka (World Bank 2012).

Young people in Bangladesh are facing high levels of unemployment and underemployment. While official figures state that the national unemployment rate is 5.1 percent, youth unemployment is much higher at 7.5 percent[10]. However, this probably underestimates the real level of youth unemployment. There are 2.7 million young people entering the labour market every year but only 0.7 million are able to find employment (Islam 2012).

[10] Other sources give a figure of 7.5%. Sources: Labour Force Survey (2010), Islam (2012) and http://www.indexmundi.com/g/r.aspx?c=bg&v=2229

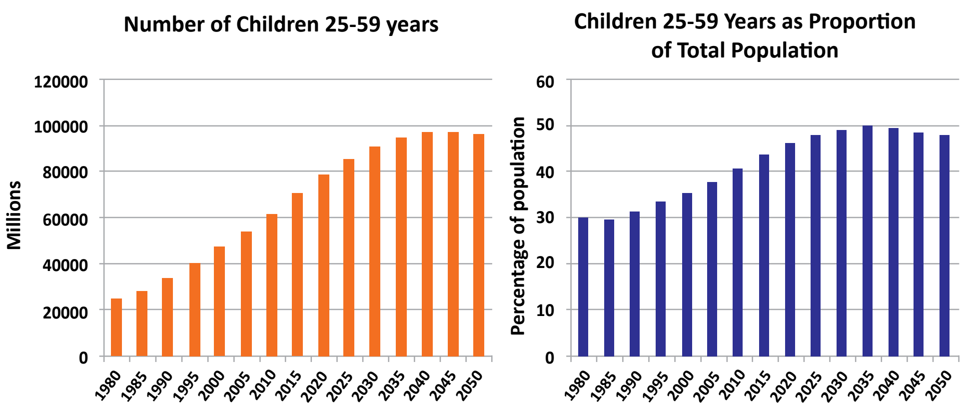
While most young people do not end up as unemployed, a high proportion enter the ranks of the rural underemployed, in particular those from poor families. If young people do not gain the skills they need, there is a danger that Bangladesh will continue to lose out on the remaining years of its demographic dividend. However, the challenges facing unemployed and underemployed young people requires further research to understand the causes and suggest effective solutions.

As indicated earlier by Figure 7.6, young people with disabilities comprise around 2.5 percent of those aged 20-24 years, while 0.45 percent of the age group has a severe disability. While the proportion is not high, young people with disabilities are likely to find significant barriers to entering the labour force, due to lower education levels, discrimination and the higher costs faced in accessing work. The barriers are likely to vary according to the type of disability. Even when they enter work, it is likely to be of lower quality and remuneration will probably be low.

Working Age Population

The working age population in Bangladesh has been growing in recent decades and, as Figure 7.13 indicates, this trend will continue until around 2030, although in terms of absolute numbers it will begin to stabilise in around 2040. In effect, this indicates the end of the demographic dividend. However, the working age population is also beginning to age gradually, with the potential workforce becoming older and more susceptible to disability. Therefore, it may be better to estimate the end of the demographic dividend ending in the late 2020s with deterioration beginning to set in by the late 2030s.

Figure7.13: Numbers and Proportion of Working Age People Aged 25-59 Years

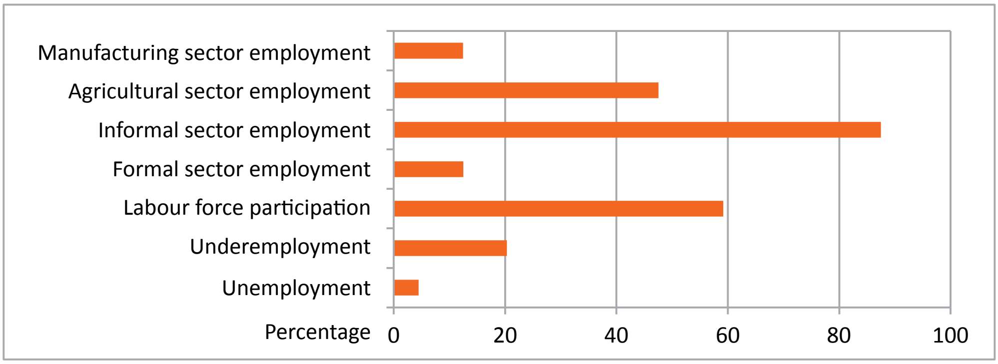


Source: World Population Prospects: 2012

The challenges of the future working age population depend, to a large extent, on the effectiveness of current social policies directed at children and young people. If many children and young people continue to suffer from stunting, deficiencies in cognitive development and inadequate education, then the capacity of Bangladesh's future workforce will be compromised. Therefore, building a competitive workforce for the future will depend on ensuring that the current social protection system builds the foundations for an effective future workforce by investing adequately in children and younger people.

The current workforce is growing rapidly and measures need to be put in place to secure their wellbeing and that of their families. Labour force participation is just under 60 percent and the majority– 87.5 percent – is in the informal economy, with few formal sector jobs available. Indeed, nearly 50 percent of the labour force is in the agricultural sector, and around a third of the labour force engages in low-paid daily wage labour, mainly in agriculture[11] (World Bank 2008). Across the labour force, underemployment – rather than unemployment – is the key challenge. As Figure 7.14 indicates, around 24.8 percent of the labour force is either unemployed or underemployed, with 9 percent of the employed working less than 20 hours per week.[12] The underutilisation of this large pool of underemployed people has negative impacts on economic growth (World Bank 2008; 2012).

Figure 7.14: Participation in the Labour Force by Sectors



Source: World Bank (2008) and BBS 2010 Labour Force Survey.

The low skills base resulting from inadequate education is impacting on the current labour force and there are insufficient opportunities for vocational education. As the World Bank (2013a) notes, a high proportion of the workforce in the poorest wealth deciles is illiterate and there is a clear relationship between more education and less poverty. However, in recent years, there appears to have been a gradual increase in the number of years of education of labour force, including among those living in poverty.

However, there are significant gender differences across the labour force. As Figure 7.15 indicates, only 36 percent of women engage in the labour force, compared to 82 percent of men.[13]

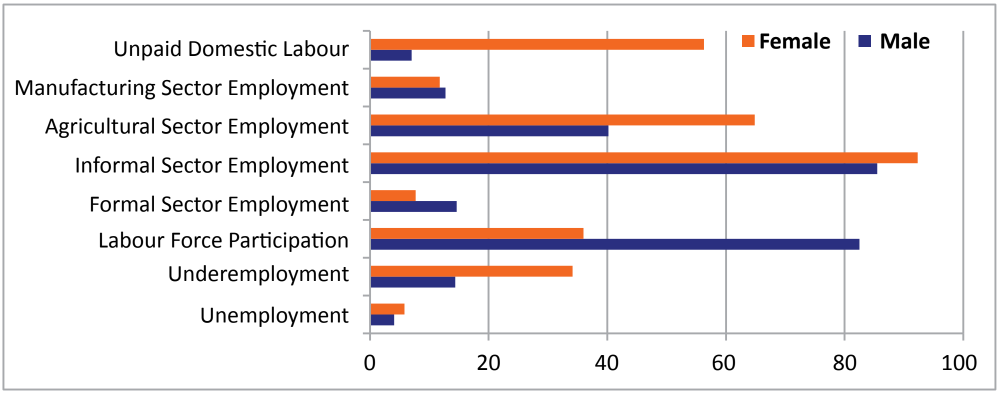
If families and the economy are to benefit from the remaining period of the demographic dividend, female labour force participation must increase. Women are, however, more likely to be in informal and agricultural sector employment, where wages are lower, while a high proportion are engaged in unpaid domestic labour. Only in the manufacturing sector does the employment of women approach that of men, almost certainly mainly due to the garment sector. Furthermore, women experience discrimination at work, since their wages are up to 60 percent lower than those of men (World Bank 2008).

[11] The World Bank (2008) argued that half lived in absolute poverty. However, this was based on a static rather than dynamic measure of poverty so, in reality, the majority should be considered as in absolute poverty.

[12] Source: World Bank (2008) and 2010 Labour Force Survey.

[13] The World Bank (2008) noted that the participation of women in the labour force was 10% compared to 80% for men.

Figure 7.15: Labour Force Participation Information for Men and Women



Source: Bangladesh Labour Force Survey BBS, 2010

Traditional and discriminatory attitudes towards women – including their weak bargaining power within the household – are likely to have a major impact on the ability of women to engage in the workforce. A further constraint is the demands placed on women to care for children, which probably helps explain both the high levels of poverty among families with children, as well as the continuing challenge of child labour. As noted above, insufficient childcare facilities and an inadequate old age pension system mean that many women of working age are obliged to stay at home. Even in factories in urban areas – which employ many young women – there is limited attention given to childcare facilities, with few factories providing this service. As a result, many women have to leave work on giving birth, just when they need additional income.

The working age population faces a series of further challenges, in addition to insufficient skills. Many suffer from structural disadvantages that are extremely difficult to overcome. These include: a lack of access to land or residence in areas of the country – such as the West or the Chars – where resources and markets are limited (Quisumbing 2007; World Bank 2008). Furthermore, there are insufficient jobs available. In part, this is due to a challenging business environment, which, if it improved to half, the level of India's, would increase trade by 38 percent (World Bank 2012).

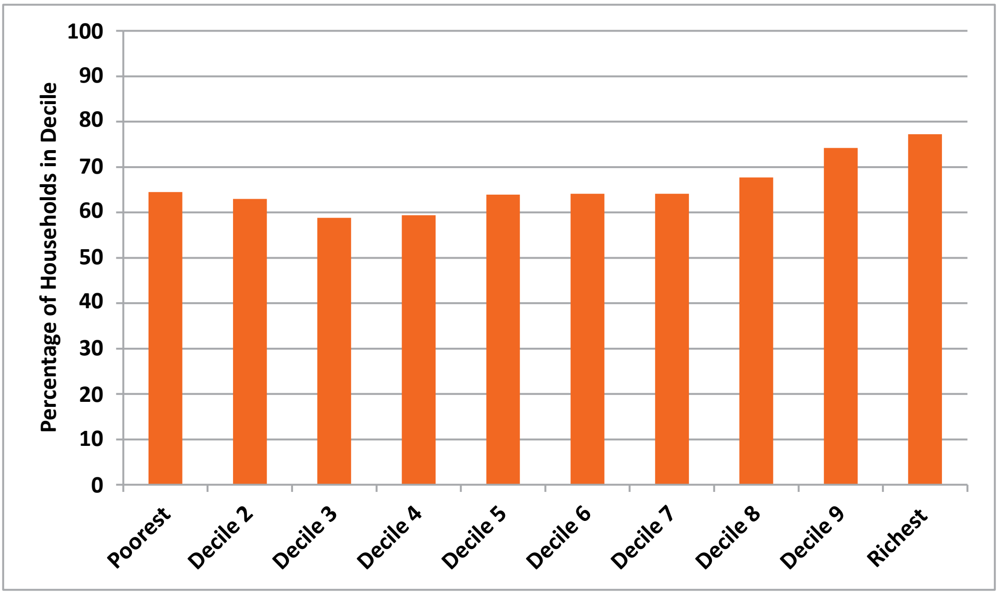
One option increasingly adopted by Bangladeshis is to migrate for work. Remittances have risen from 4 percent of GDP in 2001 to 11 percent in 2011, implying that a significant proportion of the population is engaged in migration livelihood strategies (World Bank 2012). Most migrants are young, married males with moderate education; only 15 percent are women. As Figure 7.11 indicated, people living in poverty are less likely to migrate and, when they do, their remittances are lower: migrants with secondary education remit BDT 30,000 per year more than those without. Furthermore, 82 percent of migrants come from Eastern Bangladesh, indicating that the more deprived parts of the country are missing out. Nonetheless, there are signs that the number of migrants from families living in poverty is growing.[14]

[14] In 1988, the concentration coefficient of remittance income was 0.8, indicating that most migrants were from high-income groups. By 2004, the coefficient had reduced to 0.56 indicating that more low-income families are benefitting (World Bank 2012).

Working age people face a range of challenges and potential shocks. One of the largest shocks is family illness in particular when it happens to breadwinners, with 90 percent of households believing that health shocks are the main cause of financial difficulties (Davis 2004; Quisumbing2007; Chowdhury and Foley 2006). Illness impacts on families in two ways: if the breadwinner is ill, household earnings fall while family expenditures increase to cover the cost of treatment, although, in reality, many households living in poverty avoid treatment as they find it unaffordable (Quisumbing 2007). There is likely to be a range of other shocks hitting families, including dowries and other marriage expenses.

As Figure 7.16 indicates, a large proportion of households in Bangladesh are in debt. Most households in each wealth decile have a loan, with little difference between deciles. The main reasons for taking a loan are to invest in income generation, with 26.2 percent of loans for business and 18.8 percent for agriculture, while 13.4 percent of loans are for housing and 10.5 percent for food purchases.[15]

Figure 7.16: Proportion of Households in Each Decile with A Loan

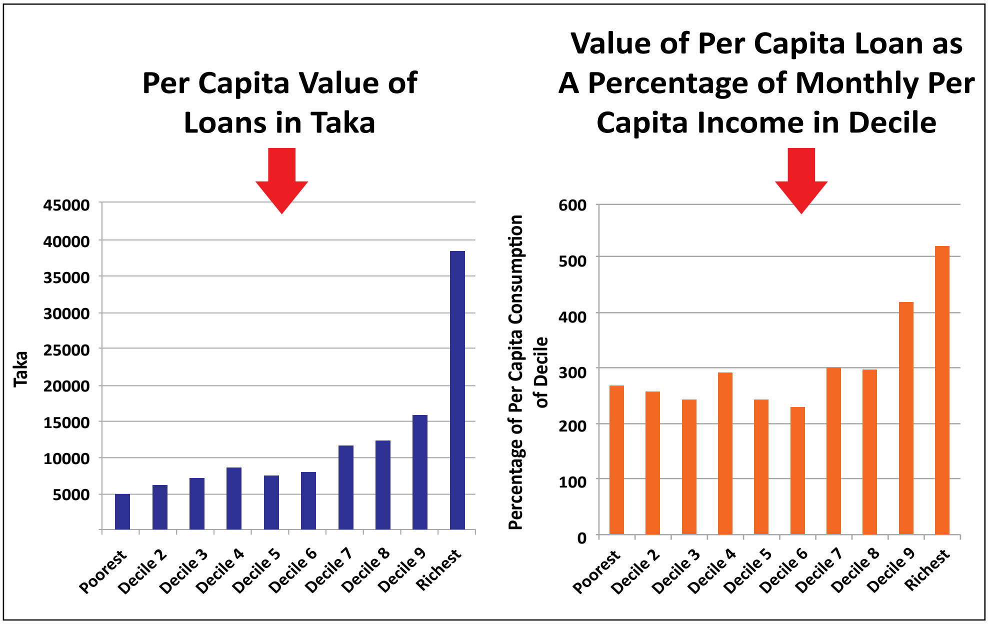


Source: Household Income and Expenditure Survey (HIES), BBS, 2010

As Figure 7.17 shows, in 2010, the average size of a loan measured on a per capita basis for a household varied significantly between BDT 2,650(US$39) among those in the poorest decile and BDT 38,600(US$570) among those in the wealthiest decile. Furthermore, among low-income families, the average per capita debt was the equivalent of almost triple their monthly per capita consumption. For such families, it will be very difficult to pay off this size of loan, given that any investment is likely to have a relatively low return. So, for example, the monthly increase in per capita expenditure of families engaged in the BRAC Targeting the Ultra Poor (TUP) Programme is only around US$1 per month, which is around one fortieth of the average debt of those in the poorest decile (Bandiera et al 2012).

[15] Source: 2010 National Household Survey.

Figure 7.17: Average Value of Loans In 2010 for Each Decile



Source: Authors estimate based on HIES

Households headed by single women are particularly vulnerable to poverty, to a large extent because of limited labour capacity (World Bank 2008). In 2010, while poverty rates of all households with children and married women were 33.2 percent, the poverty rates of divorced or separated women were 43.5 percent, although those headed by widows had a poverty rate of 31.9 percent[16]. Single women face additional challenges through discrimination in inheritance practices and growing social exclusion.

Working families are also hit financially by the imperative to care for their elderly parents and relatives with disabilities. Such care could comprise a significant proportion of the family budget and means that families have fewer resources to invest in their own children and economic activities. In the absence of an effective system of social security for the elderly and people with disabilities, the support provided by working families to them should be considered as an informal tax that has the greatest negative impact on the poor.

Disability is one of the biggest risks faced by working age people, in particular for those who become disabled during their working lives. And, disability is a significant risk. As Figure 7.6 indicated, while 3.9 percent of people aged 25-29 years have a disability, the proportion rises to 22.1 percent by age 50-54 years. For many people, the risk is greater in that that they may experience a severe disability. So, while 1.10 percent of the population aged 25-29 years has a severe disability, by age 50-54 years it is 1.67 percent of the corresponding age population.

[16] A degree of caution should be exercised with these figures as the number of households in the sample is small. Only 95 households out of 12,240 were headed by divorced or single women. Furthermore, a different equivalence scale – with children measured at 0.5 of an adult – would probably give a higher poverty rate, especially for widows.

Becoming disabled during working age can have a major impact on families, especially if it happens to a breadwinner. In one study, around 87 percent of working age people who become disabled were found to leave employment within one year, which means a significant reduction in income (Chowdhury and Foley 2006)[17]. In addition, 90 percent of spouses have to spend time caring for them, with 26 percent forgoing 15 hours of work per week and 28 percent giving up 26 hours. In addition to the loss of income, they can also face high health costs. The onset of disability is more of a challenge if it happens to a male, since the loss of household earnings is four times greater than when a woman becomes disabled, almost certainly reflecting gender differences in labour market engagement. However, if a woman were the breadwinner, similar impacts on household income would be expected. Single headed households would be particularly vulnerable to disability.

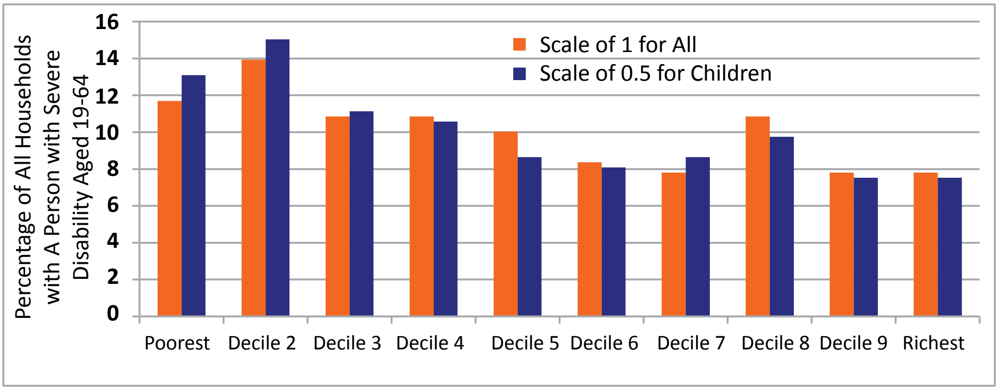
People with disabilities face significant challenges in accessing work, similar to those faced by younger people with disabilities. They experience higher costs – such as for transport or assistive devices – and are likely to face discrimination when seeking work. Many will also suffer from having experienced limited educational opportunities, which will have affected their educational attainment. Furthermore, it is likely that the type of work and wages they receive will be inferior to those of people without disabilities. There are also indications that they are less likely to be able to access loans, which are essential for establishing and expanding small businesses, while they also appear to be less able to enter programmes such as BRAC's Targeting the Ultra-Poor scheme. There is, of course, no rational basis for this: in a micro-finance programme in Andhra Pradesh, in India, over 95 percent of PwDs successfully repaid their loans, around the same rate as people without disabilities (Mont 2013).

A particular challenge for those PwDs who require more significant care as adults is the bereavement of their careers, often their parents. They may find that other people are unwilling to take on the role of carers, leaving PwDs in a very vulnerable situation; and, if others do assume care responsibilities, this will have an impact on the incomes and wellbeing of their own households, potentially pushing them into or nearer to poverty. For PwDs whose kinship networks are poor, it is likely that they will face even greater challenges in finding other carers. Again, the challenge of finding new carers when parents die has not been investigated in Bangladesh but information on household structures suggests it may be a problem. While, across Bangladesh, 2.28 percent of households comprise someone living alone, 53.25 percent of these households are PwDs, suggesting that a high proportion of adult PwDs are excluded from kinship networks and are receiving insufficient support.

As a result of the challenges faced by people of working age with disabilities, they – and their families – are more likely to face poverty. The poverty rate of households including a person with a severe disability aged 19-64 years is 10.3 percent higher than that of the national population, and 15.9 percent higher if an equivalence scale of 0.5 for children aged 0-14 years is used (although they comprise only 2.9 percent of all households[17]. Figure 7.18 indicates in which deciles of the population households with people with severe disabilities aged 19-64 years were found. It shows that they are more likely to be in the poorer deciles (in particular when an equivalence scale of 0.5 for children aged 0-14 years is used).

[17]The poverty rate of households with people with disabilities aged 19-64 years is 35.5% compared to the national poverty rate of 32%. When an equivalence scale of 0.5 for children aged 0-4 years is used, the poverty rate is 37.1%.

Figure7.18: Location of Households with a Person with a Severe Disability Aged 19-64 Years, as a Proportion of All Households of this Type



Source: Authors estimate based on Household Income and Expenditure Survey (HIES), BBS, 2010

Working families also have to survive in a context of uncertainty, which affects their decision-making and investment decisions. As noted above, immediate risks such as illness and disability mean that the majority of families do not know whether they can guarantee an income for their family. Many families are continually concerned about whether their small investments will fail, their assets – such as animals – will die, or they may lose jobs. This uncertainty means that they are less likely to invest in higher risk and higher return activities.

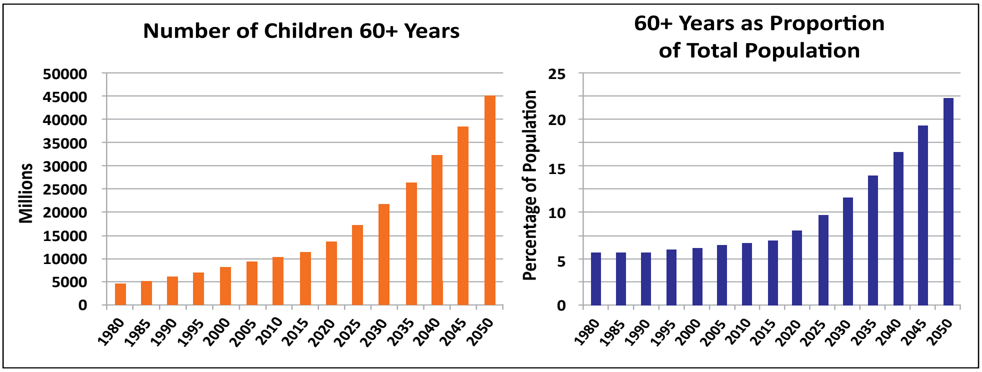
Furthermore, the absence of an effective old age pension system means that families are probably still having more children than they need, as they plan to use them an insurance mechanism for their old age. Yet, the more children that families have, the greater their likelihood of living in poverty. So, while households with one or two children have a poverty rate of 28.5 percent,those with 3-5 children have a poverty rate of 48 percent (reaching 64 percent if the poverty line is increased by only 20 percent) [18]. If double the BNPL is used for measuring poverty, it can be estimated that around 90.6 percent of households with three or more children are poor, experiencing hardship or vulnerable to poverty, almost the entire group.

Older People

The most significant demographic change facing Bangladesh is the increase in its elderly population. Indeed, as Figure7.19 indicates, the country has begun the transition to becoming an ageing society. In 2010, 6.8 percent of the population was aged over 60 years and Bangladesh will reach the 10 percent threshold – when countries are considered as ageing – in around 2026. By 2050, over-60s will comprise a massive 23 percent of the population.

[18]These figures are based on equivalence scales in which children are treated as equivalent to adults. Source: 2010 National Household Survey.

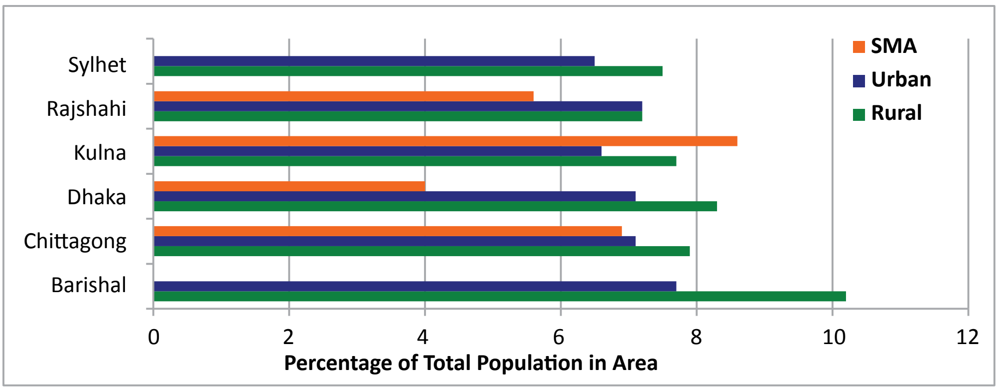
Figure 7.19: Number and Proportion of Older People (60+ Years)



Source: Authors estimate based on Household Income and Expenditure Survey (HIES), BBS, 2010

The ageing of the population is occurring at different rates across the country, as indicated by Figure 7.20. There is a higher proportion of over-60s in rural areas, rising to over 10 percent in Barisal. While urban areas have a lower elderly population – reaching as low as 4 percent in Dhaka Metropolitan Area –the metropolitan area of Khulna is an exception, with nearly 9 percent of the population over 60 years.

Figure 7.20: Over-60 population in Different Areas of Bangladesh, as a Proportion of the Total Population



Source: Authors estimate based on Household Income and Expenditure Survey (HIES), BBS, 2010

The transition to an ageing population will bring about a fundamental transformation in Bangladesh. It will influence democracy since the elderly will become a significant proportion of the voting population. Indeed, when those aged over 50 years are taken into account – since they will be interested in what happens to them in old age – the older population will comprise 32 percent of voters in 2030 and 46 percent by 2050[19]. Therefore, winning the "grey" population will be critical to electoral success. There will also be major epidemiological changes since non-communicable diseases will become the main source of ill-health, which will lead to higher health costs for both families and the state.

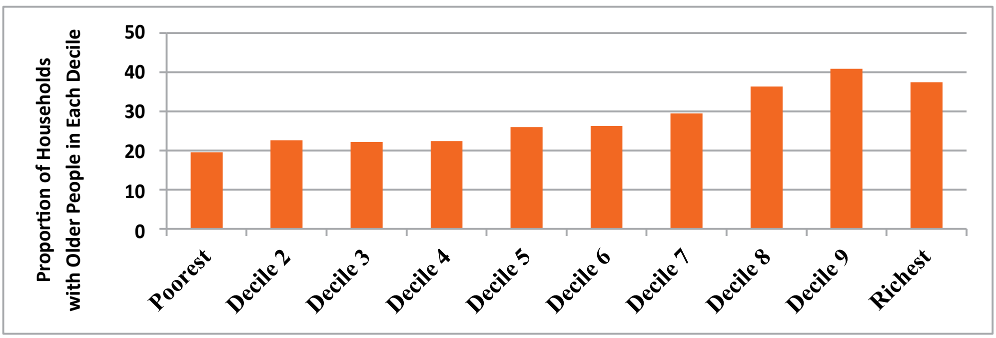
[19] Calculations based on UNDESA's World Population Prospects, 2012 Edition, at: http://esa.un.org/unpd/wpp/unpp/panel_indicators.htm

As older people become increasingly frail and disabled, their ability to work reduces, impacting significantly on their incomes. At the same time, they face rising health costs. Those who continue to work experience discrimination in the labour market, including lower wages. They also find it more challenging to engage in their own enterprises as credit is more difficult to access: only 19 percent of older people are able to access credit, compared to an average adult participation rate among Bangladesh's poor of 45 percent (HelpAge International 2008). Older women are more vulnerable than older men since only 48 percent are married, compared to 92 percent of older men (Biplob 2010). Given their lower labour force participation rates when younger, they are also much less likely to be in paid labour than men.

As older people become less able to subsist from their own incomes, in the absence of an effective old age pension system they have to depend on relatives for care and support, in particular their own children. Yet, as happens across all countries as they modernise, it would appear that traditional systems of support are breaking down leaving a growing number of older people vulnerable (Biplob 2010). While, in 2000, 84 percent of elderly people in urban areas and 79 percent in rural areas lived with a mature son or daughter, by 2010 this had fallen to 79 and 71 percent respectively, potentially indicating a gradual growing social exclusion of older people (World Bank 2013a). Furthermore, older people who are members of kinship networks that experience greater poverty are less likely to receive support.

The migration of younger people from rural communities explains the higher proportion of elderly in rural areas and will have resulted in many older people losing close support, while many have increasing responsibilities caring for the children of migrants. Yet, remittances may not arrive to support older carers. In fact, remittances are more reliable from migrants within Bangladesh than from overseas (Erb 2012). In reality – as indicated by Figure 7.21 – only a minority of older people benefit from remittances, with an even smaller proportion among those living in the greatest poverty.

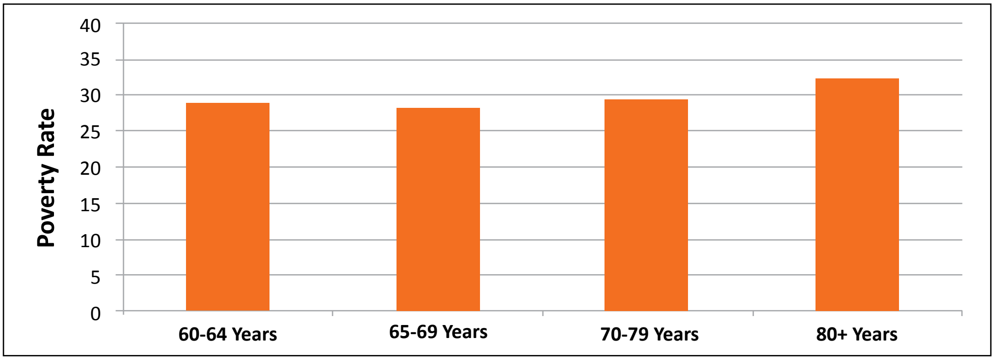
Figure 7.21: Proportion of Households with Older People in Receipt of Remittances in Each Wealth Decile



Source: Authors estimate based on Household Income and Expenditure Survey (HIES), BBS, 2010

Households including older people are likely to live in greater poverty than households without older people. The 2010 household survey, however, potentially confuses this picture if sensitivity testing of assumptions is not undertaken. When children are treated as equivalent to adults in their consumption, the household survey suggests that the poverty rate of households with older people is 29.5 percent, which is below the national poverty rate. However, when an equivalence scale of 0.5 for children is used, the poverty rate of households with over-60s is 2.5 percentage points higher than the national poverty rate. This is consistent with the findings of Quisumbing (2007) who, using an alternative data set, found that a household member aged over 55 years was a good predictor of poverty. Women are at higher risk of poverty than men, with poverty rates that are 15 percent higher.[20] Furthermore, as Figure 7.22 indicates, older elderly people are more vulnerable to poverty and have higher poverty rates, providing some evidence on the impact of greater frailty.

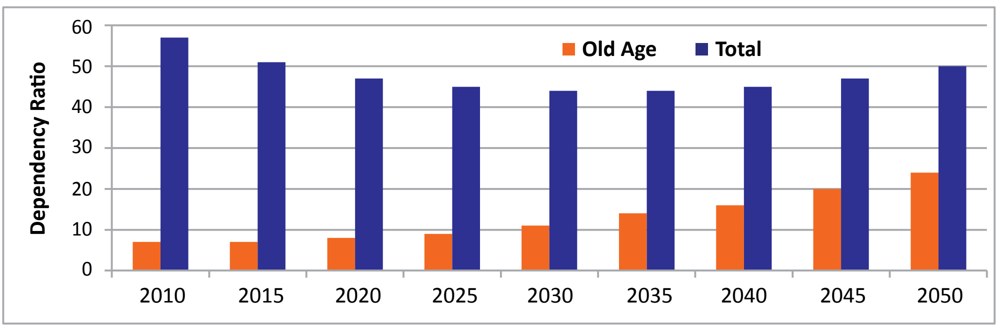
Figure 7.22: Poverty Rates of Older People of Different Age Groups



Source: Authors estimate based on Household Income and Expenditure Survey (HIES), BBS, 2010

Although the population of Bangladesh is ageing, this does not necessarily cause immediate challenges in terms of financing old age pension schemes for older people. Figure 7.23 indicates that, while the dependency ratio for older people will deteriorate, the overall dependency ratio will continue to fall until 2030 and, even by 2050, will be lower than in 2010. This is the result of the fall in the proportion of children in the population. Consequently, the demographic dividend should make it possible for the state to invest resources in older people without concerns that the elderly population will overwhelm the state's financing capacities.

Figure 7.23: Dependency Ratios for the Elderly Population and the Total Ratio (i.e. Children and Elderly Together)



Source: Authors estimate based on Household Income and Expenditure Survey (HIES), BBS, 2010

Current Social Protection Provision for Lifecycle Categories

The current high proportion of the population that is either in poverty, experiencing hardship or vulnerable to falling into poverty in Bangladesh – as well as the wide range of risks and

[20] The poverty rate of women over 60 years was 30.2%in 2010 and for men 26.3% (using adult equivalent scales). The poverty gap among households with older men was 8.1 and 6.5 for older women.

challenges faced by people across the lifecycle – suggests the need for a comprehensive social protection system offering coverage to the majority of the population along with adequate benefit values. Kiddet al (2014) describe how, in developed countries, national social protection systems have evolved to address lifecycle risks, and this is happening in a growing number of developing countries.

As noted in the second section, it could be argued that a similar transition to a lifecycle system is happening in Bangladesh. Following independence, Bangladesh initially established a social protection system based on food transfers for the extremely poor, usually provided as humanitarian assistance. However, since the late 1990s, this system has evolved with the growth of a range of schemes addressing lifecycle risks. This is indicated by Figure 7.3 in the earlier section, which maps Bangladesh's main social protection schemes against stages and risks of the lifecycle. It indicates that Bangladesh has, effectively, a hybrid social protection system in which food transfers that are supposed to address covariate crises continue while there is a growing commitment to a wide range of schemes offering support at different stages of the lifecycle.

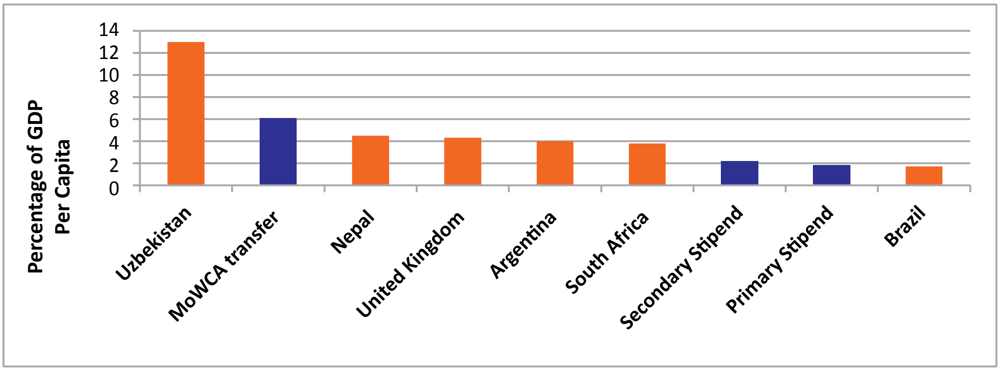
Table 7.2 provides details on the main social protection schemes in Bangladesh, aligned alongside the lifecycle stage and risk. The sections below describe in more detail current provision of social protection schemes at different stages of the lifecycle, including their strengths and weaknesses. It also highlights gaps in provision at different stages of the lifecycle.

Early Childhood

Coverage of very young children by social protection schemes in Bangladesh is minimal, despite the challenges they face, in particular with regard to undernutrition. There is a small child grant schemes in the MoWCA – known as Maternal Allowance Programme for Poor Lactating Mothers – that reaches just over 100,000 families in total. Therefore, the gap in provision for young children is massive. In effect, almost the entire category – around 15 million children – does not receive direct social protection support.

The MoWCA child grant provides BDT 350 per month to each recipient. Figure 7.24 compares the value of the MoWCA child grant with other child grants from around the world, as a percentage of GDP per capita. It suggests that the value is slightly higher than similar schemes in other countries, including Nepal's new child grant.

Figure 7.24: Value of MoWCA Child Benefit and Primary and Secondary School Stipends in International Comparison



Source: Authors' own calculations using the following data sources: SASSA (2012), Kidd and Huda (2013), Roca (2011) and https://www.gov.uk/child-benefit/what-youll-get [21]

Table 7.2: The Main Social Protection Schemes in Bangladesh, Mapped Against Lifecycle Stage and Risk

Title of Scheme	Implementing Ministry	Number of Recipients	Size of Transfer	Budget (Taka Billion)	Percentage of Total Allocation	Percentage of GDP
EARLY CHILDHOOD						
Maternal Allowance Programme for Poor Lactating Mothers	Ministry of Women and Children Affairs	0.092 mill	BDT 350	0.425	0.19%	0.004%
SCHOOL AGE						
Stipend for Primary Students	Ministry of Primary and Mass Education	8.43 mill	BDT 100-125	9.25	4.1%	0.089%
Secondary Education Stipend Programme	Ministry of Education	3.8 mill	-	6.50	2.9%	0.063%
Stipend for Dropout Students	Ministry of Primary and Mass Education	0.25 mill	BDT 50-60	4.58	2.0%	0.044%
WORKING AGE						
Food for Work	Ministry of Disaster Management	5 mill	-	14.39	6.3%	0.139%

[21] The Uzbekistan programme referred to is the Family Allowance. In Brazil, the reference child grant is the grant provided by Bolsa Familia for children aged 0-16 years (other grants in Brazil are a little higher in value).

Title of Scheme	Implementing Ministry	Number of Recipients	Size of Transfer	Budget (Taka Billion)	Percentage of Total Allocation	Percentage of GDP
Employment Generation for the Poorest	Ministry of Disaster Management	.045 mill	BDT 175	12.00	5.3%	0.116%
Rural Employment and Road Maintenance Programme	Local Government Engineering Department	0.138 mill	BDT 90/p. working day	2.67	1.2%	0.026%
Vulnerable Group Development	Ministry of Women and Children Affairs	9 mill	-	8.07	3.5%	0.078%
Allowance for Widowed, Deserted and Destitute Women;	Ministry of Social Welfare	0.92 mill	BDT 300/ month	3.31	1.5%	0.032%
Vulnerable Group Development for the Ultra-Poor Women	DWA/MoWCA/ NGOs	-	-	-	-	-
DISABILITY						
Allowance for Financially Insolvent Disabled	Ministry of Social Welfare	0.29 mill	BDT 300/ month	1.03	0.5%	0.010%
Honorarium for Injured Freedom Fighters	Ministry of Social Welfare	0.008 mill	-	0.76	0.3%	0.007%
OLD AGE						
Old Age Allowance	Ministry of Social Welfare	2.5 mill	BDT 300/ month	8.90	3.9%	0.086%
Honorarium for Insolvent Freedom Fighters	Ministry of Liberation War Affairs, through the MoSW	0.15 mill	BDT2000/ month	3.60	1.6%	0.035%
Civil Service Pension	Ministry of Finance (Accountant General Office)	0.325 mill	Variable	45.19	19.9%	0.435%
TOTAL	-	77.6	-	227.5	100%	2.2%

Source: Authors' estimate based on Ministry of Finance data

School Age Children

The social protection schemes with the highest number of recipients are for children of ***school age***, mainly via the Primary and Secondary Student Stipends. Around 12.7 million children receive stipends, with the majority at primary school. Coverage is around 24 percent of primary school age children and 17 percent of secondary school age children. There is a small transfer provided by the Ministry of Social Welfare for children with disabilities, but it only reaches 18,600 children in total, a tiny proportion of the total number of children in need.

The transfer level of the stipends is low. One child receives BDT 100 per month from the Primary School stipend but, if there are more than two recipients in a family, the overall transfer reduces to BDT 125 in total, so the value per child is much lower than BDT 100. The Secondary School stipend provides between BDT 120 and BDT 150 per child, depending on age, and the value per child also reduces if there is more than one recipient in the family. Figure 8.24 compared the value of these transfers with child benefits in other developing countries, as a percentage of GDP per capita. It indicates that both transfers are below the value of most countries, apart from Brazil. However, if the real value of the Primary and Secondary Stipends per child were used – based on the value of the transfer in families with more than one child – then the value would be regarded as very low by international standards, well below that of even Brazil where households can receive multiple benefits.

While coverage is relatively low for the stipends, support for children with disabilities is even less. It is not possible to know how many children have a disability. However, South Africa provides a grant for children with severe disabilities – known as a Care Dependency Grant – reaching 0.6 percent of all children aged 0-18 years. If the same proportion were used to estimate the number of potential children with severe disabilities in need in Bangladesh, the total number would be around 350,000. Therefore, current coverage of children with disabilities can be estimated at around only 5 percent.

However, the main challenge with social protection schemes for school age children is the size of the transfers: they are too small to have a meaningful impact. A more reasonable transfer size – based on international experience – would be the equivalent of around 4 percent of GDP per capita, which is estimated at around BDT 240 per month, with no reduction in families with more than one child.

Working Age (including Young People)

There is a range of social protection schemes for people of working age. These are divided into three main types: workfare schemes; programmes for women; and benefits for people with disabilities. There are three large workfare schemes in Bangladesh, although it could be argued that the Food for Work programme is more like a labour intensive infrastructure scheme than social protection (see Box 7.3). Compared to India's Employment Guarantee Scheme (NREGA) – which provides an entitlement of up to 100 days' work to everyone in rural areas – coverage of workfare schemes in Bangladesh is limited, with around 1.3 million recipients in 2012.

The Employment Generation programme offers BDT 125 per day which is the equivalent of US$1.56, [22] significantly higher than the US$0.40 paid on India's NREGA.[23] The value of the transfer is slightly below the reported market wage in rural Bangladesh for male agricultural employment, which has been estimated at BDT 130 (World Bank 2013b). However, it is above the market wage rate for women

[22] The exchange rate for mid-2012 has been used.

[23] Information on India's EGS is provided by Camfield and Vennam (2012).

of BDT 116, which is likely to negatively impact on any self-targeting aspirations of the scheme. It is estimated that around 600,000 people per year access the scheme. If participants were to work for their full annual quota of 80 days, they would receive BDT 10,000 per year, which is the equivalent of around 10 percent of the poverty line for a household of average size.

However, the effective value of the transfer to households is probably much less than suggested by the value of BDT 10,000. As indicated in Box 7.3, there are significant opportunity costs experienced by participants in workfare programmes since they have to give up other income earning opportunities to enter workfare programmes. In Bangladesh, on a programme requiring a full day's participation in a workfare scheme, Ahmed et al (2007) estimated the opportunity cost at 70 percent. So, if a similar opportunity cost operated in the Employment Generation scheme, the effective transfer to households would be only BDT 3,000 per year. This is less than the value of the transfer provided by schemes such as the Widows' and Old Age Allowances – which are, as explained previously, regarded as particularly low – thereby calling into question the cost-effectiveness of workfare schemes. Box 7.3 provides a summary of the evidence on workfare schemes, indicating other disadvantages including that they may damage the nutrition and well-being of children and women while potentially undermining the ability of families to invest in their own production. [24]

Box 7.3: Workfare Schemes

Workfare schemes provide people with cash on the condition that they undertake public works, usually on infrastructure. However, there is growing evidence that raises concerns about their use as social protection instruments:

- They tend not to reach the poorest families, who often do not have spare labour capacity (McCord 2005; Camfield and Vennam 2012);
- They are not an efficient form of transfer, as there are significant opportunity costs to recipients who have to give up other income-generating activities. In Bangladesh, for every $1 transferred, consumption rose by only $0.30 in one workfare scheme (Ahmed et al 2007). In fact, there is evidence from Ethiopia that consumption can also fall among recipients of workfare schemes (Tafere and Woldehanna 2012).
- There is evidence – from Ethiopia – that the obligation to engage in public works to receive a cash transfer, results in a reduction in people's own production (Berhaneet al 2012).
- Workfare programmes can impact negatively on child and female nutrition (Ahmed et al 2007; Manley et al. 2012; Helen Keller International, undated). In Ethiopia, they have led to an increase in child labour while children's attendance at school has reduced (Tafere and Woldehanna 2012)
- The assets built in workfare schemes are often of poor quality and of little use after a few years (McCord 2005).

Nonetheless, there is value in making infrastructure programmes more labour intensive, and the Food for Work scheme is probably an example of this. Rather than using machinery in contexts of high levels of youth unemployment, it would make sense to use labour, in particular young people. However, these are not social protection programmes; they are infrastructure programmes and the focus should be on delivering high quality infrastructure (or maintenance of existing infrastructure) while providing decent wages.

[24] See also Kidd et al. (2013a) for a further discussion on the challenges with workfare schemes with regard to their ability to support families to engage in their own production.

Bangladesh has recently accepted a US$500 million loan from the World Bank for the Employment Generation scheme. While this should improve the delivery systems of the Employment Generation scheme, it begs the question whether this is really a cost-effective investment and beneficial for poor families.[25] It may well be preferable to focus on unconditional transfer schemes that are more able to support families to engage independently in the labour market. Box 7.4 explains how unconditional transfers provide a platform for working age households to engage in the labour market (see also Kidd et al 2013).

Box 7.4: Explanation of How Unconditional Transfers Enable Families to Engage in the Labour Market

There is good evidence that people can engage effectively in the labour market if they are in receipt of unconditional social protection benefits. For example, in Brazil and South Africa, families receiving Bolsa Familia and the Child Support Grant are more likely to be in work than those outside the programmes (Oliveira et al 2007; Samson 2009). Well-designed social security schemes also enable families to invest in their own income generating activities: people use their transfers to invest in productive assets and small businesses, even without additional labour market support from government.[26]

Social protection schemes providing regular and predictable transfers underpin the engagement of poor people in the labour market by transforming their worldview. Access to a regular and predictable cash transfer provides poor families with a minimum income platform that infuses their lives with predictability. No longer do they have to worry about whether they will be able to feed their children the next day or week. Instead, the guaranteed receipt of a social transfer offers them security and the knowledge that they can provide their children with the basic essentials of life for the foreseeable future, as well as keeping them in school. As a result, families can plan ahead and invest in income generating activities or look for employment. Indeed, they are more likely to take loans and invest in higher risk – but higher reward – activities.

The other set of schemes for working age people are directed towards women. The largest is the Widows' Allowance, which reaches just over a million women, although around 23 percent are over 62 years of age[27]. It provides them with BDT 300 per month, which, as an annual transfer, is equivalent to around 5.5 percent of GDP per capita. This is much lower than Nepal's similar Single Women's Allowance, which provides 11 percent of GDP per capita. The Vulnerable Group Development scheme provides a transfer of 30 kg of grain per month,[28] which has a value to families that is equivalent to BDT 900 per month . Women also receive support to establish small enterprises. However, the total number of recipients of VGD is only 640,000, which is well below the high number of women living in poverty in Bangladesh.

[25] The World Bank (2013b) undertook a cost-effectiveness study of the Employment Generation scheme. However, the results are highly dependent on the assumptions used, many of which could be challenged.

26 See Alderman and Yemtsov (2012) for a summary of the evidence.

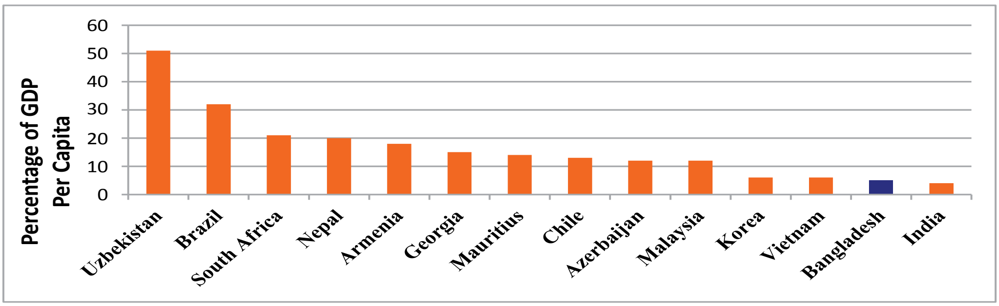
[27] Based on analysis from the 2010 Household Survey.

[28] It has been assumed that the 30 kgs of grains delivered would cost beneficiaries BDT 30 per kilo to purchase in the market. It is likely that government procures the grains at a lower price but when comparing the impact of schemes, it is preferable to examine the relative value to recipients.

An important social protection intervention for working age women – although not a direct cash transfers – is childcare for young mothers, which enables them to continue at work. However, the provision of childcare in Bangladesh is limited. A tiny number of factories provide childcare facilities for employees while the Ministry of Women and Children Affairs also provides some centres, mainly in Dhaka.

While there are programmes to address the needs of working age adults with disabilities, they are relatively small. The main disability grants reach only 290,000 people while there is also a small scheme for disabled freedom fighters. Given that there are 1.1 million people with severe disabilities of working age, this would suggest coverage of no more than 30 percent. In fact, the 2010 household survey suggests significantly lower coverage with only 2.6 percent of those aged 19-64 years with a severe disability found to be receiving the disability benefit. While this probably indicates challenges with data collection, it also suggests that a significant proportion of those with the most severe disabilities are excluded from the scheme. Furthermore, according to the household survey, 28 percent of those receiving the disability benefit are aged over 65 years (although this is taken from a very small sample, so the result should be treated with caution). The disability grant provides BDT 300 per month, which is the equivalent of 5.5 percent of GDP per capita. Figure 7.25 provides a comparison of the value of the benefit – as a percentage of GDP per capita – with a range of other developing countries, and indicates that Bangladesh offers one of the lowest value benefits in the world. So, for example, Nepal's disability benefit for people with severe disabilities is the equivalent of 22 percent of GDP per capita while South Africa's Disability benefit provides the equivalent of 28 percent of GDP per capita.

Figure 7.25: Comparison of the Value of Bangladesh's Disability Benefit with Other Schemes in Low And Middle-Income Countries



Source: Authors' own calculations using the following data sources: SASSA (2012), Kidd and Huda (2013), Roca (2011) and https://www.gov.uk/child-benefit/what-youll-get [29]

While there are evidently significant gaps in the provision of social protection for working age families, it could be argued that child benefits play the role of family transfers, as happens in countries such as South Africa, Brazil, Argentina, Namibia, Mauritius, Mongolia and Nepal (along with many developed countries). In reality, there is very little difference between benefits for families and benefits for children. The former is often provided to families on the basis of poverty or marital status, while the latter is provided on the basis of the number of children in the family. However, international experience indicates that labelling family transfers as child benefits is likely to lead to greater political support and higher budgets.

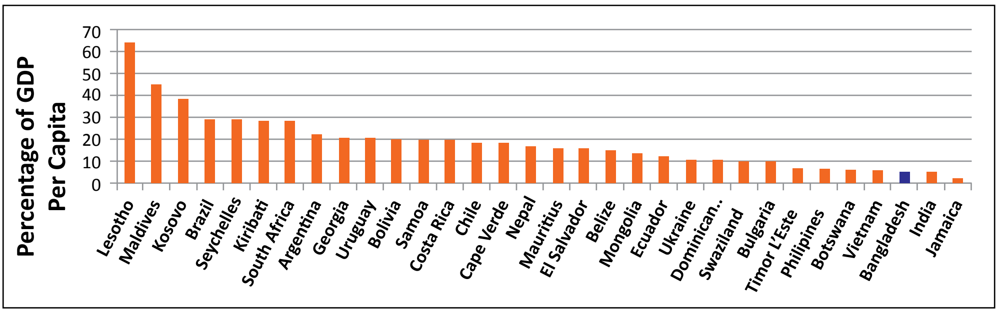
[29] The Uzbekistan programme referred to is the Family Allowance. In Brazil, the reference child grant is the grant provided by Bolsa Familia for children aged 0-16 years (other grants in Brazil are a little higher in value).

Old Age

The highest level of social protection spending in Bangladesh is on programmes addressing the risks associated with old age. In terms of budgets, the Civil Service Pension is the largest social protection scheme in Bangladesh, although it pays generally high benefits to only 398,000 people. The Old Age Allowance has grown in recent years and now reaches 2.5 million people. In addition, the allowance for Insolvent Freedom Fighters is almost certainly mainly for older people while – many of the recipients of the Widows' Allowance are elderly. In theory, therefore, coverage of old age pensions may be between 35 and 40 percent of men over 65 years and women over 63 years.[30] However, analysis of the 2010 HIES indicates that 33 percent of beneficiaries of the Old Age Allowance are below the age of eligibility[31]. As a result, the real level of pension coverage will probably be under 30 percent.

The Old Age Allowance is the main pension scheme but its transfer of BDT 300 per month is low and limits the scheme's ability to provide income security. Figure 7.26 compares the transfer value – as a percentage of GDP per capita – with other similar tax-financed schemes from developing countries. It indicates that Bangladesh's Old Age Allowance has one of the lowest transfer values in the world and is well below the value of Nepal's Senior Citizens' Allowance.

Figure 7.26: Comparison of the Value of Bangladesh's Old Age Allowance, with Similar Schemes in Other Developing Countries



Source: Authors' own calculations using the following data sources: SASSA (2012), Kidd and Huda (2013), Roca (2011) and https://www.gov.uk/child-benefit/what-youll-get[32]

Overview of the Current Social Protection System

Bangladesh's social protection system provides benefits to around 25 percent of all households. This is low coverage in a country with an extreme poverty rate of 31.5 percent and a US$2 per day poverty rate of 84 percent. Furthermore, despite relatively significant spending, the 2010 HIES indicates that the current social protection system reduces the national poverty rate by only 3.9 percentage points and the national poverty gap by 12.1 percent[33].

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30 There are around 8 million elderly over 62 years for women and 65 years for men and overall coverage of pensions is around 3 million.

31 The age of eligibility for the old age pension is 62 years for women and 65 years for men. It is possible that there may have been problems in identifying age correctly in the HIES.

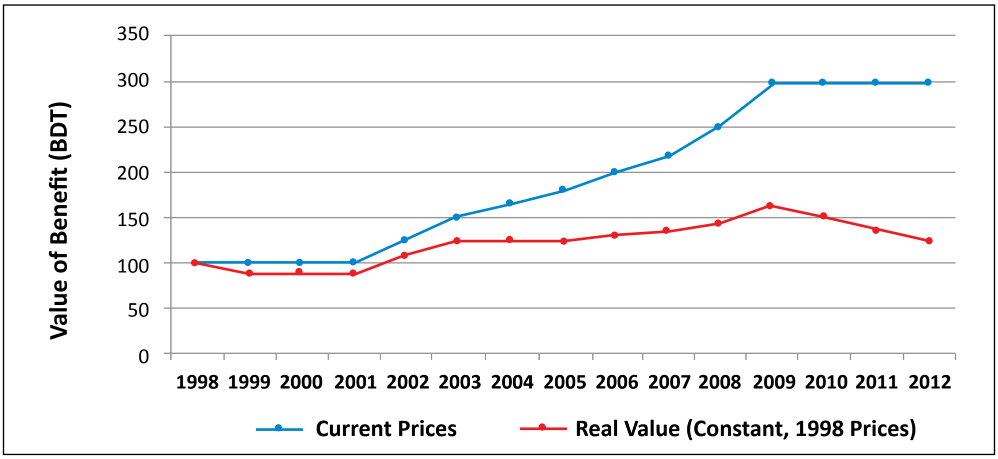
32 The Uzbekistan programme referred to is the Family Allowance. In Brazil, the reference child grant is the grant provided by Bolsa Familia for children aged 0-16 years (other grants in Brazil are a little higher in value).

33 The poverty rate with transfers is 31.5% and 32% without; the poverty gap is 7.1% with transfers and 7.3% without. It may be that the information on receipt of transfers is deficient in the household survey – the transfers reported are much less than those that should be received – but even if the impact was doubled, it would still be very limited. The under-reporting of transfers may indicate broader problems with the household survey.

The World Bank (2013a:52) appears to agree with this conclusion, indicating that income from labour has been the main driver of lower poverty, with transfers almost insignificant. There are a variety of explanations for the low impact of the current social protection system but two of the most important are low transfer levels and low coverage of poor households.

Indeed, the real value of transfers in some key schemes has fallen over the years. For example, the Primary Stipend has not increased in value for many years, meaning a significant reduction in its purchasing power (Baulch 2010). It would appear that an expansion in the number of recipients has come at the cost of a reduction in the value of transfers, leading to lower impacts on poverty and family wellbeing. In another major scheme – the Old Age Allowance – while the real value of the transfer increased slightly between 2001 and 2009, since then it has begun to fall (see Figure 7.27). One exception appears to be the Secondary Stipend, which, in 2009, increased in value from BDT 25 per month – a tiny sum – to BDT 120-150 but at the cost of a significant reduction in the number of recipients. However, as indicated above, this is still a relatively low transfer.

Figure 7.27: Value of the Old Age Allowance: Monetary Versus Estimated Real Prices



Source: Ministry of Social Welfare data and IMF, World Economic Outlook Database, April 2013 Note: For inflation figures, average consumer prices are used.

There are also significant gaps in Bangladesh's social protection system when measured against lifecycle stages and risks. Despite a high rate of undernutrition among very young children, coverage of children aged 0-4 years is almost insignificant while the coverage of those of school age is relatively low. Furthermore, only a small proportion of people with disabilities and elderly receive some form of benefit.

Therefore, Bangladesh's current social protection system is not yet set up to tackle the demographic challenges faced by the country and does not provide an adequate minimum income floor for a wide range of categories of the population. Furthermore, it is not well positioned to address future changes to the country's demographic structure, in particular the ageing of the population. The next section will examine some options for a future direction for social protection in Bangladesh, to enable it to more effectively address the demographic challenges it faces.

Options for Addressing Demographic and Lifecycle Challenges in Bangladesh

As noted earlier, Bangladesh has already begun the process of moving to a Lifecycle Social Protection system, in line with the evolution of social protection in developed countries and many middle-income countries. A Lifecycle System is able to effectively tackle demographic challenges since it establishes schemes that address the needs of particular demographic categories. Therefore, the proposals in this paper focus on strengthening the current transition to a Lifecycle System, while aiming to make it more inclusive. It does not propose directing schemes only to those living in extreme poverty which, as Kidd et al (2014) explain, is not an effective means of supporting them. An inclusive approach to social protection implies that schemes will progressively provide higher coverage while also increasing the level of transfers so that their impact is more meaningful.

The paper will propose the following priorities for Bangladesh:

- The creation of a comprehensive pension system that provides income security to all older people through both contributory and tax-financed pensions. Over time, the contributory system would also be able to provide other benefits to help people address risks through insurance mechanisms, such as unemployment, illness, maternity and disability.
- The establishment of a comprehensive system of support for people with disabilities, from childhood to old age.
- The strengthening of a system of child benefits that prioritises tackling undernutrition among young children but progressively incorporates older children. This will also provide support to working age families.
- A shift from workfare to child benefits and childcare as the main means of directly supporting working families, while maintaining a commitment to labour intensive public works.
- The establishment of a system enabling single mothers to claim maintenance from the fathers of their children (or vice versa if the father is the single carer).
- The continuation of a grant for widows of working age.
- A small residual safety net to support those who still fall into destitution

While this is an ambitious list of potential schemes, many build on processes that are already underway. Furthermore, as with any lifecycle social protection system, these schemes should be introduced and expanded over time – perhaps two to three decades – as political will and state finances dictate.

The following sections will describe the schemes that could be introduced, where possible assess their potential impacts using simulations based on the 2010 HIES, and examine costs. It will also set out proposals for the gradual expansion of each of these schemes.

Box 7.5: Caveat on Assumptions Used in the Simulations Used in this Section

The simulations used in this section to assess the impacts and coverage of schemes assume that the schemes can be implemented without errors, a normal assumption in this type of analysis for both poverty targeted and universal access. Within the schemes that assume universal coverage – as a proxy for 80-90 percent coverage (with many of those on low incomes self-excluding from the schemes) – there may be some people living in poverty who are excluded, perhaps because they do not have the correct identification documents. However, this is likely to be a small number and grievance mechanisms would provide the opportunity for excluded people to access schemes. The errors occurring in implementation of schemes that target those living in poverty – such as the proxy means test – are always much higher than in simple universal schemes, since significantly more data has to be collected. However, the simulations do also assume perfect implementation for the schemes selecting on the basis of poverty.

A Comprehensive Old Age Pension System

Countries establish old age pension systems with two main aims: a) to reduce poverty in old age; and, b) to enable citizens to smooth their consumption over their life-course, so that they can maximize their incomes in old age. Bangladesh is at the stage in its development – as it moves to becoming an ageing society – in which a comprehensive national pension system is essential. If not, there is a danger that, as the population of older people increases, a growing proportion of the population will become more vulnerable to poverty and, in the absence of a pension system, working age families will be obliged to care for them, to the detriment of caring for their own children. This could be regarded as an informal tax that is imposed by the state on working families, due to its unwillingness to put in place adequate pension provision.

National old age pension systems usually comprise up to three tiers. These are:

- **Tier 1:** a tax financed benefit that provides older people with a minimum income.
- **Tier 2:** a mandatory contributory pension scheme for formal and, if possible, informal sector workers.
- **Tier 3:** voluntary pension schemes – managed by the private sector (often employment-based schemes) – into which people can opt if they desire an additional income in old age.

Currently, Bangladesh has a small Tier 1 pension – the Old Age Allowance – but, as we have seen, it is inadequate, providing low coverage and inadequate benefits, while excluding many of those living in poverty. The Civil Service Pension – as a tax-financed scheme – also comprises one element of Tier 1, but is restricted to a small number of people. However, Tier 2 is absent, meaning that working age families do not have the opportunity of saving for their own old age through a social insurance scheme that is guaranteed by government.

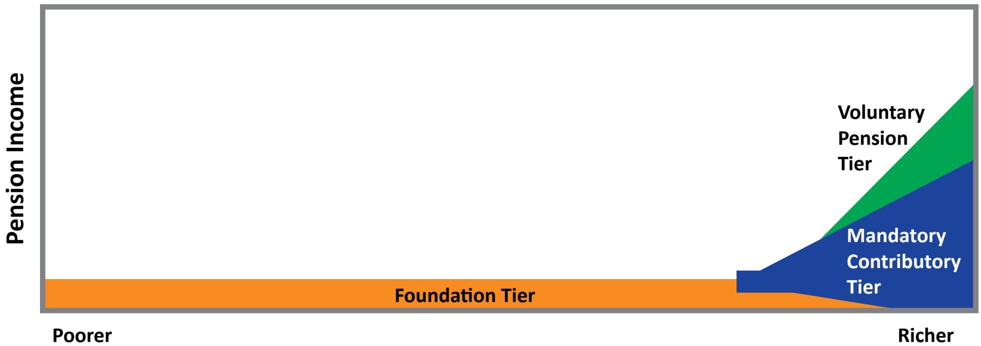
It is proposed that Bangladesh should build a multi-tiered pension system comprising the following elements:

- **Tier 1:** The expansion of the Old Age Allowance to become an inclusive scheme – the foundation tier of the system – using pension testing, with tapering or affluence testing (explained below).
- **Tier 2:** A social insurance scheme should be established, focusing initially on the formal sector but gradually expanding to the informal sector.

- **Tier 3:** Over the longer term, the regulatory framework should be examined to enable the creation of voluntary private or employment based pension schemes into which people can invest their savings.[34]

Figure 7.28 sets out how the pension system could look, once it is established. The Foundation Tier – which could be known as a Citizens 'Pension to reflect that it would be an entitlement – would ensure high coverage of the poor and vulnerable to poverty and guarantee them a minimum level of income security. The Mandatory Contributory Tier – the social insurance pension – would initially be small but would expand over time. The size of the voluntary pension tier is unknown but should grow.

Figure 7.28: A Potential Pension-Tested Pension Model for Bangladesh



Source: Author's own source

As Figure 7.28 indicates, the Citizens' Pension could be pension-tested. This means that the tax-financed pension would be gradually withdrawn from those receiving the mandatory social insurance pension. Those investing in voluntary private pensions would not be penalised since it would be challenging to access the necessary information from private sector pension providers (they could be removed by affluence-testing, which is discussed below). It reduces the cost of a tax-financed universal pension while also minimizing the perverse incentives associated with a pension targeted at the people living in poverty, if designed well.

A form of tapering can be used to withdraw the tax-financed pension gradually, according to an agreed ratio. If the withdrawal is sufficiently gradual, any perverse incentives to save in the contributory pension should be reduced since everyone in receipt of a contributory pension would always be better off than those receiving only the tax-financed pension. Table 7.3 illustrates what the tapering of the pension might mean in practice for both the tax-financed pension and a future National Social Insurance Fund. Assuming a tax-financed pension of BDT 1,000 per month and a withdrawal ratio of 5:1, those with a contributory pension of BDT 1,000 per month would have BDT 200 withdrawn from the tax-financed pension, receiving a total of BDT 1,800 (i.e. BDT 1,000 from the contributory pension and BDT 800 from the tax-financed scheme). Those receiving BDT 3,000 would have BDT 600 withdrawn and receive a total pension income of BDT 3,400 per month. However, anyone receiving BDT 5,000 or more from the contributory scheme would not benefit from the Senior Citizens' Benefit.

[34] We do not have information on the extent to which voluntary private pension schemes are operating in Bangladesh.

Table 7.3: Impact on Overall Pension Income of a withdrawal Ratio of 5:1 from the Contributory Pension, Assuming A Tax-financed Pension of BDT 1,000 Per Month

Contributory Pension Income	Amount of Tax-financed Pension Withdrawn	Overall Pension Income
0	0	1,000
1,000	200	1,800
3,000	600	3,400
5,000	1,000	5,000

Source: Authors 'estimate.

The main challenge with the pension-tested model is that it is more complex than a simple universal pension. It requires the management information systems for the tax-financed and mandatory contributory pension to be linked, so that the tax-financed transfer can be automatically reduced. Administration is therefore more challenging than with a universal pension – though much simpler than with poverty targeting – and greater administrative capacity is required. It may make sense for both pensions to be managed by the same institution to improve coherence, and a single payment provider for both pensions would also be preferable.

The rationale for making the Citizens' Pension inclusive is based on the reality that: a) it is the only means of guaranteeing that the poor receive the benefit; b) a very high proportion of old people – almost certainly more than 80 percent – are in need of income support; c) it is administratively simple; d) does not introduce perverse incentives; and, e) will build political support for the programme. Indeed, the World Bank (1994:240) in its classic publication on pensions – Averting the Old Age Crisis –has argued that a fully inclusive and, indeed, universal tax-financed pension would have significant advantages:[35]

> "Administratively, this is the simplest structure, with the lowest transaction costs for the public pillar - an important advantage in developing countries with limited institutional capacities and incomplete record-keeping systems. It avoids the disincentive to work and save inherent in means-tested plans. Its universal coverage helps ensure that the poverty reduction objectives are met, [and] provides a basic income for all old people."

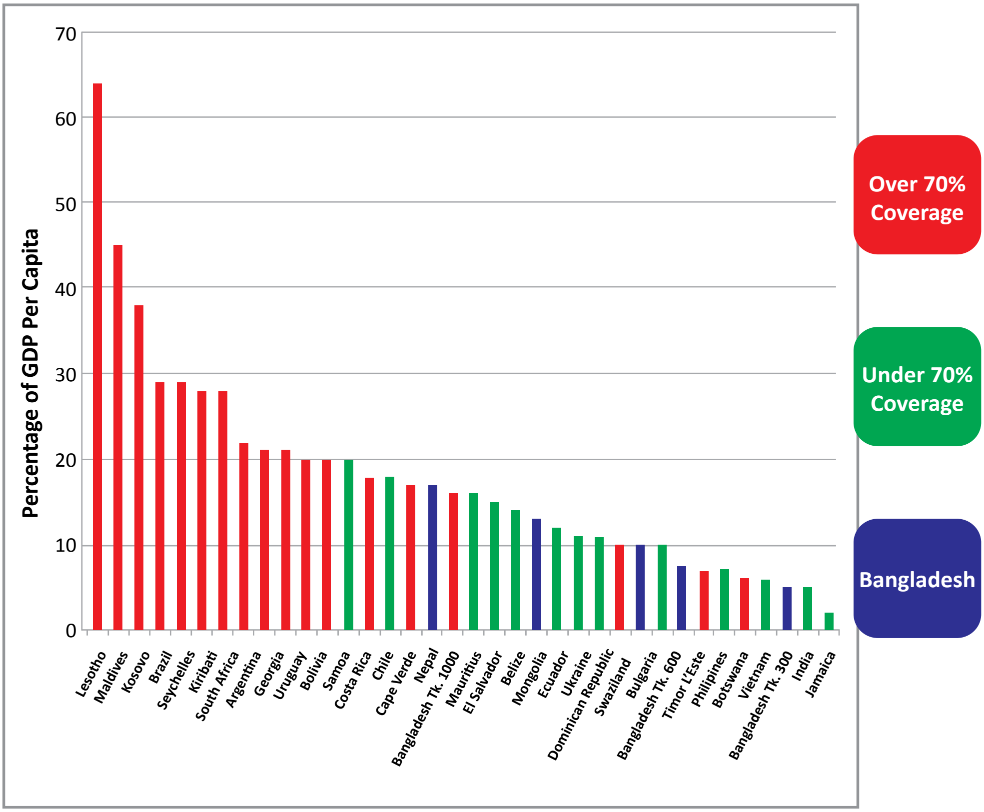
Options for a Tax-financed Tier 1 Pension for the Poor and Vulnerable to Poverty[36]

Micro-simulations have been undertaken for a range of Citizens' Pension options. Those presented here are for over-65s using a range of transfer sizes, from BDT 450 to BDT 1,000 per month. While these are significantly higher in value than the current BDT 300 per month that is paid to older people, as Figure 7.29 indicates, in an international context they are not particularly high. Indeed, BDT 1,000 per month is equivalent to Nepal's Senior Citizens' Allowance in terms of GDP per capita.

[35] A more recent - 2005 - World Bank report re-affirms this view, stating that a universal age pension "is probably the best way to provide poverty relief to the elderly. Considering the difficulty of identifying who among the elderly is poor, the principal merit of the programme is that its universality avoids the targeting issue" (Holzmann et al., 2005:95).

[36] Some of these micro-simulations were initially prepared for the Australian Government and were presented in Kidd and Khondker (2013).

Figure 7.29: Values of Simulated Old Age Allowances as Percentages of GDP Per Capita, in International Comparison

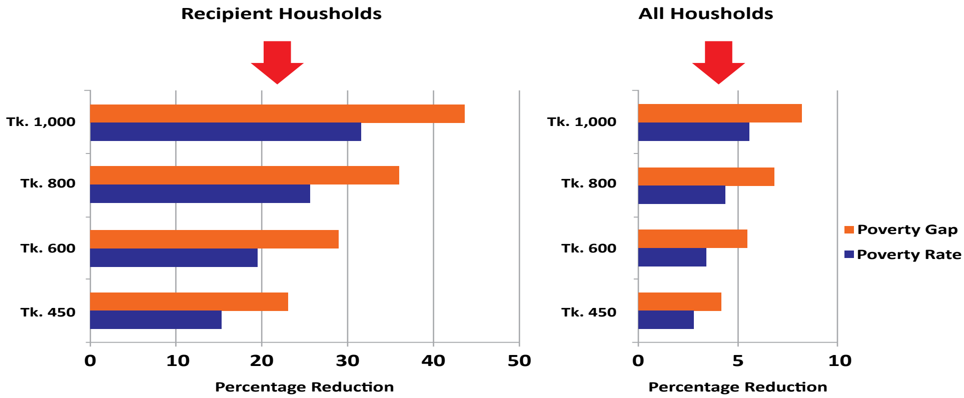


Source: Authors' own calculations using the following data sources: SASSA (2012), Kidd and Huda (2013), Roca (2011) and https://www.gov.uk/child-benefit/what-youll-get[37]

The results of the micro-simulations are presented in Figure 7.30, examining the impacts on both recipient households and national poverty. All schemes would have a significant impact on recipient households – not only older people – with the greatest impact coming from a Citizens' Pension with a transfer of BDT 1,000: it would reduce the poverty gap by 44 percent and the poverty rate by 32 percent. The scheme would also have a significant impact on national poverty, reducing the national poverty rate by 5.6 percent and the national poverty gap by 8.2 percent.

[37] The Uzbekistan programme referred to is the Family Allowance. In Brazil, the reference child grant is the grant provided by Bolsa Familia for children aged 0-16 years (other grants in Brazil are a little higher in value).

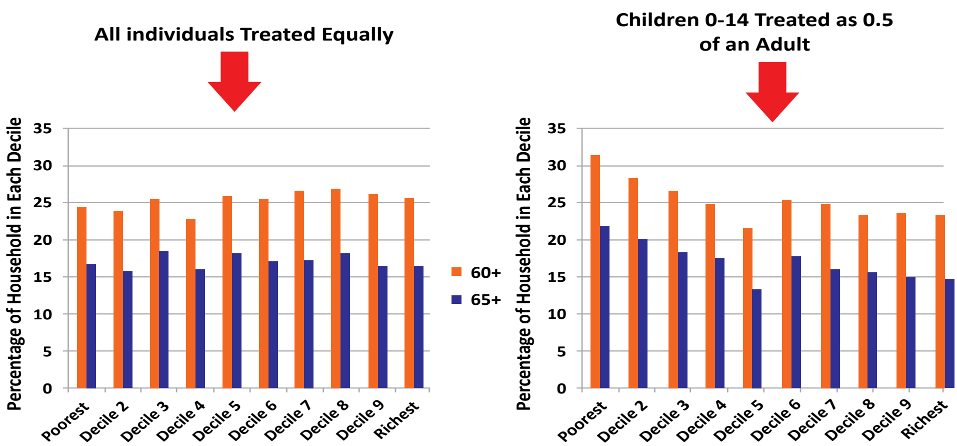
Figure 7.30: Percentage Reduction in Poverty Gap for Households with Over-65s, from a Citizens' Pension for Over-65s with Various Monthly Benefits



Source: Authors 'estimate.

As Figure 7.31 indicates, a Citizens Pension for everyone over 65 years would reach between 18 and 21 percent of all households in the poorest three deciles (depending on the equivalence scale used). Indeed, Figure 7.31 also shows that, if the pension were provided to everyone above the age of 60, the proportion of recipient households in the poorest deciles would increase significantly, reaching a relatively high proportion of households in the poorest three deciles (between 26 and 31 percent, depending on the assumption). Importantly, though, these benefits would reach those older people living in households that are in the poorest 80 percent of the population, who experience hardship or are at risk of falling into poverty.

Figure 7.31: Coverage of Potential Citizens' Pensions – for Over-60s and Over-65s – Across the Wealth Deciles, as A Proportion of All Households in Those Deciles[38]

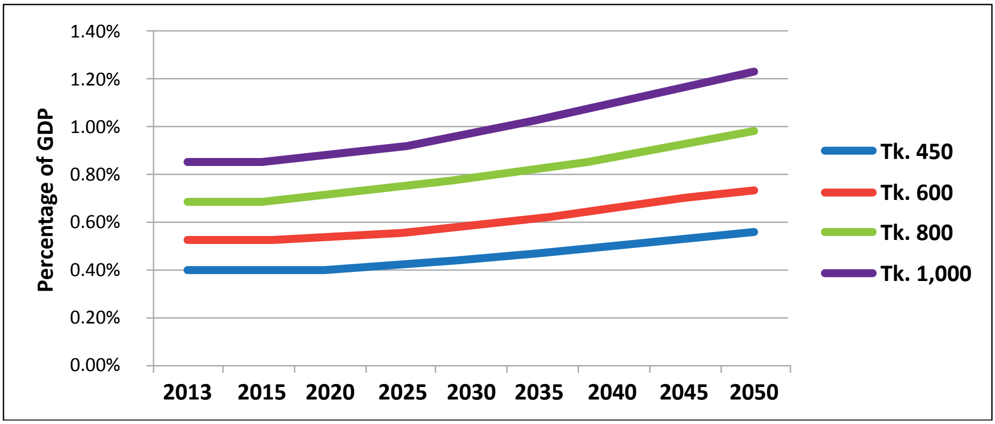


Source: Authors' estimate.

[38]The distribution indicated here uses an equivalence scale of 0.5 for children as this presents less distortion to the poverty rates of small households with elderly people.

There are significant differences in the costs of the options and Figure 7.32 sets out the costs as a percentage of GDP. It also estimates the costs of potential pensions up to 2050, based on the assumption of a per capita GDP growth rate of 2.44 percent per year, a pessimistic scenario considering that the trend growth rate for the past 10 years has been 4.88 percent per year[39]. These estimates of spending are, in reality, above the likely cost since they do not take into account that the richest will be excluded from the Citizens' Pension by self-targeting, affluence testing – which is discussed further below – and pension testing.

Figure 7.32: Costs of A Citizens' Pension as A Percentage of GDP between 2013 and 2050

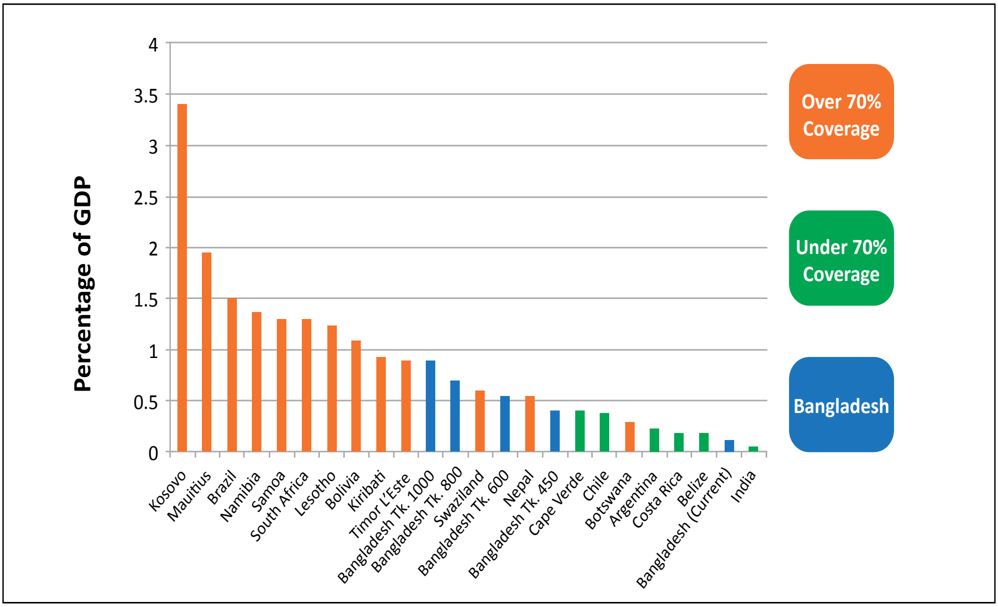


Source: Authors' estimate.

All the options would imply a significant increase in spending over current investment in the Citizens' Pension. The most expensive option – the universal pension for over-65s at BDT 1,000 per month – would cost just over 0.8 percent of GDP. While this is a significant investment, Figure 7.33 indicates that it is less than many other developing countries spend on similar pensions, including in southern Africa. The other options would be relatively inexpensive when compared to other developing countries. Furthermore, if it is assumed that the Citizens' Pension is indexed to inflation, there will be no significant increase in cost relative to GDP, even under pessimistic economic growth scenarios. Indeed, if a contributory pension and pension testing were introduced, the cost may well reduce as a percentage of GDP. In reality, of course, the government may decide to raise the real value of the pension over time, which would increase the cost as a percentage of GDP. But, the important point is that the cost of the pension is not necessarily a demographic time bomb and can be contained.

[39]The model used for costings also assumes that the benefit levels are indexed to inflation so that they maintain their purchasing power. However, their value as a percentage of GDP per capita will fall.

Figure 7.33: Potential Costs as A Percentage of GDP of A Citizens' Pension for Bangladesh – Using Various Transfer Levels – in International Comparison



Source: Authors' own calculations using the following data sources: SASSA (2012), Kidd and Huda (2013), Roca (2011) and https://www.gov.uk/child-benefit/what-youll-get

There is a range of options for introducing the pension more gradually to limit its initial cost. These include: 1) starting with a lower transfer value, to be gradually increased over time; 2) commencing in the poorest parts of the country and progressively extending to other regions; and, 3) beginning the age of eligibility at age 70+ and lowering it over time.

Furthermore, although the analysis has been undertaken assuming pension testing and universal coverage, it would be possible for Bangladesh to use "affluence-testing" to identify the rich and exclude them from the programme, as happens in South Africa. Indeed, many of the rich may exclude themselves, since they are unlikely to believe that it is worth applying for a pension of only BDT 800 or BDT 1,000 per month. In Nepal, for example, the Senior Citizens' Allowance has the lowest rates of inclusion in Kathmandu due to the self-exclusion by the more affluent. So, it could be assumed that 20 percent of the elderly population – mainly the better off – will not access the Senior Citizens' Allowance, which would, consequently, reduce the cost by 20 percent.

The Introduction of a Social Insurance Contributory Pension

It should be possible for Bangladesh to establish a contributory pension scheme by 2016. The pension should prioritise initially the formal sector and contributions should be mandatory, since younger working age people are often reluctant to invest in pensions. Yet, contributory pensions are most effective if people can be persuaded to save over a period of 30-40 years. The pension could be regulated and overseen by government but could also be managed by an independent para-statalentity.

There is a range of options for the design of a contributory pension, but it is critical that an actuarially sound scheme is established. There should be an initial in-depth study to examine options that can be presented to government. However, even if the contributory scheme were to begin in 2016, it would be unlikely to pay full pensions before 2056. Therefore, within the scheme a minimum pension should be created which would pay a lower transfer value if people have invested for 15 years. This would enable pensions to be provided to members by 2031 (although this date illustrates the urgent need for an effective tax-financed scheme to fill the gap in the meantime).

If the contributory pension were designed to provide a range of additional benefits – including for unemployment, disability, sickness, maternity and widowhood – additional contributions would be required from members. However, it would provide an attractive set of benefits.

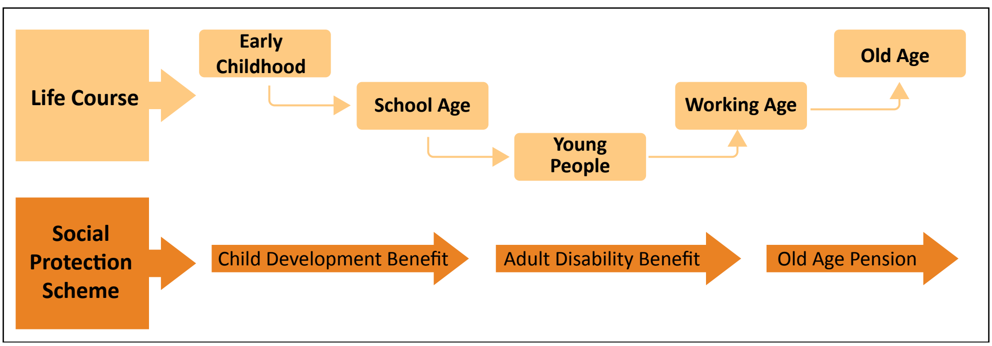
A contributory pension scheme could – over time – develop a substantial fund to be used for investments in private sector development. If pension funds are invested well, they can provide their contributors with significant benefits by increasing the value of their pensions. However, the governance of the fund needs to be robust to ensure that risks are minimised. The government could consider underwriting savings.

A Comprehensive System of Support for People with Disabilities

The provision of support for people with disabilities should adopt a lifecycle approach, as in South Africa, Mauritius and Uzbekistan, providing schemes for PwDs depending on their age: for children, those of working age, and the elderly. In reality, this is similar to the current system in Bangladesh, although provision is minimal. A potential comprehensive model is set out in Figure 7.34. It would build on current schemes and would comprise:

- A **Child Dependency Benefit**, for children with disabilities;
- An adult **Disability Benefit** for those aged 19-64 years;
- On reaching old age, PwDs would transfer to the **Citizens' Pension**.

Figure 7.34: A Comprehensive Lifecycle Model to Provide Income Security for PwD



Source: Author's own source

Given the high proportion of the population with a disability it would be preferable to focus disability benefits initially on people with severe disabilities. This narrow coverage could be extended over time. However, it does mean that a system would have to be developed that could reliably identify severe disability (see Box 7.6).

Box 7.6: Disability Assessment

Identifying and determining the level of disability within the context of eligibility for disability benefits is a significant challenge. No country has found a perfect solution and, the better the mechanism, the higher the cost.[40] Countries have adopted different approaches but the main distinction is between those that use a purely medical assessment while others incorporate a social assessment. For example, Mauritius and India use a medical assessment while South Africa brings together a range of experts to undertake a combined social and medical assessment.[41]

Disability assessments for those of working age often focus on a person's ability to work. However, as Gooding and Marriott (2009) point out, assessing the ability to work is challenging since barriers to employment are often external and contextual. Furthermore, personal factors that are derived from having a disability – such as low skills (which may be the result of past discrimination) or self-esteem – can also have an influence. Even if the "impairment" alone is assessed, this is not straightforward: some impairments – such as vision loss or paralysis – are easy to identify while others are more difficult to observe, especially those that are cognitive.[42] Whichever approach is adopted, skilled practitioners need to be available to undertake the assessment.

Gooding and Marriott (2009) argue that a medical assessment should be an essential baseline for any disability assessment, but it should be complemented by a more holistic assessment that considers factors such as the ability to work, age, education, work experience and skills. Guthrie et al (2001) suggest complementing this with an assessment of environmental factors, as well as the support structures and resources that are available.

Disability benefits should be established as entitlements, on an inclusive basis. Many of the reasons for universal provision are similar to those of the old age pension. However, it also needs to be recognised that all people with severe disabilities experience significantly higher costs and, as citizens, these should be compensated, in a spirit of national solidarity.

The following sections describe in more detail the two distinct disability benefits that could be developed.

Child Dependency Benefit

It is not possible to estimate from Bangladeshi data sources the number of children with severe disabilities, since the identification of disability among children is not reliable in the household survey. Therefore, the potential number of children eligible for the benefit could be estimated by examining the number of children in receipt of the similar scheme in South Africa. As indicated in the fourth section, this suggests a figure of around 350,000 potential recipients.

The level of transfer could – as in South Africa – be aligned to the old age pension, assuming that this is set at a reasonable level. For the purposes of this proposal, it will be assumed that BDT 1,000 per month is the agreed transfer level. This is 17 percent of GDP per capita, which is well below the 28 percent of GDP per capita paid in South Africa's Care Dependency Grant.

40 There is little information on the effectiveness of disability assessments. In the United States of America, Nagi (1969) found inclusion errors of 19% and exclusion errors of 48% when a medical assessment was used while a study by Benitez-Silva et al (2004) found inclusion errors of 20% and exclusion errors 60% with self-reporting. In South Africa, Mitra (2010) has found – when both the means test and disability assessment are assessed – that inclusion errors are 34% and exclusion errors are between 38% and 46%, depending on which disability measure is employed.

41 Whitworth et al (2006: in Gooding and Marriott 2009); ISSA (2013); and, Schneider et al (2011).

42 See also Mitra (2005).

Since children with disabilities cannot be identified in the 2010 HIES, it is not possible to undertake simulations of the impact. However, the overall cost could be estimated at 0.04 percent of GDP.[43]

Disability Benefit (for Working Age Adults)

At the age of 19 years, children could transfer onto an adult disability benefit. This benefit could be provided to people with severe disabilities until the age of 64 years, at which time they transfer to an old age pension. There are currently around 1.1 million people with severe disabilities who would be eligible for the scheme. The costs of the scheme as a percentage of GDP at potential monthly transfer rates of BDT 600, BDT 800 and BDT 1,000 are set out in Table 7.4 As indicated in Table 7.4, these values are – as a percentage of GDP per capita – between 10 and 17 percent, well below the 22, 28, and 29 percent of GDP per capita paid by Nepal, South Africa and Brazil, respectively. However, it is well above the current rate of BDT 300 per month.

Table 7.4: Costs of Potential Disability Benefits for 19-64 Years

Transfer Value	Transfer Value as Percent of GDP Per Capita	Cost in BDT	Cost as Percent of GDP
BDT 600	10%	BDT 7.9 billion	0.08%
BDT 800	13%	BDT 10.6 billion	0.11%
BDT 1,000	17%	BDT 13.2 billion	0.14%

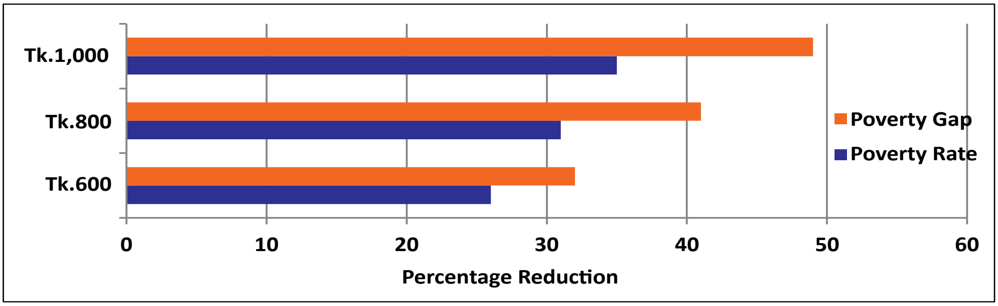
Source: Authors 'estimate.

The costs of the schemes would vary between 0.08 percent of GDP and 0.14 percent of GDP. As Figure 7.25 indicated, this compares favourably with the 0.41 percent of GDP that South Africa invests in its working age disability population despite providing the benefit only to those aged up to 60 years while also removing the affluent as recipients. It is also well below Brazil's main disability benefit – the Benefício de PrestacãoContinuada (BPC) –which invests 0.26 percent of GDP on disabled recipients of working age.

The potential impacts of a Disability Benefit on recipient households are set out in Figure 7.35. A benefit of BDT 1,000 per month would reduce the poverty gap in recipient households by 49 percent. Its impact on the national poverty gap would be relatively small – at 1.5 percent - but this is due to small size of the scheme. As Figure 7.18 indicated, the coverage of a Disability Benefit for everyone with a severe disability is progressive in that it is likely that most beneficiaries will be in the poorest deciles.

[43] This is equivalent to US$55 million.

Figure 7.35: Impacts of A Disability Benefit for All People with Severe Disabilities Aged 19-64 Years on Recipient Households



Source: Authors' estimate.

Overview of Disability Benefits

A comprehensive system of tax-financed disability benefits could be established for disabled children and adults with severe disabilities at relatively low cost. A transfer value of BDT 1,000 per month could be provided to almost 1.5 million people at a total cost of less than 0.2 percent of GDP, well below the budgets for disability benefits in other developing countries with relatively comprehensive systems. Of course, if the transfer rate were reduced, the benefit would be even more affordable. The impacts on the lives of people with disabilities – and their families – would be very significant. Indeed, given that many children would be more able to access school and some adults would be more able to engage in the labour market, the impacts on household income may well be even greater than the value of the transfers themselves.

System of Child Benefits

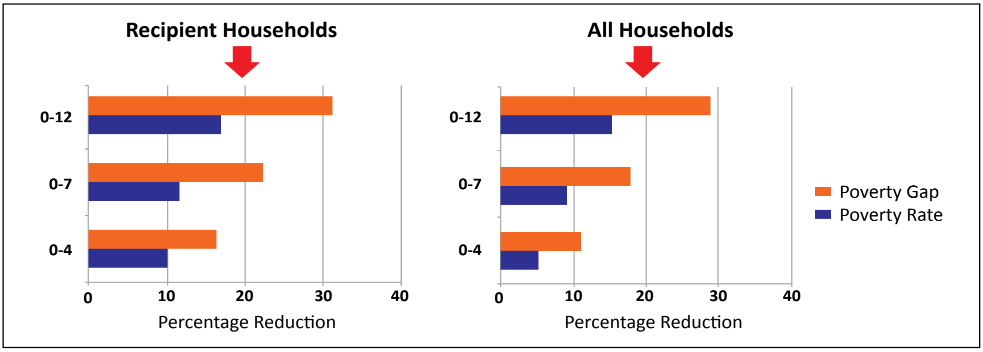
Bangladesh already has a set of child benefits. However, as indicated earlier, there is a significant gap among young children under 5 years of age while the benefit level for school age children is very low. Reforming the system of child benefits may be problematic since it is probably not financially feasible to provide a comprehensive child benefit to all children aged 0-18 years. While this may be the aim over the next 2 to 3 decades, choices will have to be made about where to start.

There is growing international agreement that very young children – up to the age of 4 years – should be prioritised within a social protection system. Nepal has begun its child benefit at the age of 0-4 years while South Africa also began at a young age – 0-7 years – and expanded over time, so that the scheme now reaches children aged up to 18 years.

Therefore, three options are considered for a universal child benefit: 0-4 years; 0-7 years; and 0-12 years. It is proposed that the benefit is provided at BDT 300 per month, which is similar – as a percentage of GDP per capita – to the level currently paid in Nepal and slightly below that provided by the MoWCA child grant. It is also suggested that, for political reasons, the current school stipends are kept in place for children not in receipt of the Child Benefit. As the age of eligibility increases, the Child Benefit could gradually replace the stipend.

The impacts of the three child grant options are set out in Figure 7.36. Despite the relatively small size of the transfer, the impacts are nonetheless relatively significant, and the poverty gap in households receiving the benefit for children aged 0-4 years would decrease by over 15 percent. Furthermore, the impacts on recipient households increase along with the age of eligibility – for households with 0-12s, the poverty gap reduces by over 30 percent - since households with more than one child are more likely to receive multiple benefits. A benefit for children of 0-4 years would reduce the national poverty gap by around 10 percent, while a benefit for all children up to age 12 years would reduce it by almost 30 percent, a very significant impact.

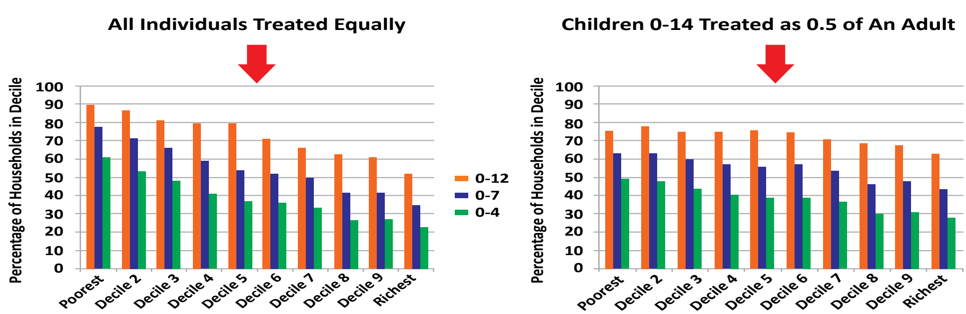
Figure 7.36: Impacts of Child Benefits on Poverty



Source: Authors' estimate. These impacts have been estimated using equivalence scales treating children as equivalent to adults in their consumption

The main reason for the relatively large impacts on national poverty is the fact that a large proportion of households would receive the child benefits. Figure 7.37 indicates the coverage of each of the benefits across the wealth deciles. When children's consumption is assumed to be equivalent to that of adults, a child benefit for 0-4s would reach over 50 percent of the households in the poorest three deciles while the coverage of benefits for 0-7s and 0-12s would be very high, with the latter reaching over 80 percent of the poorest three deciles. The coverage falls slightly when children's consumption is measured as 0.5 of an adult, but is still high. However, under both assumptions, coverage of the population that is vulnerable to poverty is significant, at around 70 percent of households when the grant is directed at children 0-12 years.

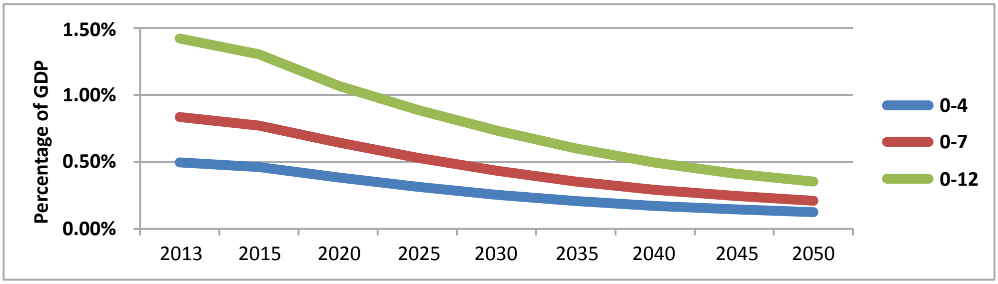
Figure 7.37: Coverage of Households in Wealth Deciles by Child Benefits



Source: Authors' estimate.

As Figure 7.38 indicates, the cost of a universal child benefit – at BDT 300 per month for all children aged 0-4 years – is relatively modest, at around 0.5 percent of GDP. However, as the age of eligibility increases, so does the cost although, as indicated above, this comes with greater impacts and extensive coverage of poor households. The sharp drop in the cost of the child benefit up to 2030 is the result of the fall in the proportion of children in the population. It suggests that, if Bangladesh commenced with a benefit for children aged 0-4 years, there should easily be the fiscal space to progressively increase the coverage of the benefit to older children by 2030. Even if the current school stipends were to continue, they would not add significantly to the costs of the overall child benefit system, since their total cost is less than 0.2 percent of GDP.

Figure 7.38: Costs of Universal Child Benefits of BDT 300 Per Month up to 2050, as A Percentage of GDP



Source: Authors' estimate.

As with the old age pension, there are a number of ways to reduce the initial costs of a child benefit: the initial age of eligibility could be even lower (e.g. 0-3 years) and rise over time; it could be prioritised initially in the poorest areas of the country or those with the highest rates of undernutrition; or a slightly lower benefit could be used.

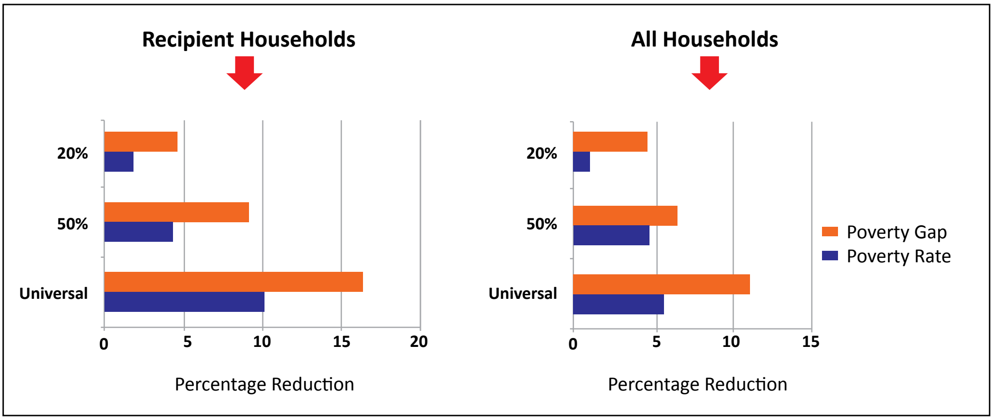
If a comprehensive child benefit were introduced, the government should consider whether to continue with the current school stipend programmes. It could be argued that the priority for school age children is to make access to school entirely free and prioritise investment in education. Indeed, it is possible that the main impact of the secondary school stipend to date has not been from the transfer itself but from the elimination of school fees for recipients, including for exams.[44]

Of course, a child benefit could be directed at poor children, as happens in many other countries. However, this would significantly reduce the impacts of the scheme. Figure 7.39 shows the results of simulations for a grant for children aged 0-4 years, comparing options directed at families living in poverty and universal access. Even though the poverty based selection assumes perfect implementation – and, therefore, exaggerates the accuracy of the targeting – the impacts of the child benefit are significantly reduced, even if the poorest 50 percent of children are targeted.[45]

[44] We are grateful to Shaheen Mahmud for this observation.

[45] The poverty targeted scenario has simulated a theoretical proxy means test. However, errors associated with implementation have not been included.

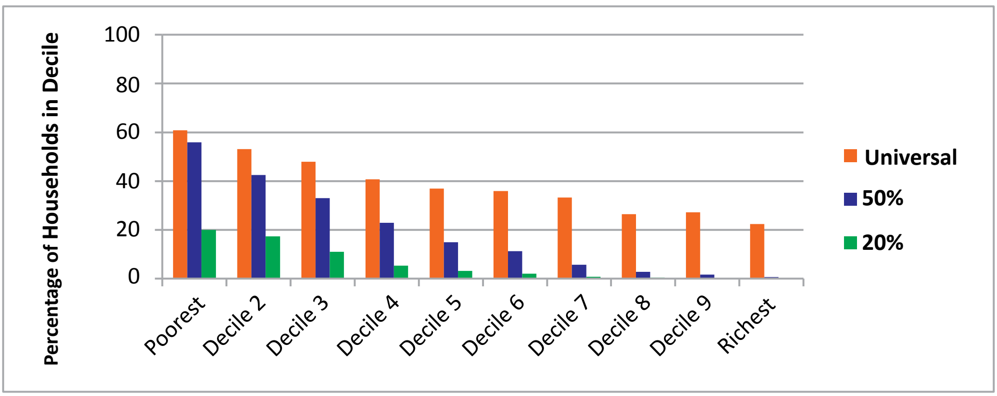
Figure 7.39: Impacts on Poverty Rate and Gap of Universal and Poverty Targeted Child Grants



Source: Authors' estimate.

As Figure 7.40 indicates, if poverty based selection were used, a high proportion of poor children would be excluded, although this reduces the higher the coverage. Figure 7.40 shows that the poverty targeted options would miss out on the high proportion of children who may not have been extremely poor when the household survey was undertaken, but whose families were experiencing hardship or were vulnerable to falling into extreme poverty (those in deciles 4 to 7).

Figure 7.40: Coverage Across Wealth Deciles of Universal and Targeted Child Benefits for 0-4 Years



Source: Authors' estimate.

Direct Support for Working Age Families

While child benefits would be directed at supporting children, they would also – as discussed earlier – be a means of providing income support to working age families, enabling them to engage more effectively in the labour market. This is likely to be a more effective and efficient means of providing support to working age families than the current system of workfare, such as the Employment Generation scheme. As indicated in Box 7.3, workfare schemes are not a good option for facilitating the engagement of families in the labour market and may also damage the wellbeing of children and mothers.

Nonetheless, this is not to say that public works should not be undertaken using labour. There is a significant need for both new infrastructure and the maintenance of existing infrastructure, such as roads, terracing and irrigation schemes. This should continue to be supported and, where possible, infrastructure development and maintenance should be labour intensive. However, since this is employment rather than workfare, wages should be set at a fair level.

However, the social protection system could examine other mechanisms of helping women engage actively with the labour market, such as by providing training and support for micro-enterprises. Furthermore, there is growing evidence that the provision of free childcare is one of the most powerful tools for reducing child poverty in developed countries.[46] As indicated earlier, currently, there is limited state-supported childcare provision in Bangladesh, although MoWCA does run some childcare centres in Dhaka. Yet, as women increasingly enter factories and other employment, the demand for childcare will rise. An effective system of free or heavily subsidized childcare should enable women to continue in the labour force after giving birth, and could contribute significantly to reducing poverty – and, potentially, to improving child nutrition – especially in urban areas. Potentially, childcare may be beneficial in rural areas, although effective old age pensions could also strengthen informal childcare provision.

Government, however, is only one option for the provision of childcare. Regulations could also be established to make it compulsory for factories and other employers to provide childcare services for their staff. Indeed, it could be argued that the provision of childcare would be in their best interests as it could enable them to hold on to trained staff.

Childcare could begin to pay for itself if the tax system were to effectively capture part of the additional income generated by women returning to work and the increased productivity of factories. It would certainly help Bangladesh deal – in part – with its current shortage of skilled labour.

Other interventions could focus on the needs of single women. One option would be to maintain the current Widows' Allowance, which could be paid at the same level as the Senior Citizens' Benefit. Another intervention could be to ensure that fathers who abandon their children are obliged to pay for their maintenance, rather than leaving the mothers to carry the burden (or vice versa if the mother abandons the children). This would require legislation alongside enforcement mechanisms, based on the judicial system.

Summary of Options for Introducing Lifecycle Schemes

Individual lifecycle schemes can have a significant impact on poverty in Bangladesh, but they will also have other impacts. An old age pension, for example, will not only reduce poverty in old age but, as has been seen in other countries, restore the dignity of many older people who will no longer have to beg. Indeed, they will be able to actively participate in kinship and social networks by having income that they can share with others. Child benefits will enable people to engage more actively in the labour market, as has been seen in South Africa (Williams 2007). Furthermore, if directed towards young children they will also help tackle undernutrition, as part of a broader strategy of investment in a range of public services, including health, education and water and sanitation (see DFID 2011). Furthermore, given

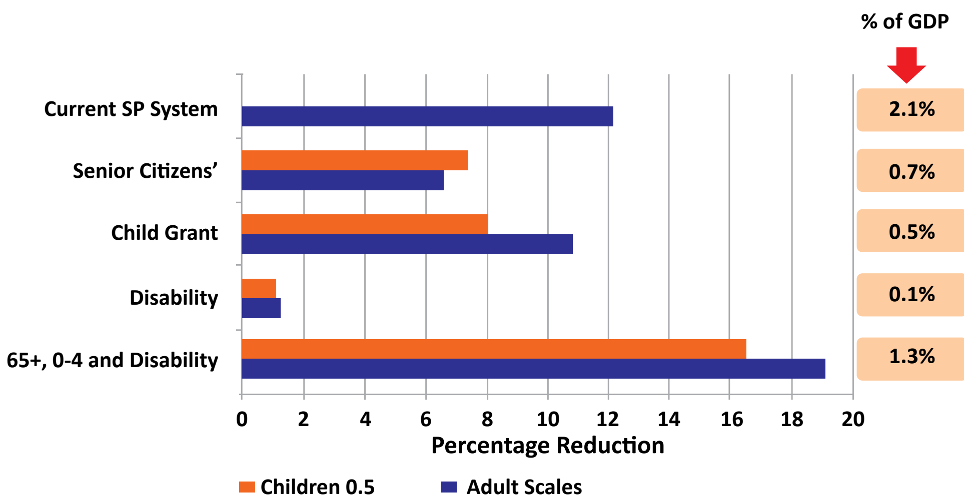
[46] See Kidd (2012).

that inclusive social protection schemes are much higher cost than poor relief programmes, they will provide a larger stimulus to the economy, by increasing demand and consumption.

A Lifecycle approach to social protection involves the gradual introduction of various schemes. So, for example, Bangladesh could invest over the next five years in 4 large inclusive schemes: A Child Benefit for 0-4 years old at BDT 300 per month, a pension for over 65 years old at BDT 800 per month, and two disability benefits (for children and working age adults with severe disabilities, at BDT 800). In total, these schemes would cost around 1.3 percent of GDP, or just over 1 percent if they were to reach only 80 percent of the eligible population, by using affluence-testing to exclude the wealthiest quintile.

Figure 7.41 indicates the impacts on poverty that these schemes would have (although, the Child Dependency Benefit has been excluded, as it cannot be accurately simulated). The overall reduction in the national poverty gap would be almost 20 percent, which is significantly greater than the impact of the current system – at 12.1 percent - and at a much lower cost. The impact would be slightly lower if children were weighted in the analysis as 0.5 of an adult.

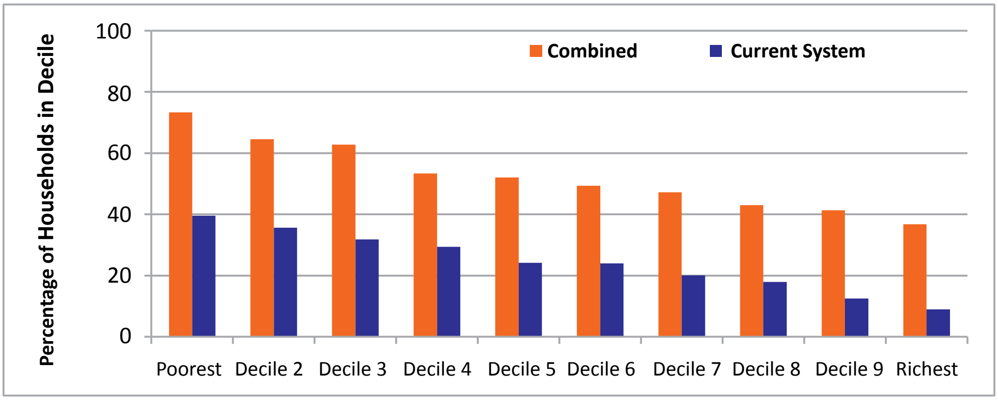
Figure 7.41: Impacts on Poverty And Costs – as A Percentage of GDP – of A Combination of A Child Benefit for 0-4s, A Citizens' Pension for Over-65s and A Disability Benefit for Working Age Adults with Severe Disabilities



Source: Authors' estimate.

Furthermore, the coverage of these schemes would be high. Figure 7.42 shows the proportion of households in each decile who would be reached by them, compared to the current system. Overall, over 50 percent of the population would benefit, while 65 percent of those who were under the poverty line in 2010 would also be reached. Coverage of those in the middle deciles would be around 50 percent, providing around half of the population that is vulnerable to falling into poverty with protection, while also giving them a platform from which to engage more actively in the labour market. The current system – at a much higher cost – is less effective at reaching all wealth categories in the population.

Figure 7.42: Coverage Across Wealth Deciles of A Child Benefit for 0-4s, A Citizens' Pension for Over-65s and A Disability Benefit for Working Age Adults (19-64 Years) with Severe Disabilities, Compared with Current Coverage of Entire Social Protection System



Source: Authors' estimate.

Conclusion

As Bangladesh undergoes a demographic transition, its social protection system also needs to evolve. At a significantly lower cost than the current system, an inclusive lifecycle social protection system could be established that has much larger impacts on poverty and provides coverage to a high proportion of those who are vulnerable to poverty.

Importantly, the schemes proposed are likely to be politically popular, since they are inclusive and would build alliances between the poor and those in the middle deciles, who would all benefit. As a result, the government is likely to find growing support for taxation that would underpin the social protection system, as explained in Kidd et al (2014).

The proposed schemes do not have to be introduced overnight. They could be progressively introduced over a period of 5 years, which would significantly reduce any immediate cost implications. However, as they are gradually introduced, other schemes that are less effective could be progressively withdrawn, which would also provide a source of financing for an expanding Lifecycle system.

An inclusive Lifecycle system of social protection that includes both tax-financed and contributory schemes – as well as legislation to mandate support from employers and errant parents – could begin to transform Bangladesh. In contrast to the current situation in which the social protection system has limited impact on poverty, an inclusive Lifecycle system could maximise returns to investment. And, importantly, it will begin to restore faith in the state as citizens see that promises made by government to provide support to specific categories of the population can be delivered.

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8. International Best Practice in Social Protection: Implications for Bangladesh

*Stephen Kidd, **Nicholas Freeland and ***Bazlul Khondker

Introduction

This paper has been prepared as a background document to support the development of Bangladesh's National Social Protection Strategy (NSPS). It discusses some of the key debates on social protection currently underway in Bangladesh, examining the historical and international evidence. The General Economics Division (GED) of the Planning Commission selected the topics, which are:

- The political economy of social protection;
- Universal targeting versus poverty targeting;
- A lifecycle approach to social protection;
- "Graduation" from social protection schemes;
- Food transfers versus cash transfers

Each section provides an overview of both relevant conceptual frameworks and the international and – where applicable – national evidence. In each section there is also a short sub-section that discusses the potential implications for Bangladesh as it seeks to develop its policy on social protection.

The Political Economy of Social Protection

Ideology underpins the different approaches to social protection taken by countries that have adopted a market economy. There is, of course, a broad spectrum of ideologies but, put simply, at one extreme is a neoliberal ideology favouring low levels of taxation and social spending while, at the other, we find a more social democratic ideology that is committed to higher levels of social investment and, therefore, higher taxation. Within these extremes countries make varying levels of compromise between the demand to spend and redistribute and the desire to limit taxation.

In the context of social protection policy, the different ideologies are played out in the design of social protection schemes (and, of course, other public services). Governments with a more neoliberal ideology aim to limit spending on social protection, mainly achieving this by directing schemes to the poor. As a result, they reduce coverage and, by implication, cost. More social democratic countries are willing to provide higher – often universal – coverage of programmes, with the result that investment in social protection is also higher. The consequences of these different approaches for the efficacy of social protection schemes is discussed further below.

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Political Economy Theory on Social Protection

Conventional theory on the political economy of social protection suggests a dialectical process between the design of a scheme and the level of investment by countries.[1] In summary, it is postulated that, not only does higher investment – and taxation – enable higher coverage, but higher coverage also facilitates higher investment by governments by influencing the political process.

Furthermore – and this is important for those countries committed to poverty reduction – political economy theory also suggests that schemes with broader coverage provide poor people with higher transfer values. As a result, it is argued that social protection schemes with high coverage have a greater impact on poverty – at both household and aggregate national levels – than programmes directed at the poor.

The argument that universal programmes provide poor people with higher transfer values appears counter-intuitive. Many social protection specialists argue the opposite. For example, Devereux (2009) summarized the belief of those who believe that targeting those living in poverty provides recipients with higher levels of transfer:

"The problem is that universal programmes are more expensive by orders of magnitude than are targeted interventions. Giving a dollar a day to everyone costs five times as much as giving a dollar a day to the poorest 20 percent. Alternatively, where policy-makers face fixed budget constraints, a universal programme will be less effective by orders of magnitude than a targeted intervention. A given resource envelope will have five times more impact on poverty if it is disbursed to the poorest 20 percent than if it is thinly spread over an entire population."

Political economy theory argues that Devereux is mistaken because there is no such thing as a fixed budget within the context of national government budgets. As Pritchett (2005) – in a World Bank paper – states, in national budgetary processes – in which the state has the option of raising or lowering taxes or changing spending priorities – "the size of the pie is unlikely to be fixed." Indeed, he describes as "naïve" those who believe that national budgets are immovable. It is evident that governments throughout history have raised taxes to pay for the expansion of public services, in particular around elections.

The rationale behind social protection schemes with higher coverage providing both higher budgets and higher transfers than schemes directed at those living in poverty is based on the argument that programmes with higher coverage are more popular. Necessarily, universal schemes – or those with broad coverage – provide benefits to people across the wealth spectrum, including those living in poverty, those in the middle deciles, and the affluent. In contrast, poverty targeted programmes are directed only to those on low incomes.

However, as Sen (1995) has argued, the beneficiaries of poverty targeting tend to be politically weak and, as a result, cannot generate significant support for their programmes. Indeed, those members of the population with greater political influence – usually the rich and middle classes – are reluctant for their taxes to finance programmes from which they are excluded. As a result, state funding for poverty-focused programmes is usually limited since increases in funding would require higher taxes, which the more affluent are unwilling to accept. Fiszbein and Schady (2009:5f) – in their publication on conditional transfers – agree with this point, noting that standard economic theory argues that: "Transfer schemes narrowly targeted at the poor would tend to have limited support because a small share of the population benefit, whereas the costs are dispersed across all tax-payers."

[1] See, for example, World Bank (1990), Sen (1995), Mkandawire (2005) and Pritchett (2005)

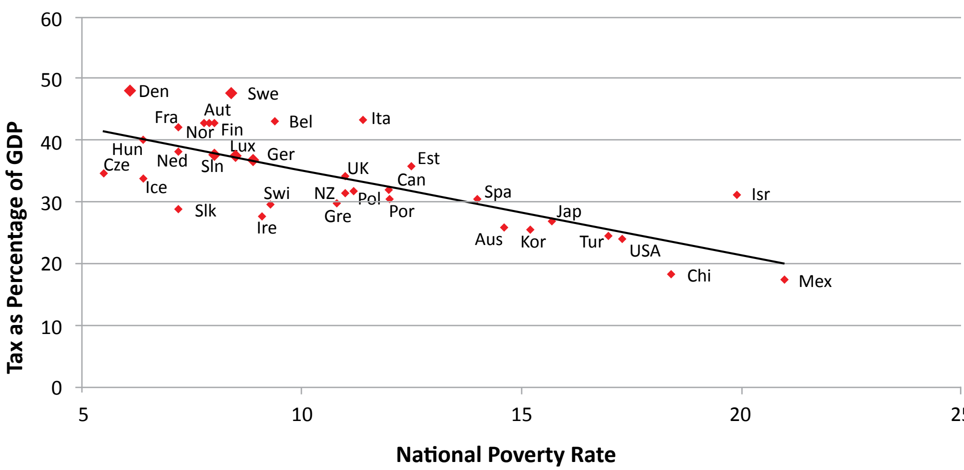
In contrast, as Mkandawire (2005) and Pritchett (2005) have argued, universal schemes build alliances between those living in poverty, the middle class and the affluent.[2] The middle class and affluent both finance schemes and, importantly, benefit from them. And, while transfers can be relatively small in value, they are still often regarded as worthwhile by the middle class (or, in developing countries, those in the middle wealth deciles). Indeed, they often act as an effective safety net for those in the middle deciles who may – as the result of a crisis such as illness – be in danger of falling into greater poverty.

In effect, with universal schemes – or those with high coverage – people living in poverty move from being a weak minority to members of a broad-based political alliance. They have more powerful allies who can argue for and defend universal – or high coverage – social protection schemes. And, universal schemes should generate electoral success – or broader political popularity – for the politicians proposing them.

Evidence on the Political Economy of Social Protection

The theory behind the political economy of social protection is generally accepted. However, is there any evidence to demonstrate that it happens in practice? At a very simple level, in developed countries there appears to be a good correlation between higher taxes – which creates the pre-condition for higher coverage – and lower poverty. Figure 8.1 shows that countries with higher levels of taxation – and, which are ideologically, more social democratic – tend to have lower levels of poverty. The best examples are the Nordic countries where overall government revenues can reach over 50 percent of GDP. In contrast, countries committed to lower levels of taxation tend to have higher levels of poverty. So, for instance, while the United States is one of the richest countries in the world, its tax base is low and poverty rates are relatively high.

Figure 8.1: Correlation Between Tax and Poverty Rate in OECD Countries (2008)[3]



Source: Author's own source

[2]See also Moene and Wallerstein (2001) and Gelbach and Pritchett (2002).

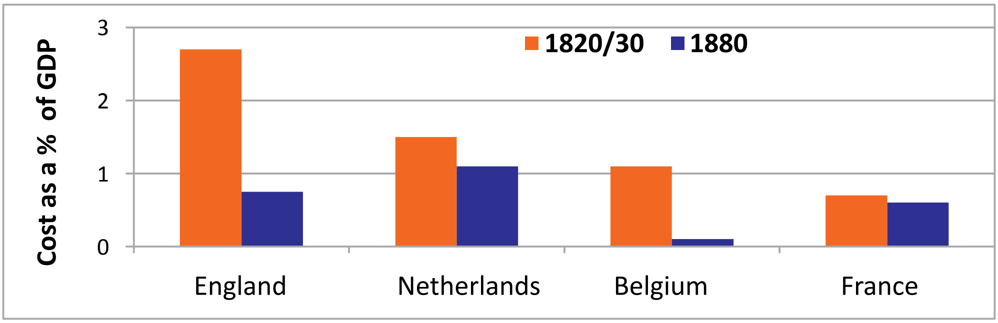
[3]The poverty rates provided are official OECD statistics for 2007 from the OECD's Social Expenditure Database at: http://www.oecd.org/els/soc/socialexpendituredatabasesocx.htm. The data on tax revenue is from the IMF's World Economic Outlook database at: http://www.imf.org/external/ns/cs.aspx?id=28.

It is not surprising that higher levels of taxation lead to lower poverty, given that higher taxes enable higher government expenditure in core public services such as health, education, social protection and social care. However, is there evidence that the design of these public services has contributed to higher budgets and tax and, therefore, greater impacts on the poor? The following sections will examine evidence from both developed and developing countries, beginning with Poor Relief in 19th Century Europe, a time when European countries should be regarded as "developing."

Poor Relief in 19th Century Europe

During the 18th and 19th centuries, in part driven by a fear that the French Revolution would spread, a number of European countries established formal social transfer schemes to tackle the rising poverty engendered by industrialisation and rural-urban migration.[4] The schemes were collectively known as "poor relief," directing their support at those living in greatest poverty. As indicated by Figure 8.2, in the early 19th Century, poor relief budgets in some countries were relatively large, costing over 1 percent of GDP in Belgium and the Netherlands while reaching a very significant 2.5 percent of GDP in England.

Figure 8.2: Poor Relief Budgets in the 19th Century: 1820/30 and 1880



Source: Lindert (2004)

However, during the 19th century Poor Relief budgets shrank, some by very significant margins. In England, for example, by 1880 overall spending on Poor Relief had fallen to around a quarter of the expenditure in 1820. Lindert (2004) argues that a key reason for the fall in spending was the spread of democracy during the 19th century. While Poor Relief served the interests of those in power – providing landowners and factory owners with a more flexible labour force – it was largely financed from taxes on the middle class who still did not have the vote. But, as the middle class gained the vote, they began to resent their taxes being spent on schemes from which they were excluded. As a result, political support for Poor Relief – which was increasingly seen as a "handout" – fell, leading to a concomitant fall in budgets.

Furthermore, while Poor Relief had initially been provided as unconditional transfers, Townsend (2007) notes that, during the nineteenth century, the concept of the "undeserving poor" – those of working age living in poverty – began to grow, along with fears of a growing "dependency" culture (similar to current concerns in many developing countries). To

[4] There were other reasons explaining the generation of these programmes. In England, for example, poor relief enabled agricultural regions in the South to retain cheap labour, which was being pulled towards the industrial North.

maintain political support for Poor Relief, it became conditional on recipients entering the workhouse, a demeaning form of workfare.[5] The middle class could, therefore, be assured that their taxes were not being given as handouts to the "undeserving poor;" instead they were made to work in exchange for benefits.

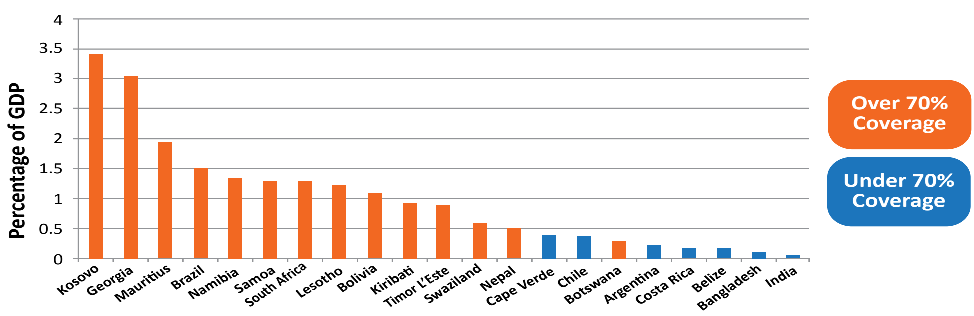
As Figure 8.2 shows, in some countries – such as the United Kingdom, Netherlands and Belgium – Poor Relief budgets fell significantly. Sustaining the budget of programmes targeted at the people living in poverty was incompatible with growing democracy, which demanded more inclusive programmes benefitting both those with low and middle incomes. So, while Poor Relief expenditure fell, investment in social programmes incorporating both the middle class and those living in poverty – such as universal primary education and old age pensions – began to increase. Over a period of decades, many social security schemes moved towards universal access, in particular in those countries with a more social democratic political culture.

Tax-financed Old Age Pensions in Developing Countries

Old age pensions in developing countries offer another example of the political economy of social protection at work. In recent decades, there has been a significant expansion in the number of developing countries providing tax-financed old age pensions. Many of these pensions are universal or have high levels of coverage, while others – such as Bangladesh's Old Age Allowance – are targeted at those living in poverty. The large number of developing countries with old age pensions allows comparisons to be made between countries with regard to budgets and the value of transfers.

As Figure 8.3 indicates, there is a clear correlation between the coverage of old age pensions and their budgets. Old age pensions providing coverage of over 70 percent – most of which are part of broader old age pension systems offering almost universal coverage – have consistently higher budgets than those with low coverage and narrow targeting of the people living in poverty. The one exception – Botswana – can be explained by the country's extremely high levels of inequality. Within the South Asia region, Nepal – which offers universal pension coverage – invests significantly more in its tax-financed pension than either Bangladesh or India, both of which target those living in poverty.

Figure 8.3: Cost of Tax-financed Pensions in Developing Countries, as A Percentage of GDP



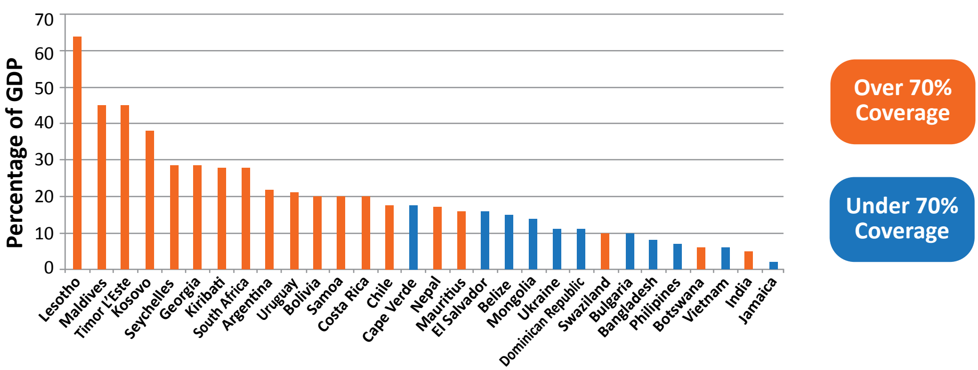
Source: Social Pension Database at: http://www.pension-watch.net/about-social-pensions/about-social-pensions/social-pensions-database/ and UNICEF (2012).

5 See Lindert (2004) and Townsend (2007) for a description of the change of Poor Relief from unconditional to conditional. In reality, though, although Poor Relief became closely associated with the workhouse, as Lindert (2004) points out, most beneficiaries continued to receive outdoor relief, as a result of the administrative challenges and expense of managing the workhouses. This is similar to those developing countries today that have "conditional" schemes but do not enforce the conditions.

Older people living in poverty also appear to benefit significantly more from pensions with high coverage than they do under a poverty-targeted system. As the third section explains, with high coverage – and, in particular, when coverage is universal – the exclusion error of older people living in poverty is low or, in some cases, zero. In contrast, when pensions attempt to select only those living in poverty, the inadequacy of targeting methodologies in developing countries means that many older people living in poverty – often a majority – are excluded. In Bangladesh, for example, over 60 percent of older people in the poorest quintile of the population are unable to access the Old Age Allowance (Kidd 2013b). Even in countries with high administrative capacity – such as Chile – around half of intended beneficiaries are excluded from tax-financed pensions (Arenas de Mesa and Mesa-Largo 2006; Valdes Prieto 2002).

As predicted by political economy theory, there is also good evidence that broader coverage delivers higher pension transfer values for older people living in poverty. Figure 8.4 indicates transfer values for pensions with different levels of coverage. In this case, overall coverage by state pension schemes – both tax-financed and contributory – is examined since many countries provide high coverage through a combination of both types of pension, with the value of minimum contributory pensions driving up the value of the tax-financed pension.

Figure 8.4: Value of Pension Transfers – As A Percentage of GDP – for Developing Countries, According to Level of Overall Pension System Coverage



Source: Social Pension Database at: http://www.pension-watch.net/about-social-pensions/about-social-pensions/social-pensions-database/ and UNICEF (2012).

It is clear that, in countries with broad pension coverage, the value of the tax-financed pension is much higher than in countries with pensions selecting those on low incomes (with 70 percent coverage used as a cut-off). Botswana – again – is an exception, due to its exceptionally high level of inequality. This probably also explains the lower value of Swaziland's pension although a further reason may be that it is meant to be targeted at older people living in poverty – which probably drives the government's decision on its value – while, in practice, it reaches almost all older people. In countries directing their pensions at people on low incomes, those with higher transfer values – such as Cape Verde, El Salvador and Belize – do, in practice, have reasonably high coverage, with many of those in the middle deciles benefitting.

The South Asia region provides, again, an interesting comparison. Despite being the poorest country in the region, Nepal provides a universal pension equivalent to 17 percent of GDP per capita, while the poverty targeted Old Age Allowance in Bangladesh provides only 8 percent and India even less at 5 percent. In fact, when real dollar values are compared, Nepal offers a pension of US$5.20 per month, while Bangladesh's Old Age Allowance provides $3.90 and India only US$3.30. Evidently, in terms of access to pensions, it is better to be old and on a low income in Nepal than in either India or Bangladesh.

Old age pensions in developing countries with high or universal coverage can also be compared to well-known contemporary Poor Relief programmes. Internationally, old age pensions have significantly higher budgets than Poor Relief. The most well-known and largest Poor Relief schemes outside the former Soviet Union – such as Brazil's Bolsa Familia, Mexico's Oportunidades, Ecuador's Bono de Desarrollo Humano, and the Philippines' Pantawid Pamilya – all have budgets below 0.4 percent of GDP. Yet, most pensions with high or universal coverage have budgets over 1 percent of GDP, indicating much stronger political support and popularity. In Brazil, for example, while Bolsa Familia has a budget of 0.39 percent of GDP, the Rural Pension – which provides almost universal access – has a budget of 1.5 percent, while the overall cost of financing the broader old age pension system is 12 percent of GDP (although this comes from both general government revenues and contributions) (Kidd and Huda 2013). The impacts on poverty and inequality from the Rural Pension are significantly higher than those of Bolsa Familia (Kidd and Huda 2013).

The popularity of universal pensions means that politicians often use them to win elections. In Lesotho, the introduction of a universal pension helped the government win the next two elections; in Peru, in the 2011 Presidential election, the promise of a universal pension was one of the three main factors contributing to the successful candidate's victory; and, in 2005, in Mauritius, a decision by the government to means test the pension contributed to its electoral defeat [6]. In fact, the winning candidate in the Mauritius election declared – in his first speech following the election – that he would: "end the humiliation previously imposed on pensioners by abolishing the targeted approach and reinstating [the] universal pension to all pensioners." When New Zealand held a referendum in 1997 to decide whether to means test its pension, 80 percent of the population voted, and 92.8 percent were in favour of retaining the pension as a universal scheme (St. John and Willmore 2001).

Box 8.1: World Development Report (1990) Examples of the Political Economy of Social Protection

The political economy of social protection has been understood for many years. In the 1990 World Development Report, the World Bank highlighted the danger that poverty targeting could undermine political support for schemes, leading to inferior outcomes for poor people:

"In practice, the success of public interventions involves more than cost-effectiveness. The demands made by different sections of the population, and their ability to exert pressure on the authorities, are often more influential than the government's economic calculations. Fine targeting based on a single-minded concern for cost-effectiveness can reduce public interest in the vigorous implementation of government programmes to help the poor. For example, in the late 1970s Sri Lanka replaced a universal food subsidy with a less costly, targeted food stamp programme. In time, the benefits delivered by the new programme declined. The middle classes no longer gained from the scheme, and although the new programme was more cost-effective, it lost crucial political support. Similarly, a food subsidy directed to poor consumers in Colombia was so tightly targeted that it lacked an effective political constituency, and it was dropped at a change of administration. The analysis of public policy has to be alive to these considerations of political economy."

[6] Willmore (2006), RHVP (2007) and http://www.helpage.org/newsroom/latest-news/peruvians-elect-new-president-on-pension-promise/.

Child Allowances in Uzbekistan

The history of family allowances in Uzbekistan provides further evidence of how the design of schemes influences the political economy. To help cope with the crisis of independence generated by independence from the Soviet Union, in the early 1990s Uzbekistan established universal child transfers, which cost around 4 percent of GDP (Kidd 2014). In part, these transfers – and the greater consumption they generated – helped explain why Uzbekistan was affected less by independence from the Soviet Union than other countries in the Commonwealth of Independent States (Kidd 2014). However, in 1998, the government decided to target the child allowances at low-income families: since it was not a democracy, it was relatively easy to do this (although old age and disability pensions – the main areas of spending – continue to offer almost universal access). As a result, expenditure on the child allowances fell dramatically. Investment by Uzbekistan in the schemes was around 1.3 percent of GDP in 2011, while they reach less than 20 percent of the families with children (Kidd 2014).

Opposition to the Means Testing of the UK's Universal Child Benefit

As the examples of the Mauritius and New Zealand pensions– indicated once universal schemes are established, they are difficult to remove within democracies. When the UK government decided, in 2010, to means test the country's universal Child Benefit, there was widespread opposition from all sectors of society, including from both the right and left wings of the political spectrum. The right wing press defended the interests of the middle class – arguing that it was an essential benefit for many – while many on the left argued that, if the rich and middle-class were removed from the scheme, they would be less willing to oppose cuts to the existing means-tested benefits, threatening the well-being of many poor and vulnerable families (Kidd 2014). It was an example of the alliance between low and middle-income families in action.

However, the government moved ahead with its cuts and the fears of those on the left were realized. Since announcing the targeting of the Child Benefit, the British government has undertaken widespread cuts among schemes for the poor, with the most vulnerable – in particular people with disabilities – being hardest hit. These cuts have received strong support from the middle class. However, the government has bolstered its support among its political base by agreeing to provide a universal state old age pension – replacing the current complex contributory and means-tested system – alongside a range of other benefits that disproportionately favour the more affluent (Kidd 2014).

The Use of Conditions to Reduce Opposition to Poor Relief

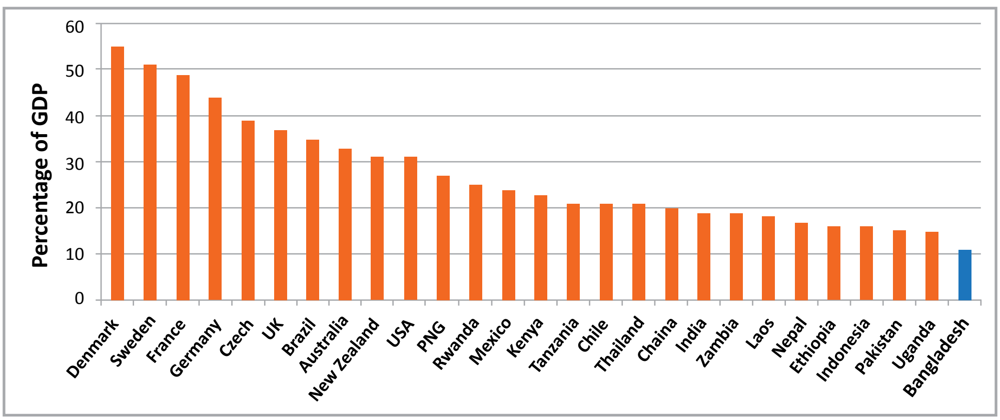
As happened with 19th Century Poor Relief in England, a common means of building political support for Poor Relief schemes is to make them conditional (See Fiszbein and Schady 2009). In this way, the main taxpayers can be convinced that they are not giving away something for nothing, since the poor are made to work for the benefit. Traditionally, conditions have been in the form of labour. In the 19th Century the condition was entry to the workhouse while, nowadays, the work condition is realized in developing countries by requiring people to engage in workfare schemes (such as Ethiopia's Productive Safety Net Scheme and Bangladesh's Employment Generation Programme). However, in the past ten years there has also been an increase in conditional cash transfer (CCT) programmes in which families are obliged to send their children to school or attend health clinics; if they do not comply with a minimum level of attendance, they are punished by having their benefits withdrawn. These conditions are imposed despite the absence of robust evidence that they increase school attendance or improve child nutrition (See Fiszbein and Schady 2009, Kidd et al 2011, Manley et al 2012, and Kidd and Calder 2012).

However, while conditions may well increase political support and safeguard funding, there is no real evidence to prove that this actually happens. In reality, the budgets of almost all Poor Relief programmes in developing countries are relatively low and this level of spending may have been achieved anyway, without conditions. Indeed, while CCT Poor Relief schemes – such as Brazil's Bolsa Familia and Mexico's Oportunidades – have budgets below 0.4 percent of GDP, the unconditional Child Support Grant in South Africa has achieved a budget of 0.9 percent of GDP. This may be because it has been designed as a programme for children rather than for "the poor." Its coverage is also much higher: it has a high income eligibility threshold which enables those in the middle deciles to enter the scheme, thereby building an alliance between those living in poverty and those in the middle, the main voting bloc of the ruling African National Congress Party. As a result, it essentially proves the theory underpinning the political economy of targeting social protection schemes.

Implications of Evidence on the Political Economy of Social Protection for Bangladesh

Bangladesh, historically, has had a strong commitment to targeting its social protection programmes at families living in extreme poverty. As Figure 8.5 indicates, this is consistent with a commitment to a low tax regime, with government revenues in Bangladesh – measured as a percentage of GDP – among the lowest in the world. In effect, Bangladesh has a classic neoliberal social protection system, which, as a result, delivers small budgets for social protection schemes. The schemes themselves have significant flaws, including small transfer values and high levels of exclusion of the people living in poverty.

Figure 8.5: Government Revenues as A Percentage of GDP in A Selection of Countries



Source: IMF World Economic Database

International evidence on the political economy of social protection would suggest that, if Bangladesh were to move to a more inclusive system of social protection that covers both people living in poverty and those in the middle income deciles (in effect, the poorest 80 percent of the population, most of whom are either living in or vulnerable to poverty), the families with the lowest incomes are likely to benefit significantly more than under the current system. Coverage of schemes would be higher – meaning that far fewer of the families living in poverty would miss out– and it is likely that political pressures from those in the middle income deciles would lead to higher transfer values.

Of course, a move to an inclusive system could not happen overnight. In the short term, it would be prudent to invest in increasing the coverage of one or two schemes, while, in the long-term, planning a gradual expansion of inclusive social protection to other priority schemes. The most likely candidate for inclusive provision in the short-term would be the Old Age Allowance, bringing Bangladesh in line with many other developing countries. An inclusive tax-financed pension is likely to be strongly supported given that the elderly is usually regarded as “deserving.” Other schemes that countries move to providing on a more inclusive basis are disability benefits and child grants, while India’s Employment Guarantee Scheme is offered as a universal entitlement. The optimum package of schemes in a social protection system will be discussed further, in the context of explaining a lifecycle approach to social protection.

A move to an inclusive social protection system will, inevitably, raise concerns on affordability and whether the fiscal space exists in Bangladesh. However, as discussed earlier, the political economy of social protection indicates that “fiscal space” is not a fixed concept but can vary, in effect responding to the design of a scheme. An inclusive programme is likely to have strong political support and, indeed, could contribute to the success of political parties in elections. If it were implemented, there may well be support for a rise in taxation given that the main taxpayers may also receive the benefit, while the majority of the population may well begin to promote and support higher taxes. A move to an inclusive system of social protection could, indeed, be a catalyst for Bangladesh to further increase government revenues and, over time, move to the levels expected of a middle-income country. Similar arguments could be made for the inclusive – or universal – provision of other public services, such as health and education.

Universal Versus Poverty Targeting

Across developing countries, the topic of targeting generates significant debate. Amartya Sen (1995) has wondered whether the term targeting is a useful analogy in social policy. A target is something to be fired at, effectively turning people into passive objects. Therefore, the term could be regarded as dehumanising. In reality, targeting could be better explained as selection or identification processes: governments first establish the criteria for inclusion in a social protection scheme, which is followed by an identification process in which people are assessed against the eligibility criteria for the scheme (See Kidd (2013b) for a more detailed explanation). Therefore, in this section, the term “selection process” will be used, rather than “targeting.”

One of the key issues debated on selection processes is whether programmes should be accessible to everyone within the eligible category of the population or only to those living in poverty (often known as poverty targeting). As indicated, one of the main arguments in favour of universal access – as against selection on the basis of poverty – is derived from discussions on the political economy of social protection: universal programmes provide both higher budgets and transfers for people living in poverty and, therefore, benefit them more than programmes selecting on the basis of poverty.

One of the arguments often raised against universal access is that it is unfair that the more affluent benefit, since they do not need support. In effect, providing a transfer to the better-off is regarded by many as a misuse of government finance. However, a number of arguments can be offered in favour of the more affluent receiving a social protection benefit:

- In line with the theory – and practice – of political economy theory, if the more affluent receive a social protection benefit, they are more likely to support the programme and, importantly, are more willing to be taxed. This will benefit those living in poverty since they will receive a higher quality programme, including a higher transfer.
- Given that the better-off pay the highest taxes and are the main financiers of a social protection system, it could be argued that it is only fair that they should also benefit.
- In fact, many universal schemes are entitlements – often backed up by Constitutional dispositions (such as the right to Social Security in the Bangladesh Constitution) – meaning that all citizens, including the better-off, have a right to access the benefit.
- By enabling everyone of an eligible category – such as everyone over or under a certain age – to access a scheme, administration processes can be significantly simplified, which is important in countries with weak administrative systems.
- In reality, when transfer levels are relatively low – as with many universal pensions – the rich do not bother to apply and, effectively, self-target themselves out of a scheme. This happens with the Nepal Senior Citizens' Allowance: many affluent people in Kathmandu do not apply for the scheme since they do not need the US$5.00 per month that it offers.
- When effective tax regimes are in place, it is possible to provide social protection benefits to the better-off and claw a proportion back through the tax system. So, while New Zealand's tax-financed pension is universal, older people continue to pay income tax in old age. As a result, the equivalent of around 0.7 percent of GDP is clawed back from the pension scheme through taxation (Willmore (2007).
- It needs to be recognised that, in developing countries, indirect taxes claw back a proportion of entitlements from everyone, with higher sums – in absolute (though not relative) terms – being paid by the rich.

This section will examine the merits of poverty and universal targeting in the light of international experience, in addition to the aforementioned political economy arguments (which explained that, in essence, this is an ideological debate). Often discussions on the merits of selection processes focus only on "accuracy." However, this section will examine whether "accuracy" is a useful concept and will also consider a wider set of criteria for assessing selection processes including: administrative costs; fiduciary risk; perverse incentives; moral incentives; and, impacts on social cohesion.

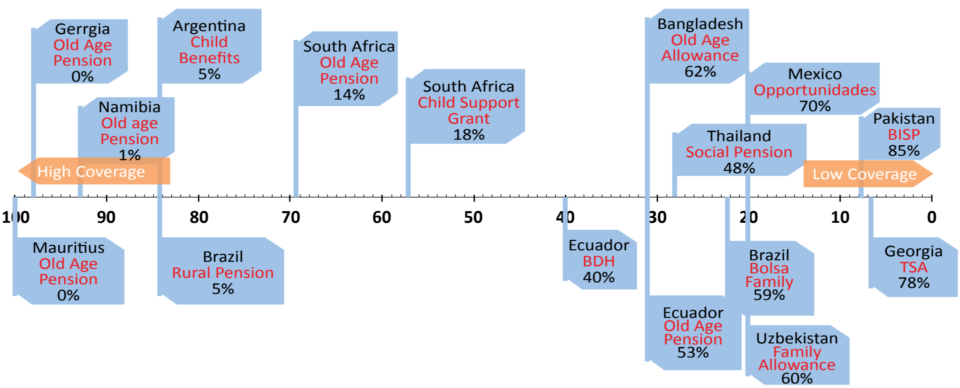
Accuracy of Selection Processes

While it is commonly assumed that "accuracy" is an appropriate means of assessing a selection process, little thought has been given to what this means. While inclusion and exclusion errors can be useful, they are often measured in different ways, meaning that cross-country comparisons are difficult to do. Furthermore, the use of the term "error" when referring to a universal scheme is flawed: if a social transfer is intentionally given to the more affluent, it cannot be an error if they receive it.

In assessing selection processes, it is best to consider their main purpose, which is to ensure the inclusion of eligible people into a scheme. Given that social protection schemes have, as their priority, the inclusion of people living in poverty, it is best to assess their success by measuring how effectively they include such people.[7]

When universal access and selection on the basis of poverty are compared, it is evident that coverage is more important in determining the inclusion of people living in poverty than any particular mechanism for identifying them. Figure 8.6 illustrates this point by mapping a range of social protection schemes in developing countries along a scale indicating the coverage of the intended category of recipients. On the right hand side of the scale, 0 indicates zero coverage while, on the left, 100 indicates universal coverage. The number within the boxes indicates the proportion of the poorest 20 percent of the selected category who are excluded from the scheme (with the poorest 20 percent used as a proxy for the extreme poor).

Figure 8.6: Relationship Between Coverage and Effectiveness of a Sample of Social Security Schemes, Measured as Percentage of the Poorest 20 Percent of the Selected Category of Recipients Who are Excluded



Source: Derived from Kidd 2013b

Note: Data on coverage and the exclusion of the poorest are taken from the following sources: Fiszbein and Schady (2009), Jitsuchon et al (2012), Kidd and Khondker (2013), Kidd and Abu-el-Haj (2013), Lucio Romero (2011), Mete (2011), Roca (2011), Samson et al (2007), SASSA (2012), UNICEF (2012), Veras et al (2007), Willmore (2003; 2007), and World Bank (2009). A few of the examples given - such as the Namibian Old Age Pension, South African Child Support Grant and Argentina's child grants – provide the author's estimates of the exclusion of the poorest 20% and should be regarded as a ballpark figure.

The diagram demonstrates that – as would be expected – the higher the coverage, the lower the exclusion of people living in poverty from a scheme. So, for example, the universal Old Age Pension in Mauritius covers 100 percent of the intended recipients – i.e. all those over 60 years – and, logically, all older people with the lowest incomes. In contrast, Brazil's Bolsa Familia programme covers just over 20 percent of the population but excludes nearly two-thirds of those living in extreme poverty. Schemes with intermediate coverage, such as

[7] Coady et al (2004) attempt to provide an assessment on the targeting success of social protection schemes. However, their methodology includes a number of flaws and biases and necessarily gives results that favour programmes with small coverage (in other words, it emanates from a neoliberal philosophy). It is, therefore, not particularly useful as a means of assessing targeting success.

Ecuador's Bono de Desarrollo Humano – which covers around 40 percent of the population – tend to achieve intermediate coverage of the those living in poverty (in this case, around 40 percent are excluded). Bangladesh's Old Age Allowance covers 32 percent of older people, but around 62 percent of the poorest quintile are excluded.

There are two main explanations for the increase in the exclusion of the poorest as coverage decreases. The first is that some schemes have such low coverage that it is impossible for them to reach the poorest 20 percent of the population. So, for example, Pakistan's Benazir Income Support Programme (BISP) covers only 8 percent of the population so, necessarily, the majority of the poorest 20 percent - in this case 85 percent - are excluded.

The other reason for the exclusion of the poorest is the inherent inaccuracy of methodologies for selecting the poor in developing countries. There is no "targeting" methodology that can accurately identify the poor. Nonetheless, significant effort has been invested in developing selection mechanisms to identify families with low incomes. Many countries have adopted the proxy means test as their preferred selection methodology – a summary of how it functions is in Box 8.2 – and, currently, it is being proposed for use in Bangladesh. Yet, it is not particularly accurate in identifying eligible poor households.

Box 8.2: Description of the Proxy Means Test Selection Methodology

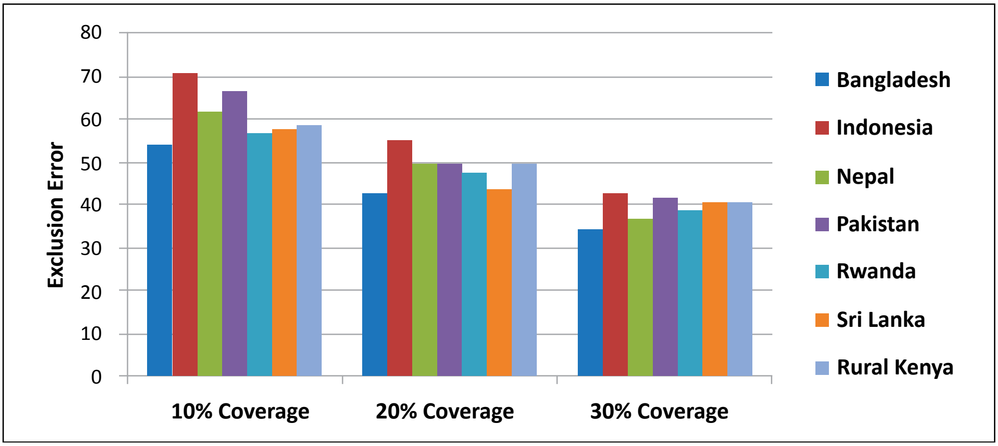
The proxy means test uses national household surveys as its basis. Its premise is that, since household income is difficult to measure accurately during the selection of recipients – and detailed verified means tests are time intensive and administratively costly – household income can be estimated by measuring assets and other variables (known as proxies for poverty). Proxies are identified by running regressions of potential proxies against poverty, using information in a national household survey. Proxies usually cover aspects such as demographic characteristics (for example, age of household members and size of household), characteristics of the house (such as type of roof or floor), durable goods (such as refrigerators, televisions or cars) and productive assets (such as land or animals).

Each proxy is given a specific weighting and the weightings are calculated by the strength of a particular proxy in explaining poverty. While any one proxy may be relatively weakly correlated with welfare, correlations improve if multiple proxies are used. However, even the best multiple correlations are always relatively poor and the R-squared is usually in the range of 0.4 to 0.6 (a R-squared of 1 would be a perfect correlation). This weak correlation is a key explanation for selection errors.

Once a range of weightings has been identified, a scorecard is developed. There are usually around 10 to 30 proxies in total. Households are visited and assessed against their possession of the particular proxies. Surveys are more challenging than often thought – see Kidd and Wylde (2011) for more information – and, as a result, more errors enter into the process at this point. Once the survey is finished, each household is given a score and those below a score corresponding to a putative poverty line are regarded as eligible.

Figure 8.7 indicates the statistical, minimum exclusion errors generated by the proxy means test, at a theoretical level (it needs to be borne in mind that further significant errors will be generated during the enumeration of households). It indicates that the exclusion errors for programmes with 10 percent coverage are around 60 percent, although this drops to around 40 percent when coverage is 30 percent. At very low coverage, errors increase: so, for example, in Bangladesh, at 5 percent coverage, around 69 percent of the eligible population would be excluded. The World Bank has found very similar errors for a PMT in Bangladesh, indicating its inappropriateness as an accurate "targeting" mechanism (Sharif 2009).

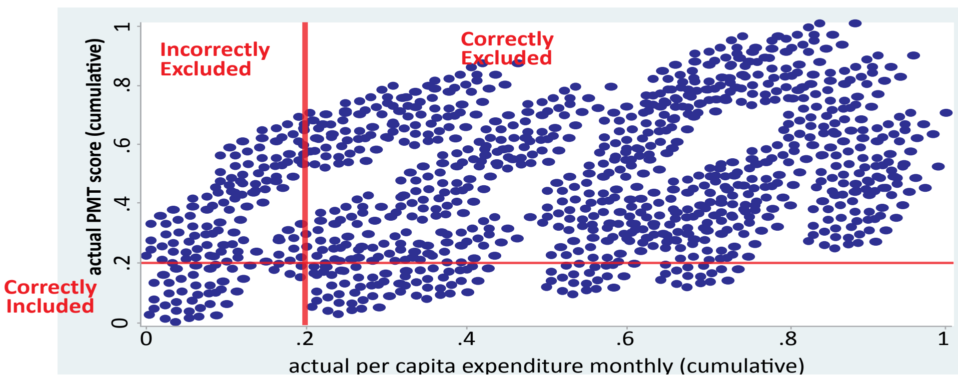
Figure 8.7: Theoretical Statistical Exclusion Errors of the Proxy Means Test, when Assessed Against Different Levels of Coverage



Source: Kidd and Wylde (2011a).

The PMT can be envisaged as functioning as a form of lottery in which families with lower incomes have more lottery tickets than better off families. But, they still have a good chance of losing the lottery. The lottery element of the PMT is illustrated by Figure 8.8, in which individuals from the household survey in Bangladesh are mapped on a scatterplot, ranking them from poorest to richest (each dot is a household). The Y-axis shows the predicted income from the PMT and the X-axis shows the actual consumption measured by the household survey. The lines drawn on the scatterplot indicate the 20th percentile, on the assumption that the poorest 20 percent of the population is meant to be selected.

Figure 8.8: A Scatter Graph Plotting Household Consumption Against Household Consumption Predicted by the PMT, in Bangladesh

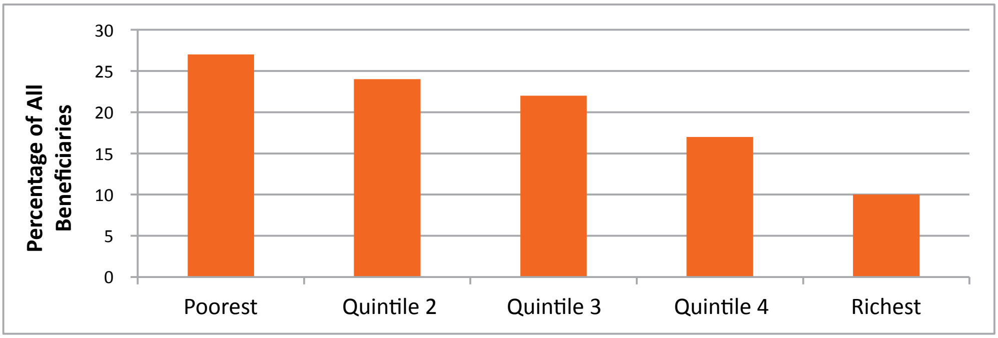


Source: Kidd and Khondker (2013).

The errors associated with the proxy means test, once implemented, tend to be higher than those predicted by using the household survey. For example, Mexico's Oportunidades Program has an exclusion error of 70 percent with coverage of 20 percent (Veras et al. 2007). Even, Georgia's Targeted Social Assistance Program – which is described by the World Bank (2009) as "among the best-performing similar programs in the world" – still excludes around 60 percent of eligible beneficiaries, against coverage of 7 percent (UNICEF (2012).

There are alternative methodologies used in developing countries for selecting people living in poverty, but all have similar high errors. Brazil's Bolsa Familia Program uses an unverified means test and has an exclusion error of 59 percent (Veras et al 2007). Community-based selection processes – in which community members (or elites) – choose beneficiaries have many advocates but, again, results are disappointing at national scale. The only country that systematically uses community-based targeting at national scale is Rwanda and, as Figure 8.9 indicates, there are very significant inclusion errors when it is applied in the VUP programme, which is targeted at the poorest 5 percent or so of the population.

Figure 8.9: Proportion of All Beneficiaries of Rwanda's VUP Scheme in Each Wealth Quintile



Source: DFID (2013).

Therefore, in terms of their success in including families living in poverty in social protection schemes, selection on the basis of poverty performs significantly worse than universal selection. Of course, this is not surprising since universal access necessarily means that people living in poverty will also be included.

Universal access, however, also means that the non-poor are included. As noted earlier, this should not be regarded as an error as it is intentional and can be justified for a range of reasons. However, it could also be argued that many non-poor people should, in reality, be regarded as living in or vulnerable to poverty. Family incomes are dynamic and it is normal for many families to move in and out of poverty over a period of time. For example, in Indonesia – which has a poverty rate of around 12 percent – the World Bank (2012) estimated that, among the general population, more than half of those who were living in poverty in 2010 were classified as non-poor in 2009. Furthermore, 43 percent of the population fell under the near poverty line at least once between 2008 and 2010, a graphic illustration of income volatility. In Pakistan, a similar study has indicated that, while the national poverty rate in 2009 was 17 percent, 67 percent of households were vulnerable to poverty over a five-year period (World Bank 2009).

Furthermore, poverty lines are relatively arbitrary measures and the choice of how to determine poverty is often political. As would be expected, alternative poverty lines give higher poverty rates. So, in Bangladesh, if the Basic Needs Poverty Line were increased by 50 percent, it would give a poverty rate in rural areas of almost 70 percent, with almost all these people being vulnerable to falling under the Basic Needs Poverty Line (See Kidd et al 2014). Indeed, all would be under the US$2 per day poverty line, which some regard as a better indicator of real levels of poverty in developing countries. It could be argued that, in a context of such high levels of people either living in or vulnerable to poverty – with many people falling in and out of poverty over a relatively short period – it makes little sense to select only a small proportion of them.

When coverage is restricted to a relatively small proportion of those living in poverty, "poverty targeting" tends to function like a rationing mechanism, choosing a small proportion of people from among a much larger group who are "deserving." In contrast, universal access to a social protection scheme for those belonging to the eligible category of the population can, potentially, guarantee the inclusion of all those who are living in or vulnerable to poverty if registration mechanisms function well. There may, of course, be some exclusion of the eligible category but international experience would indicate that this is usually minimal (see Box 8.3). However, these errors are not due to the design of the selection process but, rather, are administrative and apply to both universal and poverty based selection mechanisms.

Box 8.3: Potential Errors with Universal Schemes

No selection mechanism is perfect. While design errors of universal schemes are zero – and relatively high in selection mechanisms like proxy means testing – there may, however, be implementation errors. For example, in an old age pension, some eligible older people may be excluded because they do not have the right documentation while some younger people may be included – as currently happens in Bangladesh's Old Age Allowance – if they are able to falsify their age. However, in developing countries the exclusion of eligible older people is usually minimal and is much easier to control in a simple universal programme than in a pension using "poverty targeting." An appeals process should be established to deal with these exclusion errors. The inclusion of younger people into old age pensions varies across countries, depending on the coverage and accuracy of birth certificates and identity cards. However, many low-income countries have had good success in excluding younger people even when identity card coverage is low; some use mechanisms such as age calendars and community verification (See: McPherson (2011) for more information).

Of course, all the implementation errors in universal programmes are equally applicable to programmes that attempt to select people living in poverty. However, "poverty targeted" schemes have additional errors introduced through both design and implementation, which, as discussed earlier, can be considerable.

Administrative Costs

Selection processes to identify people living in poverty are, necessarily, much more complex than those offering universal access. They require many more steps to be taken, much more information to be captured and transferred, and many more people involved. For example, the proxy means test requires a large amount of information to be captured – which is often difficult to obtain – and large numbers of enumerators while a universal pension essentially requires only one piece of information, a person's age. Therefore, administrative costs are, necessarily, significantly higher with poverty targeting when compared to simple universal schemes.

Poverty-based selection processes also demand frequent re-selection of recipients, to assess whether they still qualify for the programme on the basis of their economic status. In developing countries, this often implies re-visiting all families of the eligible category in the country on a regular basis. Because this is expensive, it is rarely done as frequently as it should be. For example, Mexico's Oportunidades Program has, in many areas, only undertaken re-selection every ten years, although it is planning to reduce it to every 5 years (although there is limited evidence that this aspiration can be achieved) (See Escobedo 2011). However, this infrequent re-selection comes at the cost of increasing inaccuracy over time, since families move in and out of poverty. Yet, if re-certification were done on an annual basis, it would be prohibitively expensive.

Re-certification is much less complex with universal schemes and, therefore, further reduces administrative costs. Once people register for a scheme it is clear when they will no longer be eligible for a benefit and they can be automatically deleted from the scheme's payment system at virtually no cost. For example, with a child grant, as soon as children reach the maximum age of eligibility, the system can automatically remove them from the benefit. Similarly, with a universal pension, once people die, they are removed. Of course, a challenge may arise if deaths are not reported, but this is a similar challenge faced by old age pensions using poverty-based selection. There are relatively simple methods to overcome this, including the regular presentation of a "certificate of life," providing a funeral benefit to encourage the reporting of deaths, or penalties for non-reporting.

It is often recommended establishing grievance processes to deal with the challenge of exclusion errors. Yet, in contexts where exclusion errors with poverty-based selection methods amount to over 50 percent of the eligible population – which is the norm – the costs of an effective grievance system would be very high, significantly increasing administrative costs. As a result, most schemes reduce costs by not establishing effective grievance systems. So, in Mexico, despite exclusion errors of 70 percent, only 0.1 percent of selection decisions on the Progresa Program were contested (Skoufias et al 1999).

Therefore, the complexity of poverty-based selection necessarily leads to higher administrative costs than with simple universal schemes. However, it is difficult to make international comparisons of administrative costs since, even when the information is reliable, administrative cost as a proportion of total transfer value is highly dependent on the value of the transfer.

Ability to Act as a Safety Net

Paradoxically, social protection schemes using poverty-based selection function less well as safety nets than universal schemes. The infrequent re-selection associated with poverty-based schemes – in particular those using a proxy means test – means that, if families experience a shock and fall into poverty, they may have to wait a number of years to access the scheme. Furthermore, since proxy means tests do not measure income, if the shock does not lead to a change in the proxies used in the selection process, families may not be identified as poor, even though they may be in a very difficult situation. Indeed, to qualify for a proxy means test, families may have to sell those assets that are used as proxies – for example, their animals or houses – which will make it more difficult to recover from the shock (See Kidd 2012a) for a further discussion).

In contrast, with universal schemes, families experiencing shocks are already in receipt of a transfer. This transfer offers them a minimum floor below which they will not fall, thereby increasing their chances of retaining their assets and bouncing back from the shock.

Fiduciary Risk

Universal transfers have very simple selection processes and, therefore, minimize the potential for corruption. For example, many select everyone over or under a specific age. Therefore, the only proof of eligibility required is proof of age. While this may provide challenges in some contexts – see Box 8.4 and McPherson (2011) for more information – these are not insurmountable and many low-income countries have developed relatively reliable means of verifying age. Furthermore, this is not a disadvantage of a universal selection process since a poverty-based programme would face the same challenge. The simplicity of identification of recipients in universal schemes also facilitates monitoring and makes it much easier to spot whether someone ineligible is on the scheme.

Poverty-based selection processes are complex, thereby permitting many more opportunities for corruption. Programme staff responsible for selection often abuse their position and manipulate the choice of recipients – sometimes receiving bribes – as happens in Bangladesh, but also in other developing countries, including India (HelpAge International 2003, Kumar 2008, Hossain 2007 and BRAC 2008). Community-based selection is particularly prone to abuse and, given that there is never an effective audit trail with community selection – which would imply adequately documenting the rationale for the selection of individual beneficiaries – it is very difficult to monitor whether corruption has happened with community based targeting(Abraham and Platteau 2000, Chinsinga 2005, Miller et al 2008 and Kidd et al 2011). The proxy means test methodology is less susceptible to corruption but it can happen, in particular when enumerators are from local communities. [8]

One means of dealing with potential corruption is to make lists of recipients/ public. On the one hand, this process attempts to deter people from applying for entry to schemes by using the stigma of being on a Poor Relief programme. It also hopes that community members will challenge the selection of others, if they believe the decision is incorrect. However, there is little evidence that making decisions public is an effective solution. As indicated earlier, almost no decisions were disputed in Mexico's Progresa Program. Grosh et al (2008) note that it is highly unlikely that community meetings could act as an effective complaints mechanism since community members would be wary of creating a conflict with others if they were to publicly question the inclusion of their neighbours.

However, one advantage of a universal scheme is that it can provide an effective mechanism of citizen monitoring. Since people can easily understand the criteria for inclusion – which is not the case with poverty-based methodologies – they can determine whether an eligible person has not received a benefit. This can act as a strong deterrent to officials who may wish to abuse the selection process.

Perverse Incentives

Social protection schemes should be designed to encourage people to engage in the labour market and invest in income-generating activities. They should not encourage people to remain in poverty.

However, a significant concern with poverty-based selection processes is that they can create disincentives for people to engage in work. In effect, people are told by the state that they will only receive benefits if they remain "poor." So, if the benefit is set at a rate that is similar to real wages, people may be tempted not to work: if they do take work, they will lose their benefit while only receiving a small increase in income. The effective "marginal rate of taxation" is, therefore, very high. Box 8.4 provides a simple explanation of how perverse incentives can function.

[8] A study in a South-East Asian country has shown extensive manipulation of results by community leaders in the proxy means test, but the evaluation has not been publicly released. See also Calder et al. (2011).

Box 8.4: Poverty-based Selection and Disincentives to Work – A Simple Illustrative Example

Let us assume that a country provides families with young children with a social protection benefit of $10,000 per year. The type of selection mechanism used is likely to have a significant impact on the actual incomes of those families.

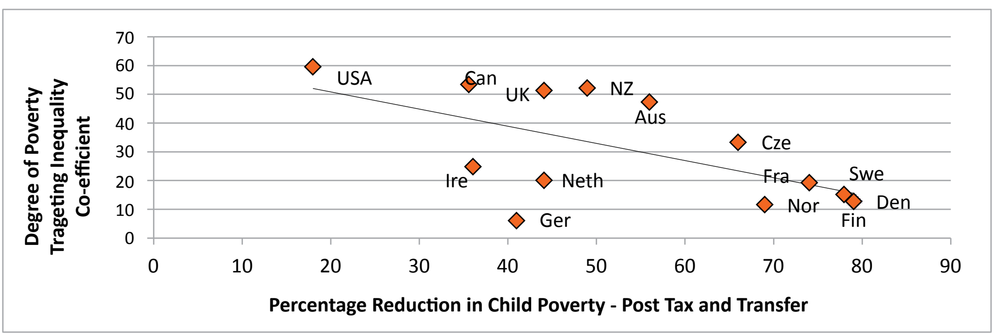
In a country that sets the income eligibility threshold at $10,000, a family earning $9,000 would receive an income of $19,000. However, a family earning $11,000 would have the entire social protection benefit withdrawn – an extremely high marginal rates of taxation – leaving them with only their income from work, in other words $11,000. It would make sense for them to work less and earn $9,000 since this would increase their income to $19,000. [9]

In contrast, in a country providing universal benefits, a family earning $9,000 would have an overall income of $19,000 while a family with an earned income of $11,000 would have an overall income of $21,000. There would be no disincentive to work. Instead, work would guarantee a higher income.

In contrast, if benefits are provided on a universal basis, this should create no disincentive to work, assuming the transfer is set at an appropriate level. Even if people increase their income significantly, they will never be punished by the loss of their benefit.

There is good evidence from developed countries of poverty-based selection creating perverse incentives. Figure 8.11 indicates that, in developed countries, there is a strong negative correlation between poverty-based selection and success in tackling child poverty (with the "inequality coefficient" measuring the degree of poverty-based selection: the higher the co-efficient, the greater the level of poverty selection) (See Whiteford and Adema 2007) for a more detailed explanation. It is evident that countries providing more universal access to social protection schemes – such as Sweden, Norway, Denmark, Finland, France and the Czech Republic – tend to have lower levels of poverty than countries committed to selecting only poor families and children (mainly the Anglo-Saxon countries).

Figure 8.10: Relationship Between Level of Poverty Targeting and the Percentage Reduction in Child Poverty



Source: Whiteford and Adema (2007)

[9] Some developed countries try to use some form of tapering to reduce the benefit gradually and lower the marginal rate of taxation. However, this is very challenging to implement and, even in developed countries, can fail.

A key reason for the correlation between greater poverty-based selection and lower impacts on child poverty is that the poverty-based selection creates disincentives for young mothers to work, reducing incomes and impacting negatively on children. This is a significant challenge in Anglo-Saxon countries. In contrast, in countries with more universal transfers – such as the Nordic countries – if women enter the workforce, they are not punished by the withdrawal of transfers. A recent paper by the Hirsh and Hartfree (2013) explains how reforms to the British social security system are continuing to create perverse incentives despite their aim of reducing them.

There is also evidence that tax-financed pensions using poverty-based selection can undermine contributory pension schemes. In both Australia and South Africa – where the more affluent are barred from the tax-financed pensions – members of contributory pension schemes have withdrawn their savings as lump sums before retiring, rather than converting them into a regular pension. As a result, they throw themselves into poverty so that they are able to claim the state's means-tested pension (Sass (2004) and Samson et al 2007). This perverse incentive may well explain why Australia has the highest rates of old age poverty among developed countries whereas New Zealand – which uses a universal pension – has the lowest (Kidd and Whitehouse 2009). In New Zealand, all older people can receive both the universal state pension and contributory pensions, without punishment. However, as noted earlier, New Zealand claws back some of the cost of its universal pension from the tax system, a more sensible approach for reducing costs than Australia's.

It is likely that the poverty-based selection of state tax-financed pensions creates disincentives for people to save in contributory pension schemes. If the state tax-financed pension is means-tested and set at the same value as the minimum pension in a contributory scheme, why would people save for many years only to find that they receive the same value of pension as people who have never saved but qualify on the basis of having a low income? If this happens, it could well undermine the extension of contributory pension schemes to the informal sector in developing countries.

In developing countries there is little evidence of perverse incentives being created by Poor Relief schemes. However, this is probably the result of poor quality selection processes. A high proportion of scheme recipients are already "inclusion errors," in other words too well off to receive the programme. Furthermore, given the infrequent re-selection that is mentioned above – sometimes up to every ten years – recipients are unaware that they can be removed from schemes if their incomes improve. Indeed, given that schemes such as the proxy means test do not directly measure incomes, any increase in income may not be registered, if it has not been converted into changes in relevant assets or proxies.

However, in Ethiopia's Productive Safety Net Programme (PSNP) – which uses relatively frequent community poverty-based selection – it is evident that the contribution of "own production" of beneficiaries to overall consumption has fallen considerably between 2006 and 2010 (Berhane et al 2011). Indeed, overall consumption among recipient families has reduced as a result of being on the scheme (Tahere and Woldehanna 2012). The reasons for this are unclear. It may be that the poverty-based selection of the PSNP is creating perverse incentives to reduce their production or it may be that demand to engage in public works is reducing the ability of families to engage in their own income-generating activities. Given that the latter challenge would have been present in both 2006 and 2010, it may well be that that the perverse incentive created by the selection process is the main factor.

There is no evidence of schemes providing universal access creating perverse incentives as a result of their selection process. Indeed, there is no reason why they should. As indicated earlier, the evidence from developed countries is that universal access facilitates the entry of recipients into the labour market. In developing countries, the only social protection programmes providing universal access are old age pensions and there is evidence of many older people – and their families – actively using their transfers for income generating activities (Croome 2006, Croome and Nyanguru 2007, RHVP 2007, Uprety 2010, Bukuluki and Watson 2012, Kidd 2011 and Ibrahim 2013).

The Moral Costs of Selection Methodologies

Sen (1995) argues that poverty-based selection processes implicitly reward dishonesty and cheating. If the non-poor can successfully lie about their income – or, in the case of the proxy means test, the assets they possess or their characteristics – they are rewarded by the state with access to a social protection programme. Given the rewards for deceit, cheating is common in poverty-based selection processes. In Malawi’s Social Cash Transfer programme, for example, 9 percent of households created “ghost” members, presumably to increase their chances of being selected for the programme (Miller et al 2008). A key reason for Mauritius’s move from poverty based selection to universal access for its old age pension in 1958 was because of complaints from those honestly declaring their income that they were losing out while those cheating the system were being rewarded (Willmore 2006).

There is no reason for people to lie about their income to access a universal benefit. They may, of course, lie about other criteria for access – such as about their age in the case of an old age pension – but, as noted earlier, this also happens in programmes using poverty-based selection. It is, however, easier to deal with in a universal programme since it is the only area of potential misreporting by applicants: with poverty-based selection, programme administrators have to deal with other potential areas of misreporting which are harder to verify, in particular on income.

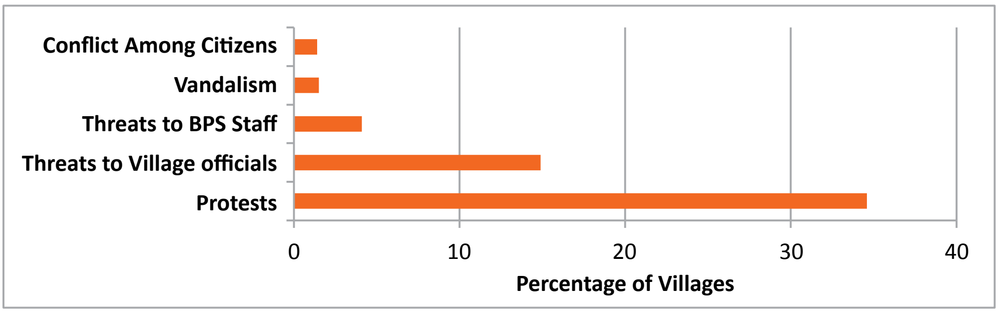
The challenge that governments face by instituting poverty-based selection processes is that they may well incentivize moral degeneration across society, potentially undermining the social contract. It is evidently not in a nation’s interest to create a group in society that believes that “cheating the system” is an acceptable livelihoods choice.

Impacts on Community and Social Cohesion

There is strong evidence that selecting people for programmes on the basis of their poverty can undermine community cohesion. There are many examples of poverty-based selection causing social conflict in communities, in particular with proxy means tests (see Adato 2000, Adato et al. 2000, Adato and Roopnaraine 2004, Widjaja 2009, Ellis 2008, Hobley and Paudyal 2008, Mgemezulu 2008, Huber et al 2009, Hannigan 2010, Kidd and Wylde 2011a, Cameron and Shah 2011 and Hossain 2012). In part, this is due to the relatively arbitrary nature of the proxy means test selection methodology – see Figure 8.8 - and its inaccuracy. Community members cannot understand why some poor people are selected while others are excluded. In Mexico and Nicaragua, non-recipients – many of whom are living in poverty – have remonstrated about their feelings of despair, frustration, envy, resentment and jealousy. In Mexico, Nicaragua and Indonesia, non-recipients have withdrawn their labour from voluntary community activities (Adato 2000, Adato et al. 2000, Adato and Roopnaraine 2004 and Hannigan 2010). There is evidence of direct conflict: for example, in some communities in Mexico, when Progresa recipients were cleaning the streets, the non-recipients threw rubbish; in others, fences mended by recipients were subsequently knocked down by non-recipients (Adato 2000). In Kenya's CT-OVC Programme, the absence of significant discord in communities following the selection of recipients using a proxy means test was due to programme administrators deceiving those excluded by telling them that they would be incorporated into the programme in the near future (Calder et al. 2011).

As Figure 8.12 indicates, Widjaja (2009) found significant challenges in Indonesia when the BLT programme – which used a proxy means test – was rolled out. Protests about the selection process took place in around 30 percent of villages. Indeed, Cameron and Shah (2011) found that crime increased by 5.8 percent as a result of the poverty based selection process. In a community visited by Hannigan (2010), the initial distribution of the Indonesia PKH Programme – again, using a proxy means test – provoked stone throwing and the burning down of a building. Similar problems have been found in Lebanon where the introduction of proxy means testing led to riots in some refugee camps (Kidd et al. 2011). In Lesotho, the houses of village chiefs have been burnt down (which has not happened with the country's universal pension) (Sharlene Ramkissoon, personal communication).

Figure 8.11: Incidence of Conflict and Other Challenges during Indonesia's BLT Programme



Source: Widjaja (2009).

Indeed, there is good evidence of communities across developing countries opposing selection on the basis of poverty. In Asia, Africa and Latin America, communities often claim: "We are all poor here" (See: Kidd 1999, Adato 2000, Adato et al 2000, Adato and Roopnaraine 2004, Mgemezulu 2008, Huber et al. 2009, Ellis 2008 and Hannigan 2010).

In Malawi, for example, a community argued: "We are one group of people therefore targeting some and leaving out others is not right" (Mgemezulu 2008). Indeed, there are many instances of communities subverting selection processes by redistributing benefits to everyone. In Indonesia, for example, it is normal practice for the benefits from the Raskin scheme – which provides rice vouchers to the poor – to be distributed on a universal basis by community leaders (TNP2K 2013).

All of these examples of conflict relate to Poor Relief programmes that undertake selection of all recipients on a large scale, at one period. It is possible that when poverty selection is done on an on-demand basis – and the recipients are not so obvious – that impacts on social cohesion may be reduced. However, there are few examples of such programmes in developing countries and no available evidence.

Evidence, however, does suggest that universal schemes are popular within communities, even when specific categories of the population are chosen. The evidence available refers to old age pensions where it has been noted that schemes are successful in strengthening the social networks of older people (Neves et al 2009, Knox 2009, Uprety 2010, Kidd S.D. 2011, Barrientos and Lloyd-Sherlock 2011 and Bukuluki and Watson 2012). In Zambia's Katete pension it is notable that, when the payment of the pension is delayed, it is the young people in the community who travel to the offices of the local administration to complain on behalf of their elders. Furthermore, there is no evidence that other universal public services – such as health or education – cause divisions in communities.

A further social cost of poverty-based selection is the stigmatization of potential recipients, as noted by Sen (1995) and Grosh et al (2008). Sen (1995) argues that: "Any system of subsidy that requires people to be identified as poor and that is seen as a special benefaction for those who cannot fend for themselves would tend to have some effects on their self-respect as well as on the respect accorded them by others." In Malawi's Social Cash Transfer Programme, some beneficiaries found the process of making their names public to be very painful (Miller et al 2008). In the Nepal context, Jha et al (2009) have noted how community-based selection can result in greater stigma of those chosen. In fact, Hobley and Paudyal (2008) found evidence of people manipulating wealth-ranking processes to avoid being labelled as "poor" since this affects the social status of the household and their daughters' marriage chances.

As entitlements, universal schemes are believed to strengthen the social contract between government and citizens. The IMF has suggested that the universal pension in Mauritius played a key role in enabling the country to overcome its racial divisions and accept structural reforms as it moved from a mono-crop economy to become Africa's most successful economy (Subramanian and Roy 2001). The old age pension in Nepal is believed to have contributed to the country overcoming its civil war, since it was one of the few services that could reach conflict areas and demonstrate a commitment from central government. Following the fall of the former Yugoslavia, the residents of Kosovo were left without access to pensions, with pension funds remaining in Serbia. A universal old age pension was established – under the mandate of the United Nations – which is likely to have helped the residents overcome the scars of civil war (Gubbels et al 2007).

In contrast, social protection programmes using poverty-based selection are more likely to be used as mechanisms of social control, a sop to reduce protests and opposition from people living on low incomes, who feel excluded from the benefits of economic growth. For instance, many of Latin America's Poor Relief schemes have been responses to high levels of inequality and unrest. Mexico's Oportunidades Program, for example, is the latest in a line of compensatory social transfer schemes established after Mexico's entry into the North American Free Trade Agreement (NAFTA) which disrupted the livelihoods of the rural population and led to social problems such as the Chiapas uprising. Similarly, in 1999 China established its Minimum Living Standards (MLS) scheme – a cash transfers for the poor – in response to concerns over increasing numbers of protests that were generated by growing unemployment as state owned enterprises were privatised (Ngok 2010). The MLS was implemented initially only in urban areas, the source of the threat felt by government.

Overview of the Pros and Cons of Universal and Poverty-based Selection

When a comprehensive assessment is undertaken of selection processes, on objective grounds the provision of universal access to social protection schemes appears to have advantages over poverty-based selection. The inclusion of the poor is much higher, administrative costs are lower, fiduciary risk is less, perverse incentives are lower, people are not rewarded for deceiving the state, and social cohesion is more likely to be strengthened. One of the main arguments in favour of poverty-based selection – that higher benefits can be provided to recipients from a fixed budget – has been shown to be naïve since, as discussed earlier, fixed budgets within the context of national expenditure do not exist. Governments can always raise taxes, take loans or shift expenditure from one area of government to another, if they so wish.

Within the context of old age pensions, the World Bank is clear on the advantages of universal schemes. In its classic publication on pensions – Averting the Old Age Crisis (World Bank 1994:240) – it argued that a fully inclusive and, indeed, universal tax-financed pension would have significant advantages:

> "Administratively, this is the simplest structure, with the lowest transaction costs for the public pillar - an important advantage in developing countries with limited institutional capacities and incomplete record-keeping systems. It avoids the disincentive to work and save inherent in means-tested plans. Its universal coverage helps ensure that the poverty reduction objectives are met, [and] provides a basic income for all old people."

A more recent World Bank report re-affirms this view, stating that a universal age pension "is probably the best way to provide poverty relief to the elderly. Considering the difficulty of identifying who among the elderly is poor, the principal merit of the programme is that its universality avoids the targeting issue" (Holzmann et al. 2005).

Indeed, the only argument in favour of poverty-based selection is that programmes for families living in poverty require less investment – due to lower coverage – thereby reducing taxation. Yet, this putative advantage comes at the cost of less successful and lower quality programmes, with a high proportion of eligible people excluded and impacts reduced. Indeed, when examined from the standpoint of a more progressive perspective, the higher cost of universal provision is not necessarily disadvantageous, since such schemes will be more effective. It is for this reason that countries with a more social democratic tradition – such as the Nordic countries – tend to offer a more universal approach to the provision of social services.

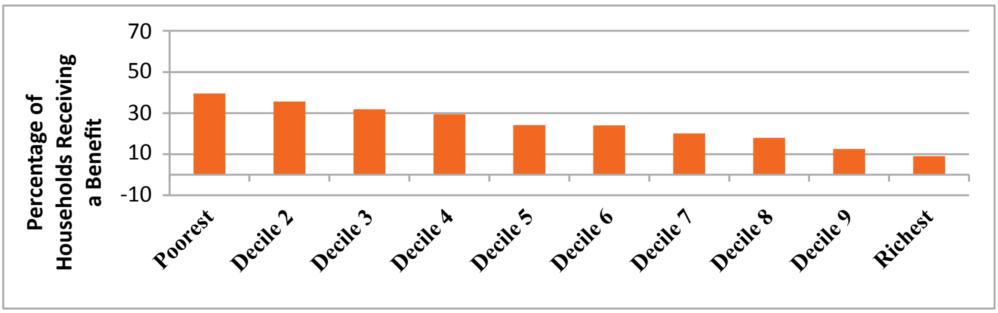
A further disadvantage of poverty-based selection – which is rarely considered – is that such schemes have smaller budgets than universal schemes and, as a result, necessarily generate less consumption. Yet, consumption is a driver of economic growth, creating markets for entrepreneurs, both large and small. Universal schemes are, therefore, more likely to generate a greater economic stimulus by creating a higher level of demand than programmes attempting to select only those living in poverty.

However, it is not possible for countries to offer universal access to all social protection schemes. The cost would be prohibitive and it is noticeable that most countries providing universal provision do so initially for old age pensions (or for other areas of social policy, such as primary education or health). Nonetheless, in the longer-term – as economies grow – increasing coverage across a wider set of programmes becomes more feasible. Indeed, this has been the process followed in many developed countries as they have built comprehensive social protection schemes over many decades. But, even in those countries that have a strong commitment to universal access to social services, there is always some small residual schemes for low-income families.

The Implications of the Evidence on Targeting for Bangladesh

Bangladesh has had a long history of "targeting" its social protection schemes to those living in extreme poverty. Yet, as Figure 8.12 indicates, success in reaching the extreme poor has been mixed, with the majority of poor families missing out, while many of those who are better-off are benefiting. This weak targeting performance partly explains why – despite relatively high investment in social protection – its impact is much less than would be expected.

Figure 8.12: Proportion of Households in Each Decile That Receive at least One Social Protection Benefit



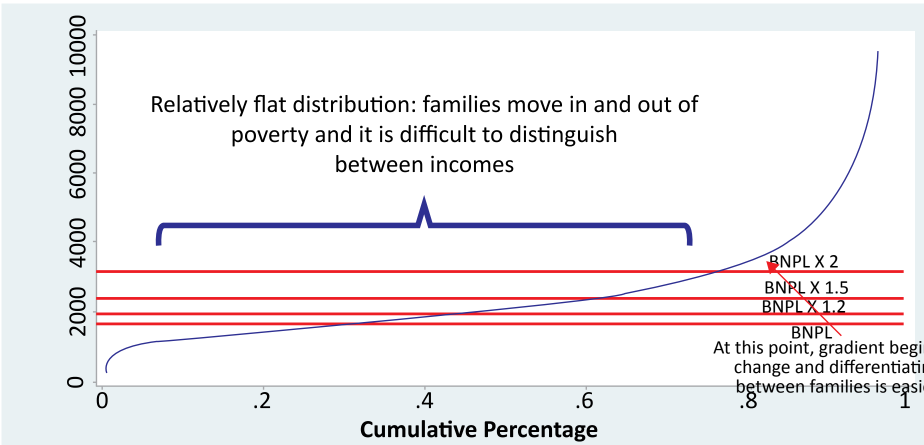
Source: Kidd and Khondker (2013).

Note: Only those schemes considered to be social protection in this report are included. So, for example, disaster relief Programmes have not been included.

If Bangladesh's policy aim is to include the families living in the most extreme poverty in social protection schemes, the coverage of schemes will have to expand. As indicated earlier, this is the most effective means of increasing the chances of the people living in poverty in accessing social protection. It may be best to adopt a range of approaches to different schemes. Some – such as an old age pension or disability benefit for the severely disabled – may lend themselves to universal coverage, including the use of pension-testing (whereby the benefit is not provided to those who are receiving a contributory old age or disability pension). It may be too early to provide universal coverage for other schemes so it may be preferable initially to move to higher coverage.

One option may be with some schemes to adopt a form of affluence testing, as in South Africa. Given that the majority of families in Bangladesh are either poor or vulnerable to falling into poverty, coverage could be extended to 70 or 80 percent and efforts could be focused on excluding those who are more affluent. Figure 8.13 shows the distribution of household consumption and the proportion of people who could be considered as living in poverty according to different poverty lines. It also indicates that at around the 80th percentile the gradient of household consumption begins to steepen (which corresponds to more or less the US$2 per day poverty line). At this point, it will be easier to differentiate between households and exclude the more affluent from schemes. Differentiating accurately between the majority of households that have per capita consumption of less than $2 per day is an impossible task, especially when taking into account the volatility of incomes: it is like hitting a moving targeting.

Figure 8.13: Distribution of Consumption Across Households, Indicating the Potential for Affluence Testing



Data Source: 2010 National Household Survey.

Note: The red lines refer to the Basic Needs Poverty Line (BNPL) and multiples of it: i.e. increases by 20%, 50% and 100%.

Bangladesh, therefore, is at a point in the development of its social protection system when it needs to develop innovative approaches to the selection of recipients. Adopting a mix of selection approaches and increasing coverage would begin a move to a more progressive national social protection system, which will, necessarily, increase the access of the families living in poverty. This could be linked to strengthening the development of schemes across the lifecycle, an approach followed by many middle and high-income countries, and which is discussed in the next section.

A Lifecycle Approach to Social Protection

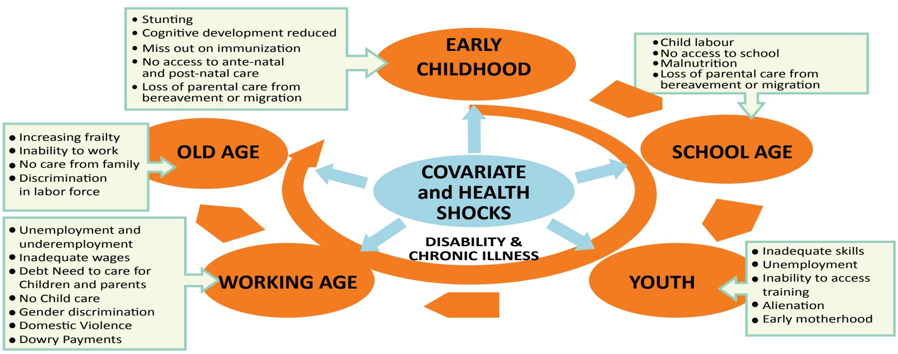
The main purpose of social protection is to help tackle poverty by providing people living in and vulnerable to falling into poverty with access to a minimum income. When examined relatively simplistically, two basic approaches to developing social protection systems have evolved over the past two centuries: one is an approach – which can be described as a Poor Relief Approach – which attempts to direct social protection schemes at the "poor;" the other is an Inclusive Lifecycle Approach in which a social protection system is built that directs resources to tackling the main lifecycle risks.

Poor Relief was the dominant approach to social protection when formal social protection systems were first developed in northern Europe, North America and Australasia during the eighteenth and nineteenth centuries. In effect, one national programme was established to provide cash benefits to the poor irrespective of their stage in the lifecycle. The largest programme in the world – as indicated in Figure 8.2 – was the Poor Laws in England, with overall expenditure at more than 2.5 percent of GDP in 1820.[10]

The Poor Relief approach to social protection is based on a very simplistic understanding of poverty, in which there is an easily identifiable group of "the poor" to whom support can be offered. Poor Relief attempts to identify the "poor" and provide them with social protection.

An ***Inclusive Lifecycle Approach*** to social protection has a very different basis. It recognises that people face a range of risks and challenges that vary across the lifecycle. Figure 8.14 illustrates the type of shocks and challenges that individuals face across the lifecycle in Bangladesh, from early childhood to old age, with disability a major threat throughout the lifecycle. These risks are described in more detail in Kidd et al (2014). However, the main risks faced by individuals across the lifecycle are similar in all countries. Furthermore, they are exacerbated for poor people as they have fewer resources available to enable them to cope with them.

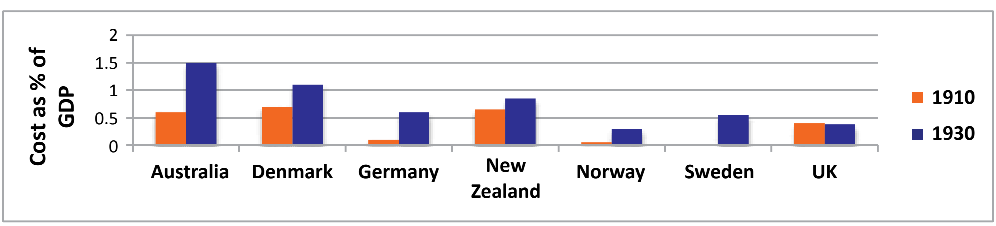
Figure 8.14: Summary of the Main Lifecycle Risks and Challenges in Bangladesh



Source: Author's own source

In developed countries, 19th Century Poor Relief was gradually replaced by an Inclusive Lifecycle Approach that established schemes directed at different stages of the lifecycle. In developed countries, the initial lifecycle risk prioritised was ageing, given that the elderly population was growing as a proportion of the population and traditional systems of care and support were breaking down (Linder 2004). The first pension schemes commenced in the late 19th Century and Figure 8.15 indicates the levels of investment by a selection of developed countries in 1910 and 1930. In most of these countries, there was a significant increase in investment over this period.

Figure 8.15: Investment by a Selection of Developed Countries in Old Age Pensions in 1910 and 1930

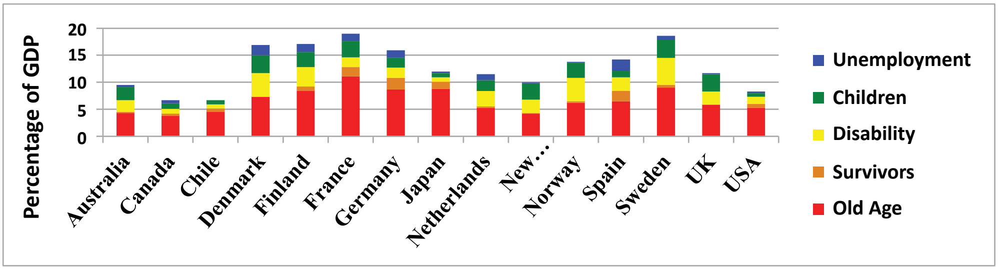


Source: Lindert (2004).
Note: Data for Norway corresponds to 1910 and 1920.

10 See Lindert (2004) for a description of the evolution of poor relief in the 18th and 19th Centuries.

Over time, developed countries gradually invested in a wider range of lifecycle schemes addressing other contingencies such as disability, unemployment and widowhood. The initial priority for children was to invest in education – prioritising universal free primary education – but, eventually, social transfer schemes were also established for children following the Second World War. Nowadays – as Figure 8.16 indicates – almost all social protection spending in developed countries is directed to the main lifecycle contingencies of old age, disability, widowhood, childhood and unemployment. Countries with the most comprehensive Inclusive Lifecycle Approach provide universal access to many social protection schemes, combining a mix of tax-financed and contributory schemes. Spending on generalised poor relief for poor households or families is, in many developed countries, minimal.

Figure 8.16: Spending on Social Protection Schemes in Developed Countries (2007)



Source: Source: OECD Social Expenditure Database

Box 8.5: A Broader Social Policy Approach to Tackling Risks and Shocks

While lifecycle risks are important contributors to poverty, they are not the only risks and shocks with which families have to contend. Broader social policy is also designed to tackle other risks. For example, health shocks are a major reason for families falling into poverty and, in part, are addressed by establishing an effective health system that can be accessed by everyone. However, health shocks also vary across the lifecycle and so health systems are established to provide services adapted to these different types of health needs. Other shocks – such as natural catastrophes or economic recessions – are covariate, affecting large numbers of people at the same time and, in part, are addressed by disaster management responses, including humanitarian relief. Social care services are also often designed to provide support across the lifecycle. Furthermore, education provision varies, depending on the stage of the lifecycle.

The two approaches to social protection are essentially based on a key difference in thinking on how poverty should be tackled. Poor Relief seeks to tackle the symptom, which is poverty itself: in other words, all those who are suffering from the symptom should receive similar treatment. In contrast, an Inclusive Lifecycle Approach tries to tackle the causes of poverty, recognising that the challenges people face at different stages in the lifecycle contribute to making them more vulnerable to falling into poverty. An Inclusive Lifecycle Approach, therefore, is not just protective but is preventive, providing social protection not only to those living in poverty but also to those who are likely to fall into poverty.

A major weakness of a Poor Relief approach is that the concept of a fixed group of “poor people” is a fiction. It is based on the same misconception that the poverty rate indicates the number of people who live in poverty. Yet, as explained earlier – poverty is a dynamic concept, with family incomes highly variable. As a result, a large proportion of the population either moves in and out of poverty or is in danger of falling into poverty. Therefore, the proportion of the population that should be considered as living in poverty – and, therefore, regarded as potential priority candidates for social protection schemes – is always much higher than the poverty rate. Of course, poverty lines are not objective constructs but are relatively political or arbitrary concepts: governments decide where to place a poverty line. For example, in Bangladesh, while the poverty rate using the Basic Needs Poverty Line is 31 percent, when the US$2 per day poverty line is used, the poverty rate soars to 84 percent[11]. Indeed, even when a consistent poverty line is employed, very different poverty rates can be generated, depending on the assumptions used. As explained earlier, the volatility of incomes and the relative arbitrariness of poverty lines help explain the difficulties in accurately identifying people living in poverty.

Of course, a dichotomy of either a Poor Relief or an Inclusive Lifecycle Approach is too simplistic. The reality is that most countries are somewhere on a continuum between a Poor Relief and an Inclusive Lifecycle Approach. There are developing countries with well-known Poor Relief programmes that also have other schemes directly related to lifecycle risks. Other countries adopt a Lifecycle Approach but direct programmes only at those living in poverty, thereby maintaining Poor Relief as the ideological basis of their system. However, as social protection systems evolve, they tend to move more towards a Lifecycle Approach with individual schemes over time becoming more inclusive, in many cases providing universal access.

Where countries are placed on the continuum between Poor Relief and a Lifecycle Approach depends on two main factors. The first is the stage of evolution of their social protection system. All countries move towards a Lifecycle Approach and so the extent to which a country's system follows a Lifecycle Approach may depend on how long that country has been implementing formal social protection. However, the other factor is ideological: while all countries move towards a Lifecycle Approach, those that are more neoliberal and want to minimise spending are likely to have a greater commitment to directing resources to the poor.

An Inclusive Lifecycle Approach and the Concept of a Social Protection Floor

In 2009, the UN endorsed the concept of a Social Protection Floor for all countries. The Social Protection Floor was designed around the concept of a Lifecycle Approach to social protection. It envisages that countries establish a set of tax-financed social security guarantees that are directed towards tackling lifecycle risks. Priority is given to schemes that provide income security for: children; those of working age to protect them against the risks of sickness, disability, maternity and unemployment; and the elderly.[12]

The Social Protection Floor envisages that, if this set of lifecycle schemes is established, then a minimum level of protection will be provided to the vast majority of families in a country, in particular those in need of support. An additional small safety net could also be established to pick up those who fall through the cracks in the floor, but it would only need to be small in size. As in developed countries, the vast majority of investment would be directed towards lifecycle schemes. A basic principle of the Social Protection Floor is the "universality of protection, based on social solidarity" (see ILO 2012).

[11] World Bank (2012).

[12] See ILO Recommendation Concerning National Floors of Social Protection (2012), at: http://www.socialprotectionfloor-gateway.org/files/SPF_recommendation_June_2012(1).pdf

A Social Protection Floor is, however, meant to provide a minimum and not a maximum. Countries can choose to provide a much higher level of support to their citizens, including establishing contributory schemes that enable people to invest in their own social protection so that, if a shock occurs, they can access a higher level of benefit.

Building a Lifecycle Social Protection System

The simplest form of Poor Relief is based on the belief that comprehensive coverage of poor households can be established overnight, via a scheme that directs resources to the poor in general. This was the essential basis for 19th Century Poor Relief programmes and this simplistic approach has been continued by a number of developing countries. However, as indicated, it is not possible to reach all families living in poverty with a simple poverty-focused household transfer programme since "targeting" errors are just too high and it is common for the majority of the intended recipients to be excluded from such schemes.

In contrast, an Inclusive Lifecycle Approach is built over decades. Countries initially prioritise one lifecycle scheme, usually an old age pension, and then, as political support for social protection grows – which, as explained in the second section, is more likely to be generated by an inclusive scheme – extend provision to other lifecycle risks. Over time, comprehensive coverage of the families living in poverty – and, in many countries, the majority of the population – is achieved. Indeed, households may gain access to multiple schemes if they are subjected to multiple lifecycle risks: for example, a household with an older person, children and an unemployed breadwinner may be able to access an old age pension, a child benefit and an unemployment benefit. As a result, those households facing the greatest risks can receive the most support.

Examples of Poor Relief and Lifecycle Approaches in Developing Countries

Over the past 20-30 years, there has been an increasing commitment to social protection across developing countries. As countries have established tax-financed social protection systems, they have followed either a Poor Relief or a Lifecycle Approach. To a large extent, this has been influenced by the underlying ideology within which the social protection system was developed in any particular country. More neoliberal political environments have prioritised Poor Relief while more progressive political environments have been more likely to follow a Lifecycle Approach.

Countries that have followed a simple Poor Relief approach by attempting to provide transfers to households living in poverty include:

- Mexico established the Progresa Program in the mid-1990s which currently – as Oportunidades – provides a transfer to around 20 percent of the population;
- Ecuador established the Bono de Desarrollo Humano (BDH) scheme in 1998, reaching around 40 percent of the population;
- Pakistan established the Benazir Income Support Programme (BISP) in 2008, which reaches around 15 percent of households;
- The Philippines established the Pantawid Pamilyang Pilipino Program (4Ps) in 2008, reaching around 20 percent of households;
- Colombia established the Familias en Accion Program in 2001 and, by 2007, it was reaching nearly 20 percent of households.

  Investment on social protection by governments following a Poor Relief approach is relatively low. As indicated previously, none of the schemes above costs more than

0.4 percent of GDP, with the highest being Oportunidades and BDH. As described in the third section, evidence indicates that the majority of poor households are excluded from these Poor Relief schemes.

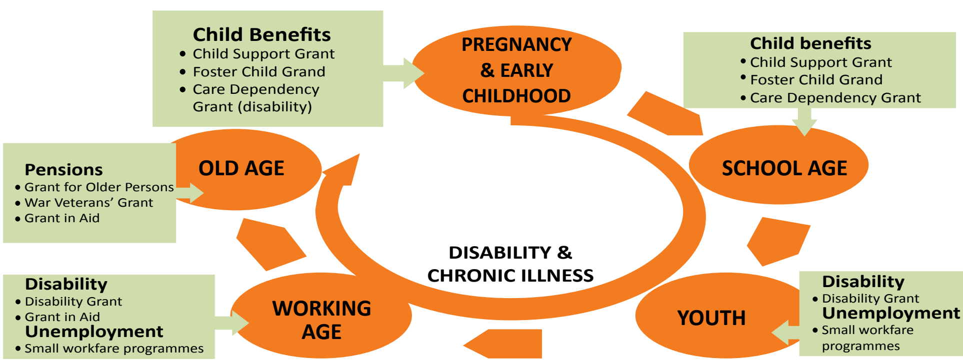
However, even in these countries, the situation is a little more complex and they all show signs of a move to a lifecycle approach. All these countries already provide disability, old age and survivor pensions either to privileged sectors – such as the civil service or military – or via contributory schemes mainly benefiting the formal sector. Furthermore, some are beginning to realise the flaws in a simple Poor Relief approach and have recently begun to evolve towards a lifecycle approach, beginning with an old age pension. So, Mexico has recently introduced an almost universal old age pension for everyone over the age of 70, Colombia began a means-tested old age pension in 2003, in Ecuador, an old age pension is rapidly expanding – currently reaching 65 percent of older people (with many others reached by contributory schemes) – and the Philippines commenced a means-tested old age pension in 2011.[13]

In contrast to those countries that have favoured a Poor Relief Approach, a number of other developing countries are well on the way to establishing comprehensive social protection systems using an Inclusive Lifecycle Approach. The examples of South Africa, Brazil and Nepal are discussed below.

South Africa

Before the fall of apartheid, South Africa had a long-established state social protection system that provided lifecycle benefits on racial lines, centred on a Grant for Older Persons and a Disability Grant. In effect, it was an early stage – but highly discriminatory – Lifecycle social protection system. With the fall of apartheid, the Lifecycle system began to evolve and become more inclusive, initially by ensuring that all racial groups had access to the existing benefits on equal terms. However, other lifecycle benefits were gradually put in place. The main new scheme was a Child Support Grant, which commenced in 1998 and was offered to children up to age 7 years. Subsequently, the age of eligibility has risen and it is now provided to children up to 18 years of age. Other schemes for children include a Care Dependency Grant for children with disabilities and a Foster Care Grant for orphans. A number of smaller schemes are in place including workfare, a Veterans' Benefit, and a Grant-in-Aid Scheme that provides additional support to recipients of old age pension and disability benefit. An overview of the schemes against the different stages of the lifecycle is set out in Figure 8.17.

Figure 8.17: South Africa's Tax-financed Social Protection Schemes Set Against the Lifecycle



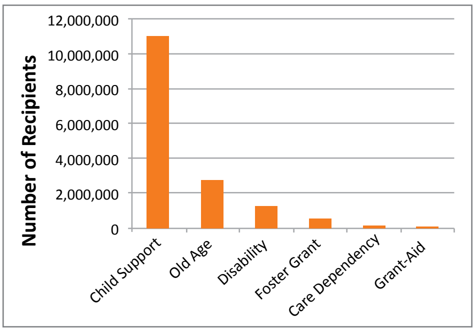
Source: Author's own source

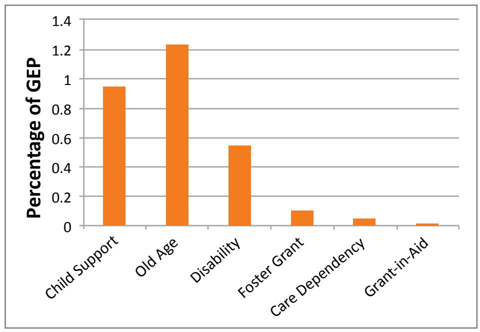
[13] See Pension Watch at: http://www.pension-watch.net/about-social-pensions/about-social-pensions/social-pensions-database/

South Africa's lifecycle social protection system has, therefore, been characterised by a gradual expansion over decades. While the system is meant to direct resources to people living in poverty, in reality it focuses on excluding the rich via a form of affluence testing. Poverty lines for the means test are set so high that most people are able to qualify. Furthermore, the Grant for Older Persons is complemented by contributory Civil Service and private pensions, so that almost all older people are covered by some form of pension.[14]

Figure 8.18 sets out the number of people receiving the main tax financed social protection schemes in South Africa. The Child Support Grant benefits around 11 million children, reaching around 58 percent of those aged up to 18 years, with higher proportions in some age groups. Around 73 percent of over-60s receive the Grant for Older Persons while most people with a severe disability are in receipt of the Disability Grant. Overall, the vast majority of households in South Africa are in receipt of a social grant, with many receiving multiple grants. The spending on schemes as a proportion of GDP is also set out in Figure 8.18, with the Grant for Older Persons costing around 1.2 percent of GDP and the Child Support Grant around 0.9 percent of GDP. Overall spending is around 3 percent of GDP.

Figure 8.18: Number of Recipients and Budgets for the Main Social Protection Schemes in South Africa





Source: Source: OECD Social Expenditure Database

Brazil

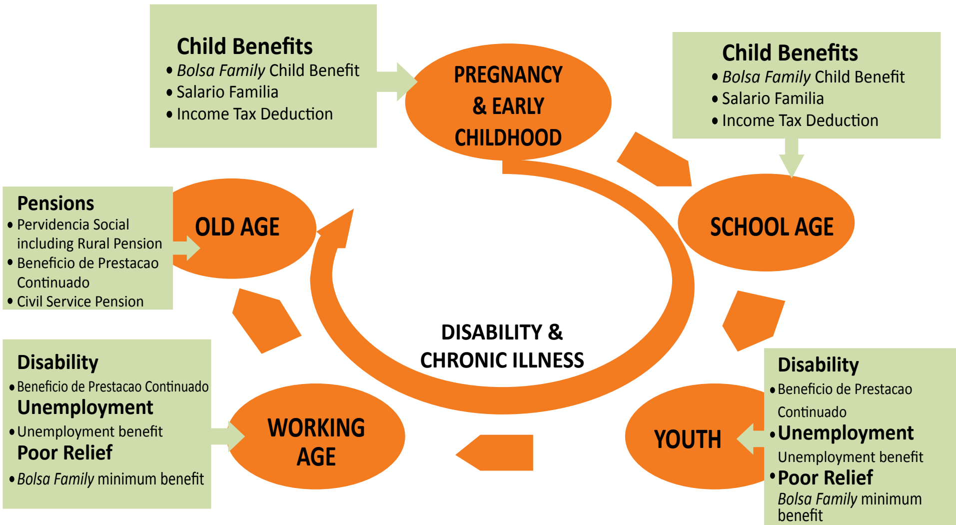
Brazil has been developing a social protection system for many decades, essentially based around the lifecycle. Figure 8.19 sets out the main schemes in Brazil, mapped across the lifecycle. While Brazil's Bolsa Familia Program is well known, in reality Brazil directs most of its social protection investment to the elderly, through a pension system known as the Previdencia Social, complemented by a Civil Service Pension.[15] While the Previdencia Social is mainly a contributory scheme, it is underpinned by investment from tax, in particular through the provision of pensions to those who have worked in rural activities. Another core scheme – the Beneficio de Prestacao Continuado – provides transfers to people with disabilities and the elderly poor. There are also a range of child benefits: one is integrated within Bolsa Familia while there are two other benefits for the children of formal sector workers: The Salario Familia and Income Tax Deduction. An unemployment benefit scheme is also in place. In addition, Bolsa Familia provides a small Poor Relief scheme for the most

[14] Over 300,000 people receive the Civil Service Pension. See: http://www.gepf.gov.za/index.php/about_us/article/who-is-gepf

[15] See Kidd and Huda (2013) for a comprehensive description of Brazil's social security system.

destitute families while the Previdencia Social offers a range of further benefits that deal with other lifecycle contingencies – such as for maternity, disability, accidents and sickness – but only for members who have paid contributions.

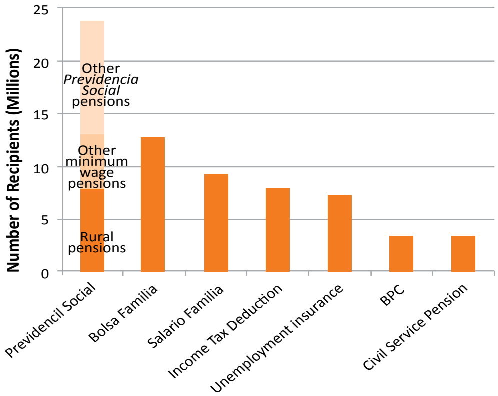
Figure 8.19: Brazil's Main Social Protection Schemes, Mapped Across the Lifecycle

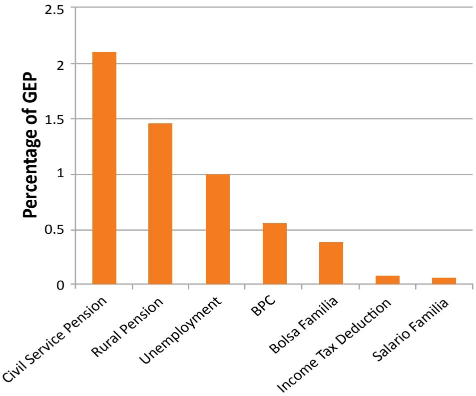


Source: Author's own source

Brazil's lifecycle approach to social protection ensures that a high proportion of the population are recipients of social protection schemes. Figure 8.20 indicates that old age pensioners are the main beneficiaries of Brazil's social protection system, both in terms of numbers and budgets. Around 29 million people – or 15 percent of the total population, and almost all older people – receive old age pensions, with the state investing around 3.8 percent of GDP across the Previdencia Social, BPC and the Civil Service Pension. There are also 39.5 million children in receipt of benefits – around 63 percent of all children – at a cost of 0.3 percent of GDP. In 2010, there were 7.46 million recipients of unemployment insurance while around round 1.6 million people with disabilities receive a benefit from BPC, at a cost of just over 0.2 percent of GDP. Overall, therefore, a very significant proportion of households in Brazil – almost certainly more than half – receive some form of social protection benefit, ensuring that a minimum floor is well on the way to being established.

Figure 8.20: Number of Recipients and Budgets – from General Government Revenues – of Brazil's Main Social Protection Schemes



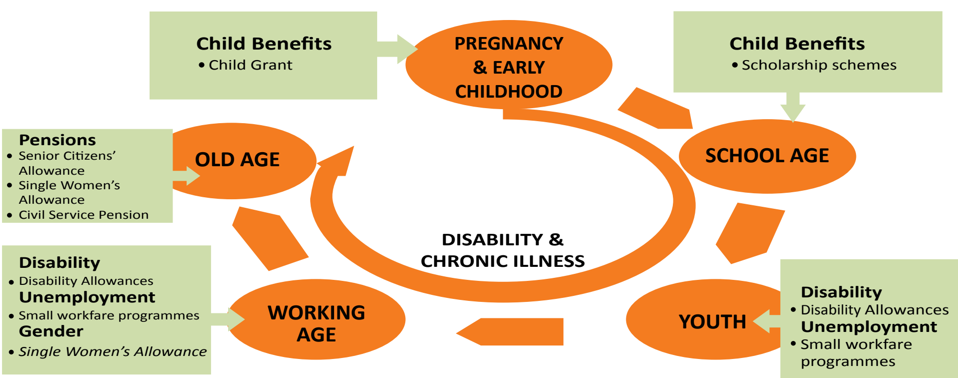


Source: Kidd and Huda (2013) and Global Extension of Social Security Database at: http://www.ilo.org/gimi/gess/ShowTheme.do?tid=1787. The overall cost of the Previdencia Social Scheme – which is mainly financed by payroll taxes – is 7.2% of GDP (Barbieri 2010).

Nepal

South Africa and Brazil are middle-income countries with social protection systems that have developed over many decades. Nepal is different. It is the poorest country in the South Asia region and its investment in a tax-financed social protection system only began in 1997. Figure 8.21 sets out the schemes in Nepal against different stages of the lifecycle. The main schemes are focused on providing income security to the elderly. In 1997, a Senior Citizens' Allowance was established for all over-75s while a Single Women's Allowance was established for all single women over 60 years. It complemented an already existing – and much more generous – pension for government employees, of which there are around 180,000 recipients. In addition, two Disability Allowances were set up, one for those with severe disabilities and the other for those with less severe disabilities, with the former paying a higher benefit. There has also been a range of small-scale workfare schemes.

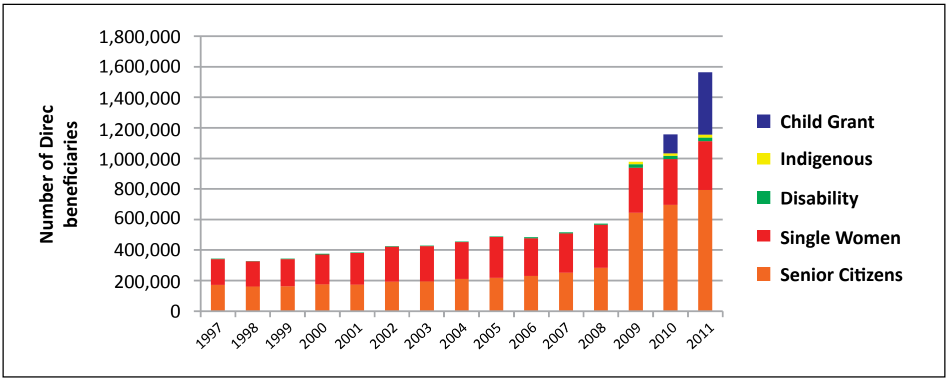
Figure 8.21: Nepal's Tax-Financed Social Protection Schemes, Mapped Against the Lifecycle



Source: Author's own source

As Figure 8.22 indicates, from 1997 to the end of the civil war there was only a gradual expansion in Nepal's social protection schemes. However, from 2009 – in the form of a peace dividend – there was a substantial increase in the number of beneficiaries. The age of eligibility for the Senior Citizens' Allowance dropped to 70 years – and 60 years for Dalits and those in the poorest area of the country (Karnali) – while a child grant for children aged 0-4 years was introduced in 2010. At present, the child grant is universal in Karnali and provided to Dalit children in the rest of the country; in 2011, it reached 409,000 children, around 13 percent of all children aged 0-4 years. As a result of a Supreme Court decision, in 2011 the age of eligibility for the Single Women's Allowance was reduced to 18 years, while continuing as an inclusive universal programme: in 2012, over 260,000 widows under-60 years received the benefit (in addition to the 320,000 single women aged over-60 years). Furthermore, a regular cash benefit was established for 16,000 indigenous people belonging to "endangered" groups.

Figure 8.22: Growth in the Number of Recipients of Tax-financed Social Protection Schemes in Nepal from 1997 to 2011 (excluding the Civil Service Pension)



Source: Kidd and Wylde (2011b).

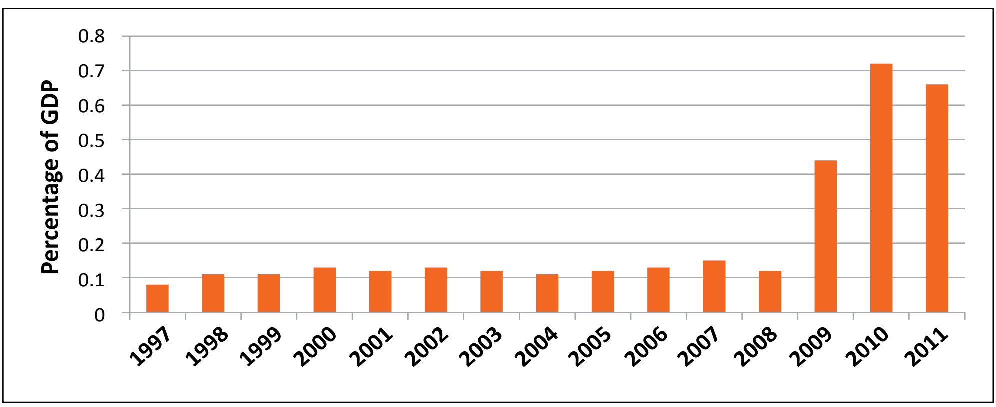
In total, therefore, around 1.8 million individuals receive social protection transfers in Nepal. The programmes are described in more detail in Table 8.1. As in South Africa and Brazil, the main focus was initially on old age and disability but, over time, this has expanded to include children and vulnerable women of working age. There are evidently significant gaps in coverage still but, for a poor country, Nepal's expansion of its social protection system has been impressive. Given the commitment to universal and high coverage, it is likely that the more recent schemes – in particular the Child Grant – will grow in coming years. South Africa, for example, had very low coverage when its Child Support Grant commenced in 1997 – and was only provided to children up to 7 years of age – but, as discussed earlier, it now reaches 58 percent of children up to the age of 18 years.

Table 8.1: Overview of Nepal's Tax-financed Social Protection Schemes (minus the Civil Service Pension)

Programmes	Characteristics[16]
Senior Citizens' Allowance	Provided to all older people over-70, plus over-60 Dalits and all over-60s in Karnali region. In 2011, there were 793,000 beneficiaries. Benefit levels were Rs. 500 per month
Single Women's Allowance	All single women over-60 – and over-50 in Karnali – are eligible and, in 2011, there were 320,000 recipients. In 2012, a Supreme Court decision extended the benefit to Single Women under 60, adding 260,000 poor widows under-60. Benefit levels are Rs.500 per month
Allowance for those with Complete Disabilities	In theory, all people certified as having "complete" disabilities are eligible. Currently, there are 15,000 beneficiaries. Benefit levels are Rs. 1,000 per month
Allowance for those with Partial Disabilities	Provided to those with partial disabilities, with a limit of around three people per VDC. Currently, there are 7,000 beneficiaries. Benefit levels are Rs. 300 per month
Child Grant	Provided to all children in Karnali aged 0-5, and to poor Dalit children of same age in the rest of the country. A maximum of two children per mother/carer are permitted. The number of children receiving the benefit in 2011 was 409,000. Benefit levels are Rs. 200 per month
Endangered Indigenous Peoples	Each person is provided with Rs. 500 per month, except for Raute people who receive Rs. 1,000 per month. There were 16,000 beneficiaries in 2011.

Figure 8.23 sets out the growth in spending on Nepal's social protection schemes. As indicated above, the expansion in coverage and increase in the value of benefits in 2009 led to a significant growth in government investment. By 2011, it had reached almost 0.7 percent of GDP. The expansion of the Single Women's Allowance to women under-60 will have further increased the budget, as this expansion alone requires almost 0.1 percent of GDP. In addition, in 2010, civil service pensions cost around 0.8 percent of GDP.

Figure 8.23: Growth in Spending on Nepal's Tax-financed Social Protection Schemes (Minus the Civil Service Pension)



Source: OECD Social Expenditure Database

16 No-one receiving a source of income from government revenues is eligible for the social security programmes.

Approaches to Social Protection: Implications for Financial Commitment

As indicated by the above examples, a lifecycle approach to social protection results in a much greater investment by the state in social protection than a pure Poor Relief approach. While pure Poor Relief schemes in developing countries have a maximum cost of around 0.4 percent of GDP, once they have reached a certain size, spending does not appear to increase and may even fall, which is explained by the political economy of "targeting" approaches, discussed earlier in this paper. And, an investment of 0.4 percent of GDP is well below the minimum required to provide a basic social protection floor for poor citizens. However, as discussed earlier, countries that have adopted a pure Poor Relief approach are beginning to follow the pattern of developed countries in the 19th and 20th Centuries by moving to a lifecycle approach, with an initial focus on old age pensions. This is likely to be the only path through which investment in social protection in these countries will grow.

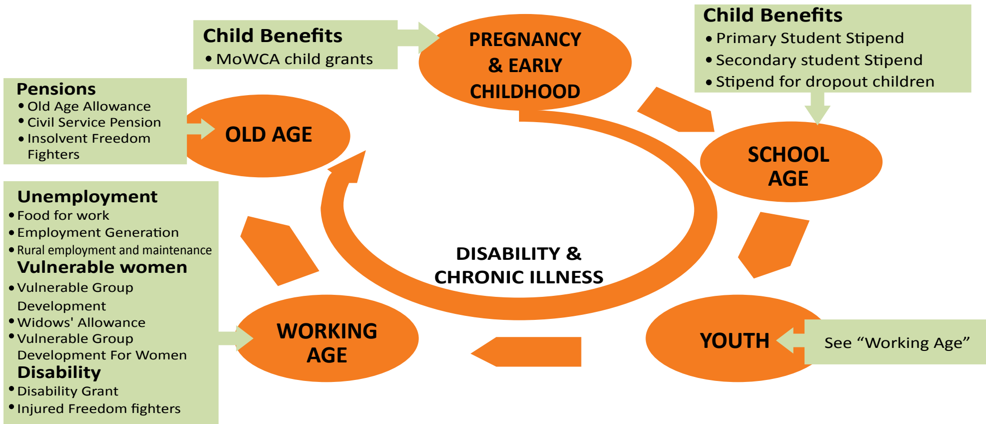
In contrast, tax-financed investment in social protection in countries that have adopted a Lifecycle approach is much higher, reaching around 3 percent of GDP in middle income countries such as South Africa, Brazil and Mauritius (and significantly more when contributory schemes are included). Nepal is the only low-income country that has substantially moved towards an Inclusive Lifecycle approach – indeed, in most low-income countries there is almost no state investment in social protection – and its investment is already double that of middle income countries that are following a Poor relief approach. Bangladesh is, however, moving towards a Lifecycle approach although it is still firmly embedded within a Poor Relief ideology. This is discussed further below.

The reason for the much higher investment in social protection by countries that follow a lifecycle approach is closely related to the political economy of the approach. As indicated earlier in the paper, by investing in schemes that have higher coverage – often universal – and which are directed towards categories of the population regarded as "deserving" due to their vulnerabilities, political support for social protection is much higher than under a Poor Relief approach. Those in the middle deciles – who are also poor or highly vulnerable to poverty – know that they will also benefit so are more willing to be taxed. So, over time, coverage of the schemes can grow so that, ultimately, an effective social protection floor can be established. This has been the pattern in developed countries, which, over many decades, have developed social protection systems that require an investment, on average, of around 14 percent of GDP, but which are highly effective in tackling poverty and inequality.

Implications for Bangladesh of a Lifecycle Approach to Social Protection

It could be argued that Bangladesh is already beginning a move towards a Lifecycle approach. Figure 8.24 maps Bangladesh's core social protection schemes against the lifecycle and they clearly fit a lifecycle pattern. Indeed, many of the core lifecycle schemes – such as the Old Age Allowance, Widows' Allowance, Disability Grant, Child Grants for Lactating Mothers (in MoWCA) and Employment Generation Scheme – have begun during the past 15 years, which indicates a clear move away from a simple Poor Relief system towards a Lifecycle approach.

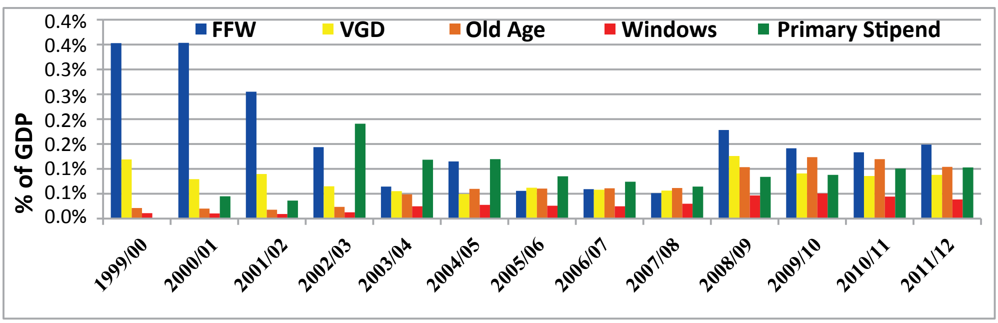
Figure 8.24: Bangladesh's Core Social Protection Schemes Mapped Against Stages of the Lifecycle (Larger Schemes in Capital Letters)



Source: Author's own source

The growing commitment to lifecycle schemes is indicated by Figure 8.25, which shows gradual increases in the budgets of core lifecycle schemes, such as the Old Age and Widows' Allowances and Stipend schemes. However, the budgets for any individual scheme remain low, as a result of low transfer levels and low coverage, despite increases in coverage in core schemes over recent years. Furthermore, the overall budget invested in core lifecycle schemes is just under 0.8 percent of GDP, which is similar to spending in Nepal, a poorer country with a more recent history of investment in social protection.

Figure 8.25: Spending – as A Percentage of GDP – on A Number of Social Protection Schemes between 1999/2000 and 2011/12[17]



Source: Ministry of Finance 2012

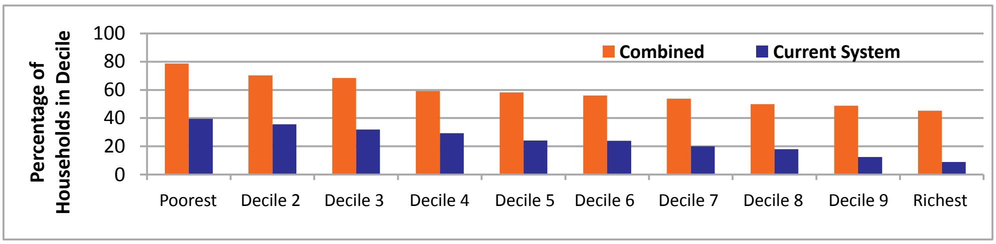
A key cause of the relatively low investment in core lifecycle schemes in Bangladesh is that the dominant paradigm for the social protection policy dialogue is still predicated on Poor Relief. All programmes are directed at the "extreme poor" which limits the political support for individual schemes and for the overall social protection system. Without a paradigmatic shift to a more inclusive vision for social protection, it is unlikely that schemes will grow

17 Kidd and Khondker (2013). FFW is Food for Work and VGD is Vulnerable Group Development.

significantly in terms of coverage or transfer levels and, as a result, their effectiveness will remain limited. Nationally, only 25 percent of the population reside in households that receive a benefit and, of more concern given the focus on extreme poverty, only 35 percent of those identified as poor in 2010 were recipients.[18]

A move to a greater commitment to a lifecycle approach within a paradigm of inclusive social protection could bring significant benefits to Bangladesh, while ensuring greater coverage and investment[19]. Figure 8.26 indicates the coverage that could be achieved by investing in just three core lifecycle schemes, providing universal access (although, in practice, it would be possible to use affluence-testing to remove the rich, in the top quintile): an old age pension for everyone over 60 years, a child grants for 0-4 years and a disability benefit for the severely disabled. The combination of all three schemes would reach almost 80 percent of households in the poorest decile and over 70 percent of the poorest three deciles, which is much more than the entire current social protection system. If the child grant were gradually expanded to older children, then coverage would increase substantially. For example, a child grants for children aged 0-12 years alone would reach 73 percent of all households and 91 percent of poor households.

Figure 8.26: Coverage Across Deciles of the Current Social Protection System and Various Universal Lifecycle Schemes



Source: Household Income and Expenditure Survey, BBS, 2012

Importantly, combined lifecycle schemes offering universal access also provide good coverage of the middle deciles, which comprises the population that either moves in and out of poverty or is highly vulnerable to poverty. So, the combined Old Age Allowance, Disability Benefit and Child Grant for 0-4 years would reach well over 50 percent of those in deciles 4-8, all of whom are under the poverty line of US$2 per day and in need of social protection.

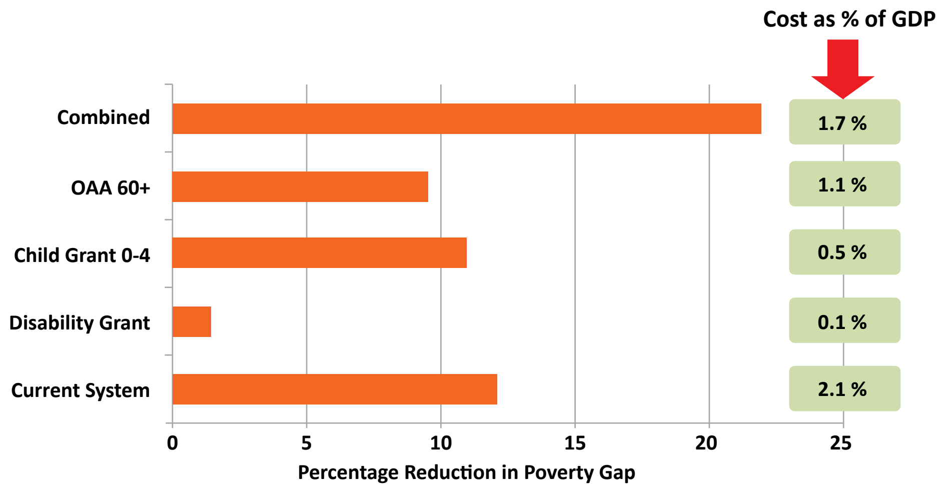
A key question is whether Bangladesh could afford to move to a lifecycle approach within an inclusive social protection paradigm. It is important to bear in mind that a lifecycle social protection system is built over many decades so, while the cost of a comprehensive system would be relatively high, it would not have to be fully financed for a further 20-30 years. Nonetheless, it would cost 1.7 percent of GDP (or 1.4 percent, if the richest 20 percent were excluded) for Bangladesh to provide a package of an Old Age Allowance for all over-60s at Tk. 800 per month, a fully inclusive Child Benefit for 0-4s at Tk.300 per month, and a Disability

[18] See Kidd and Khondker (2013) for more information.

[19] The simulations in this analysis assume that the schemes can be implemented without errors, a normal assumption in this type of analysis for both poverties targeted and universal access. Of course, as noted in Box 8.4, there may be some people excluded even from universal schemes but this is likely to be relatively small and grievance mechanisms would provide the opportunity for people excluded to access the scheme. The errors occurring in implementation of targeting systems such as the proxy means test are always much higher than in simple universal schemes, since significantly more data has to be collected.

Benefit for all severely disabled aged 18-59 years at Tk. 800 per month (0.6 percent of the national population). When it is taken into account that current spending on schemes that are commonly understood as social protection in Bangladesh is around 2.1 percent of GDP, this would be a significant reduction in cost. Yet, while the current system reduces the national poverty gap by only 12.1 percent, the three schemes combined – as Figure8.27 indicates – would reduce it by 22 percent[20]. In fact, individual schemes would have almost the same impact as the entire current system, but at a much lower cost.[21]

Figure 8.27: Impacts on National Poverty Gap and Costs – as Percent of GDP – of Various Social Protection Schemes



Source: authors' estimate.

Of course, it should not be expected that such a comprehensive system would be introduced immediately, but it could be achieved over time. Bangladesh could begin a more proactive move to an Inclusive Lifecycle system by focusing initially on expanding the Old Age Allowance. It could initially seek to provide a higher transfer of Tk.800 per month to all over-65s, costing 0.7 percent of GDP and which would alone reduce the national poverty gap by 7 percent and the poverty gap among households with over-65s by a very impressive 36 percent. Over the next 5 years, the age of eligibility could be lowered to 60 years, at a cost of 1.1 percent of GDP. These costs are fully in line with the level of spending of other developing countries on universal pensions, as indicated by Figure 8.28. Other lifecycle schemes could be gradually introduced over time, as the fiscal situation and politics of Bangladesh permit. Or, schemes could be introduced at a smaller scale in particular geographic regions, expanding nationally over a period of years.

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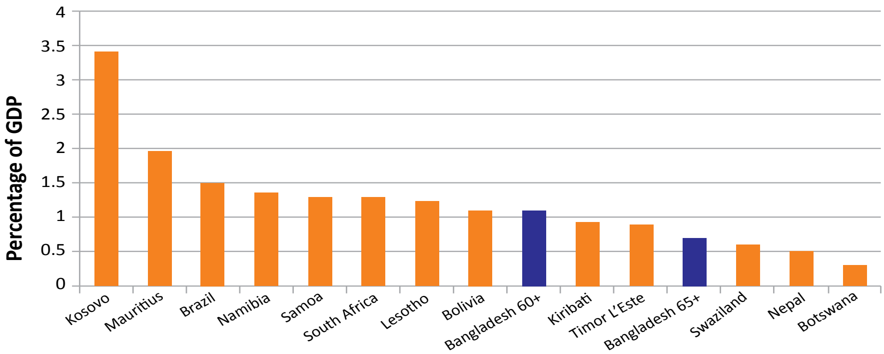
20 This result refers to children being treated as equivalent adults. The national poverty gap would reduce from 7.3 to 5.7. The national poverty rate would reduce from 32% to 28.1%, a fall of 12%.

21 The comparison on the impact of the child grant and old age pension is sensitive to the equivalence scale used in the analysis. If children aged 0-14 years were weighted at 0.5 of an adult, the old age pension would have a greater impact than the child grant.

Figure 8.28: Comparison of Costs of Potential Pensions for Over-60s and Over-65s in Bangladesh – at Tk.800 – with other Pension Schemes in Developing Countries, with Over-70 Percent Coverage (as Percentage of GDP)



Source: Pension Watch database at: http://www.pension-watch.net.

While it may be argued that Inclusive Lifecycle schemes are higher cost than current schemes in Bangladesh, they will also be more effective in reaching the poor and impacting on poverty and inequality. Furthermore, because they have high coverage, they are likely to receive strong public support and, in line with the international political economy evidence, this may translate into a greater willingness by the state to finance these schemes, bringing about a paradigm shift in social protection in Bangladesh.

International Experience on "Graduation"

In recent years, the concept of "graduation" from social protection has become increasingly popular in developing countries, as an antidote to fears that social security engenders dependency and laziness. "Graduation" is usually understood as recipients of schemes passing an income threshold beyond which they are no longer eligible for a social protection scheme.[22]

However, before entering into a discussion on international experience with graduation, it is necessary to clarify two key points. The concept of "graduation" should only apply to certain types of social protection schemes. It makes little sense for particularly vulnerable people to "graduate" from a range of lifecycle schemes, such as old age pensions, widows' allowances, disability benefits or unemployment schemes. People should remain on these programmes until they naturally "exit" from them. Furthermore, the concept of graduation is nonsensical in the context of a universal scheme. Even in India's Employment Guarantee Scheme graduation makes no sense: the scheme is an entitlement and acts as a "safety net" which people can access whenever they want.

In fact, "graduation" – if it is a useful concept – only refers to "poor relief" schemes directed at the working age population. In theory, people should only receive these schemes when they are living in poverty and, once they have incomes above the eligibility threshold, they should exit the scheme. Therefore, there is an increasing emphasis in developing countries to put in place "graduation" strategies for Poor Relief schemes, essentially meaning complementary livelihoods programmes such as asset transfers and vocational training.

However, a more fundamental question is whether the term "graduation" is helpful. In developed countries, the term "graduation" is not used within the context of social protection policy. In those countries where programmes are directed at people living in poverty, the focus is not on "graduation" but on supporting recipients to access work. Recipients of schemes are automatically removed once they reach a certain income but can return to the programme once their income falls below the specified level. If the income threshold is relatively high, then even on programmes for people on low incomes, they are able to both receive the benefit while gaining an income from work.

Furthermore, as discussed earlier, developed countries have implemented Lifecycle approaches to social protection. Therefore, at any one time, households can be in receipt of more than one social protection programme. While someone in a household may be removed from one programme because their income is above a certain level, they may continue to receive other social protection transfers. For example, in the United Kingdom, while income tax credits have relatively low income thresholds, families removed from a tax credit scheme can continue to receive child benefit, which has a much higher income threshold.

Therefore, when formulating social protection policy in developing countries, is it useful to use the concept of graduation? Should not the focus be – as in developing countries – on helping families access work, whether this represents employment by others or home-based income-generating activities? Exit from the programme should be dealt with as a separate issue, with people leaving when they are no longer eligible for the scheme, which in the context of a Poor Relief scheme would be once their incomes pass a particular threshold.

Box 8.6: Challenges with Targeting Complicate "Graduation"

Selection errors in Poor Relief programmes in developing countries cause challenges for "graduation." As indicated earlier, often most recipients of a Poor Relief programme should not strictly be on the programme as they are "inclusion errors." In effect, they should be immediately "graduated." But, because the selection methodology is flawed, the fact that they are above the eligibility threshold cannot be identified. So, they remain on the programme while more deserving families are unable to access it.

However, such families – due to their higher wealth – should be much easier to "graduate" from programmes. They should be in a better position to respond to complementary livelihoods activities and increase their incomes. Indeed, it is likely that many of those who are successfully "graduated" from programmes are those who should not be on the programme anyway.

Once the concepts of 1) helping people access work and 2) exit from a programme are clearly distinguished, then "graduation" should no longer be a relevant policy objective for Poor Relief schemes. Instead, the policy focus should be on supporting families to access work and, once they pass a particular income threshold – if that can be identified – they should exit from the programme. Within this context, therefore, it should not be problematic that recipients of social protection schemes remain on schemes for long periods, if they need to.

In fact, there is good evidence that receiving a social protection benefit and accessing work are highly compatible. Many social protection benefits in developing countries do not appear to create dependency or reduce participation in the labour market. For example, in Brazil, the Bolsa Familia scheme has increased the labour participation rates of households by 2.6

[22] Cf. Devereux (2013).

percentage points, and female participation by 4.3 percentage points (Oliveira et al 2007); similarly, in South Africa, households receiving the Child Support Grant are 15 percent more likely to be in employment (Samson 2009). One reason for the increase in employment rates is that recipients are more likely to look for work. So, for example, households receiving South Africa's Child Support Grant are 18 percent more likely to be searching for jobs than non-recipients (Samson 2009). In both Mexico and South Africa, it was found that recipients were more likely to look for work because they were better able to afford bus fares and presentable clothes (Marcus 2007; Ardington et al 2009).

Well-designed social protection schemes also enable families to invest in their own income generating activities. In Mexico's Oportunidades Program, 14 percent of transfers were invested in productive assets, including animals and land (Gertler et al 2007); in Nicaragua, recipients increased their investments in agricultural equipment (Maluccio 2007); in Brazil, the Bolsa Familia scheme has increased the probability of beneficiaries investing in small businesses, although often these are secondary activities for the family (Lichand 2010). Indeed, even schemes directed at old people, people with disabilities and other particularly vulnerable people have led to investment in small enterprises in countries such as South Africa, Nepal, Lesotho, Zambia, Malawi, Mozambique and Uganda.[23]

There are various reasons explaining why participation in social protection schemes enables people to engage more actively in the labour market. One is that people are provided with investment capital, which is enhanced by greater access to credit since banks and microfinance institutions are more willing to lend to social protection recipients.[24]

However, an explanation of particular importance is that the guarantee of a regular transfer changes the worldview of recipients. It provides them with a minimum income platform that infuses their lives with predictability. No longer do they have to worry about whether they will be able to feed their children the next day or week. Instead, the guaranteed receipt of a social transfer offers people security and the knowledge that they can provide their children with the basic essentials of life for the foreseeable future, as well as keep them in school. As a result, families can plan ahead and invest in income generating activities or look for employment. Indeed, there is evidence of families receiving social transfers showing enhanced entrepreneurial behaviour by being more willing to invest in riskier but higher return activities (Devereux 2002).

A commitment to "graduation" can undermine the gains made by people receiving a transfer. People can be removed from programmes even when they are still, to all intents and purposes, living in or vulnerable to poverty. As discussed earlier, in Bangladesh the poverty rate using a US$2 per day poverty line is just over 80 percent. Anyone in this group – once they lose the security of a social transfer – is liable to fall back into poverty, perhaps because of a shock such as illness or the loss of productive assets.

In fact, the gains from programmes that are committed to "graduation" and provide additional livelihoods support to recipients are much smaller than often believed. For example, while high "graduation" rates are often claimed for BRAC's Targeting the Ultra Poor (TUP) programme the impacts are in reality very modest. An evaluation by Bandiera et al (2012) indicates that,

[23] See: Ardington and Lund (1995), Devereux et al (2005), Neves et al (2009), Uprety (2010), Covarrubias et al (2011), and Bukuluki and Watson (2012).

[24] See, for example: Gertler, Martinez and Rubio-Codina (2007), Brazil-MDS (2007), Neves et al (2009) and IEG (2011).

using 2007 values, the average increase in earnings from the participants' income generating activities was only Tk.1,755 per year, with annual per capita expenditure increasing by Tk.806.[25] This was a mere 4.5 percent of the poverty line. This increase in income is nowhere near sufficient to enable participants to escape even extreme poverty. Furthermore, there are also signs that the sustainability of gains is not assured for all participants of the TUP. Among those who entered the programme in 2002, 52 percent experienced a decrease in assets between 2005 and 2008[26]. This is probably because participants still experienced shocks and, without access to the security of a social protection transfer, their only option would have been to draw down on their assets[27]. The Chile Solidario scheme – which provided significant additional support to recipients of a cash transfer – found no robust evidence of discernible impacts on family incomes, while there are also concerns that, once the families leave the programme and lose access to the regular cash transfer, the benefits are not sustainable.[28]

Box 8.7: Evidence of the Challenges of Helping Social Security Recipients Access Employment in the UK

In recent years, the United Kingdom has made extensive efforts to help the unemployed back into work. One initiative involves using private sector firms to provide this support, including use a performance based payments for the firms. So, they are paid for each person who gains a job and remains in employment for 6 months. The programme has not been a success. Only 3.5 percent of the unemployed supported by one firm – A4E – have managed to find permanent jobs[29]. Indeed, the target set by the Department of Work and Pensions is only 5.5 percent.

In reality, there are not enough jobs in the market for the unemployed so, even with support, they are unable to find them. If a developed country finds it difficult, the challenges of finding decent work for people in developing countries is much greater.

In reality, therefore, while families may be removed from social security programmes that aim to achieve "graduation", they often do not appear to "graduate" out of extreme poverty. The gains are usually too small. And, of greater concern, any gains do not appear to be sustainable for many families once the regular social security transfer is removed, due to shocks such as illness, disability or unemployment (or even the birth of another child). These results indicate, therefore, that for benefits to be sustainable, families should remain on social security schemes until they do, in reality, move sustainably out of poverty and, indeed, out of a reasonable risk of falling back into poverty. If not, the investments in complementary activities may well be wasted.

However, these weak impacts from programmes that intentionally promote graduation should not be taken as evidence of the inadequacy of providing complementary support to families of working age who are in receipt of social security benefits. The type of support provided by BRAC's TUP programme and Chile Solidario – which includes psychosocial support and livelihoods advice, training and assets – can be very helpful, lead to some increase in incomes and build the skills and resilience of recipients. Increasingly, other Poor

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25 Bandiera et al (2012).

26 Krishna et al (2010).

27 C.f. Huda (2012).

28 See : Galasso (2006), de la Guardia et al (2011), and Larranaga et al (2012);

29 Mulheirn (2012).

Relief programmes are providing similar assistance, such as Brazil's Bolsa Familia scheme and Ethiopia's Productive Safety Nets Programme (PSNP).

The challenge, though, is that it is extremely difficult – and expensive – to provide complementary support to social security recipients at a national scale. BRAC's TUP and Chile Solidario are small-scale schemes reaching relatively few families and, as a result, are affordable. There is no evidence that Ethiopia has yet managed to provide large-scale additional support to the recipients of PSNP despite its strong commitment to "graduation." In reality, the best approach may be to help recipients of social security schemes to access other mainstream labour market programmes where they can receive training, loans and other support. The model used by BRAC and Chile Solidario of having a "social worker" to support families may be a useful means of helping social security recipients link into labour market schemes but, again, it comes at a high cost, requiring skilled personnel.

If governments wish to maximise the potential for social security recipients to enter the labour market, they need to design schemes to maximise benefits. There are two particular challenges that governments need to be aware of. The first was dealt with in the third section and relates to the generation of perverse incentives by directing resources only to those living in poverty. If people can only receive benefits if they have low incomes, they may choose to limit their engagement in the labour market so as not to be disqualified from the benefits. Some developed countries have addressed this by providing universal benefits, in particular for those directed at working age families with children. Alternatively, as in South Africa, they can raise the income threshold so that most families can qualify and ensure that only those with relatively high incomes are excluded. A more complex methodology is to provide some form of tapering so that benefits are gradually withdrawn as incomes increase. However, this is challenging – if not impossible – to do in developing countries where the incomes of those in the informal sector are very difficult to estimate accurately. Indeed, it is challenging to undertake in developed countries.

The other challenge relates to workfare. Often – for ideological reasons – governments provide social security benefits to working age families on condition that they engage in public works employment. This can have two negative consequences. Firstly, there is an opportunity cost for people engaging in workfare – in other words they have to give up an alternative source of income – so the effective transfer is much lower than the real transfer. On average the effective transfer is reduced by between 30 and 70 percent[30]. As a result, the cost-effectiveness of workfare programmes is significantly reduced.

The other related problem with workfare schemes is that recipients are unable to engage in their own income-generating activities, which reduces their ability to "graduate." As discussed earlier, in Ethiopia's PSNP, there has been a gradual reduction in the consumption of recipients from their own production and a growing dependence on the PSNP transfer.[31] Indeed, overall consumption of participant households has also fallen. This is not unsurprising as participants in the PSNP have less time and energy available to engage in their own agricultural activities. Indeed, the PSNP has led to an increase in child labour as families have to compensate for the loss of income they experience as a result of engaging in public works[32]. It is likely that India's

[30] See: Ahmed et al (2007), McCord (2012) and WDR (2001)

[31] Berhane et al (2011) and Tahere and Woldehanna (2012).

[32] Tahere and Woldehanna (2012).

National Rural Employment Guarantee Scheme (NREGS) may have less negative impacts since, as an entitlement, people can access the programme whenever they desire. This is likely to reduce the opportunity costs of engaging on the scheme and may make the programme a better complement to a strategy aimed at increasing employment and income-generating opportunities for participants.

However, as noted earlier, if schemes are to be designed to maximise the potential for people to enter the labour force, a fundamental issue to be addressed is related to the essential approach adopted by a scheme. The desire by governments to "graduate" people from Poor Relief schemes is directly related to the perception of them as handouts for working age people. Governments do not want to provide long-term transfers to adults who they believe should be actively engaged in the labour market; they fear creating dependency. Yet, the difference between a Poor Relief programme and a child benefit is minimal. Both are transfers to working-age families: the former is given on the basis of poverty and the latter on the basis of caring for children. Yet, child benefits do not generate similar calls for "graduation" and there are no concerns with children being "dependent." Therefore, if countries want to provide working-age families with a long-term platform from which they can engage more effectively in the labour market, including their own income-generating activities, they could provide child benefits rather than Poor Relief.

Summary of the Discussion on Graduation

A policy objective to "graduate" recipients of social security schemes is questionable. As in developed countries, a better policy focus would be to help people engage in the labour market, which, in many cases, is best achieved by poor working age families having consistent access to a social security benefit. Participation on a social security scheme and active engagement in the labour force should not be seen as incompatible; rather, they are mutually supportive. For this reason, in countries that have adopted an Inclusive Lifecycle approach, it is common for the majority of households to receive social security benefits. Such households have a better chance of moving sustainably out of extreme poverty when compared to households that have their benefits removed after a limited period.

The introduction of an Inclusive Lifecycle approach in Bangladesh would be likely to significantly enhance the ability of families to engage in the labour market, while also investing in their children's health and education. A comprehensive child benefit could provide an important platform for families to build a sustainable livelihood. This could be linked to other activities that could encourage women to access the labour force, such as free childcare for working mothers, which has been shown to have a significant impact on poverty in developed countries.[33]

Furthermore, by significantly increasing investment in a cash-based Inclusive Lifecycle approach to social security, governments can also generate higher consumption, which can boost economic activity. There are many examples in developing countries of social transfers having this impact: in Mexico, the Oportunidades scheme led to a significant increase in the assets of non-beneficiary families since they sold goods and services to beneficiaries;[34] in Namibia and Uganda, old age pensions have increased economic activity in communities, including in shops;[35] in Malawi, a short-term social transfer had a cash multiplier effect in

[33] See Kidd (2012b).

[34] Barrientos and Sabates-Wheeler (2009).

[35] Devereux (2001) and Bukuluki and Watson (2012).

communities of between 2.02 and 2.79[36] while the FAO (2011) has suggested a multiplier for the Lesotho Child Grant reaching 2.43; indeed, some of the most robust evidence on the impacts of social transfers on the local economy is from the Bolsa Familia Program.[37]

Box 8.8: South Africa's Social Transfers and their Contribution to Economic Growth

Williams (2007) has described how South Africa's social transfer schemes – which cost around 3 percent of GDP – have helped promote investment, economic growth and job creation. In fact, spending by recipients has improved the trade balance. This is the result of poor households spending a relatively high proportion of their income on domestic and locally produced goods and services, thereby favouring domestic industries.

Indeed, since increasing its investment in social transfers from the 1990s onwards, South Africa has enjoyed its best period of economic growth.

Implications for Bangladesh of the Discussion on "Graduation"

As Bangladesh develops its social protection policy, the term "graduation" should be removed from social policy discourse. The concepts of supporting people to engage in the labour market and exit from social security schemes should be kept separate. The term "graduation" conflates the two concepts and encourages a belief that families on low incomes who receive a social security benefit should be given support to engage in the labour market and, after a pre-determined period, have their benefit removed. If the two concepts remain distinct, it then becomes possible to envisage a situation in which governments focus on helping working families access the labour market while using the social security system to complement this support and sustain any gains.[38]

It is important that the Bangladesh government and NGOs continue to provide support to vulnerable families to engage in the labour market and, if possible, this should be extended. Bangladesh could follow the example of countries such as South Africa and Argentina and establish an extensive system of child benefits. Families can receive these benefits until their children pass the age of eligibility or they themselves have incomes that disqualify them. However, if – as described earlier - affluence testing was used, most families would be unlikely to pass the threshold and lose access to the benefit. So, for example, in South Africa, while child benefits are, in theory, means-tested, the income threshold is so high – at $9,200 per annum for a married couple – that, in reality, few families ever pass it.

The complementarity of providing long-term social security transfers for families alongside labour market support could, over time, significantly increase incomes, both tackling child poverty and strengthening the economy. Innovative approaches – such as the provision of day-care services for mothers of young children – could also be introduced to enable women to continue to work. Ultimately, the best means of tackling poverty in families is through work: Bangladesh's social security system should be designed to maximise the ability of families to engage in the labour market and not undermine them.

36 Davies and Davy (2008).

37 Brazil-MDS (2007) and Landim (2009). It is almost certain that the impacts from Brazil's old age pension and disability schemes on local economies are larger than the impacts from Bolsa Familia, since they comprise a much higher proportion of national income (Barbosa and Constanzi 2009; Barbosa 2011; Ferreira de Souza 2012; and, Kidd and Huda 2013).

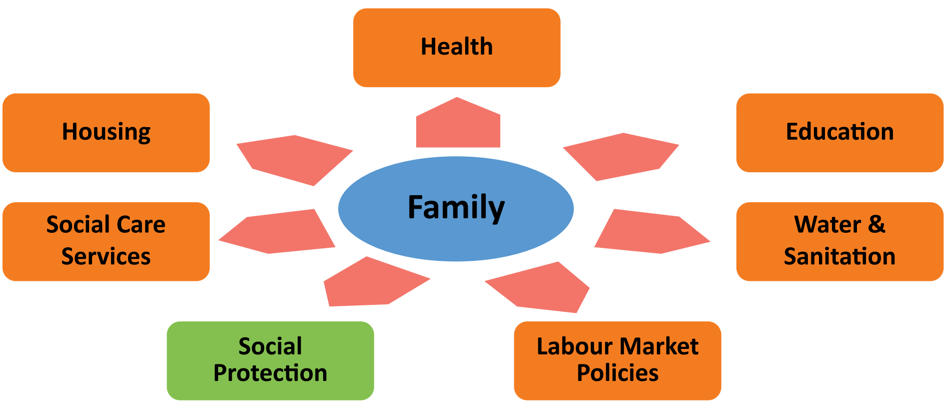
38 See Kidd (2013c) for a further discussion.

Food Versus Cash as Options for Transfers

There is, nowadays, general recognition that the "cash versus food" debate – which flared briefly among international social protection practitioners in the 2000s – was unnecessarily polarised, acrimonious and ultimately misdirected. Instead of assessing the efficacy of one social protection instrument against another in abstraction, the conceptualisation and design of social protection programmes should be driven by a context-specific assessment of needs and the objectives of the programme.[39]

As social protection moves away from small-scale, short-term, often donor-driven interventions towards more comprehensive government-owned national programmes based around the lifecycle, cash inevitably becomes the transfer of choice. In a stable country where markets are the primary source of food and are functioning, a cash-based transfer, if properly designed and funded, is always preferable to a food transfer. And, as part of an Inclusive Lifecycle approach – as discussed in this paper – transfers would always be provided as cash or "near-cash" (such as bank, smartcard or mobile phone transfers) and never as food. Further, it is globally recognised that cash transfers are themselves much more effective when they are delivered as part of a broader package of delivery of public services, such as health, education, social care services, housing and, as argued in the fifth section, active labour market policies (see Figure8.29).

Figure 8.29: Social Protection as Part of A Package of Broader Public Service Delivery



Source: Author's own source

The benefits of cash over food (or other hybrid forms of transfer, such as vouchers or coupons) include that they:

Are Cheaper to Administer: Cash-based transfers are usually cheaper to administer and logistically easier to manage than food aid. The cost of delivering cash is often less than 50 percent of the cost of delivering the equivalent value in food. A DFID-sponsored study of the comparative delivery costs of cash, inputs, food and public works programmes in Malawi and Zambia found that delivering US$1 cost in the range US$0.09 to US$0.65, when the transfer was in cash; while the cost of delivering US$1 in the form of food cost

[39] Devereux (2006).

anything between US$0.79 and US$1.91, with public works programmes typically costing more than twice as much again[40]. Indeed, universal lifecycle schemes typically cost less than US$0.03 to deliver. And there is potential for further reducing cash delivery costs through the introduction of innovative technology in delivery systems[41]. For instance, in South Africa biometric smart cards are used to disburse pensions through mobile and fixed ATMs and provide access to other financial services (e.g. funeral insurance); and Concern Universal's Kerio Valley cash transfer pilot in Kenya used shared cell phones and Safaricom's M-PESA money transfer service to deliver cash to beneficiaries.

Reduce the Risk of Dependency and Disincentives: In the context of chronic food insecurity, in-kind food aid should be restricted to situations where markets are not functioning properly, and should be linked to local production, where quantity, quality and supply chains allow for this. There are concerns that massive food aid shipments can disrupt local markets and undermine the resilience of local food systems, affecting producers in recipient countries and distorting international trade. In contrast, cash transfers and vouchers can stimulate local production, strengthen local food systems and empower recipients in ways that food aid cannot. Indeed, there are examples of the delivery of cash creating local food markets where they did not previously exist, such as in desert areas of Namibia.[42]

Allow Individual Choice: Cash transfers leave the choice on how to use the transfer to the recipients. Not only is this important for their self-respect, but the reality is that families know their real needs, and cash provides the only way to guarantee them the flexibility to meet their needs. Because of this, people often sell their food, voucher or input transfers cheaply simply in order to get cash, representing a very inefficient way of providing a cash transfer. In Bangladesh, for example, there is evidence that local governments sell food received for Food for Work and then provide cash to workers.[43] Cash transfers can also be more cost-effective because they not only have a direct impact on households' food consumption, but also have indirect positive effects on a household's debt reduction and access to health and education.

Have Positive Effects on Income and Employment: As discussed, cash benefits in developing countries encourage participation in the labour market: for example, in South Africa, households receiving the Child Support Grant are 15 percent more likely to be in employment.[44] Similarly, well-designed social protection schemes also enable families to invest in their own income generating activities: for example, an evaluation of the Mchinji cash transfer programme in Malawi found that 50 percent of recipients reported being more likely to produce crops since receiving the cash transfer;[45] and the number of recipients of the Basic Income Grant in Namibia involved in income-generating activities increased from 44 to 55 percent in the space of a year.[46] Finally, the

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[40] White (2005).

[41] Bold and Porteous (2012).

[42] Devereux (2001).

[43] Personal communication from Zillur Rahman.

[44] Samson (2009).

[45] Miller et al (2008)

[46] Basic Income Grant Coalition (2009).

beneficiaries of cash transfers can themselves generate employment for others: research into the social pension in Lesotho showed that 18 percent of recipients spent part of their pension on creating jobs for other people.[47]

Stimulate Markets by Increasing Purchasing Power: In general, cash transfers are more effective at stimulating consumption and generating economic growth; whereas food transfers may depress local markets. Furthermore, there is no evidence that cash transfers cause inflation, except in the short term in "thin" local markets. For example, when Lesotho introduced its old age pension – injecting in one blow 1.3 percent of GDP in the form of cash into the economy – the rate of inflation fell.[48] On the contrary, as indicated, widespread cash transfers have been shown to stimulate markets, encourage competition and, in fact, reduce prices, since cash received tends to be spent locally and on locally produced goods. Box 8.9 provides a summary of the ways in which cash-based transfer programmes can impact on economic growth.

Box 8.9: Social Protection and its Contribution to Economic Growth[49]

The main purpose of social protection is to reduce poverty and strengthen the resilience of poor and vulnerable families through transfers that increase incomes. Yet, this comes at a cost, which is usually financed either through taxation or via contributions from individuals. While there are schools of thought that believe these costs can impact negatively on growth, in developed countries it has been accepted for decades that investment in social protection – which averages 14 percent of GDP in OECD countries – is complementary to successful economic growth strategies. Indeed, those countries with the highest investment in social protection – such as the Nordic countries and Germany – tend to be among the most successful economies,

It is increasingly recognised in developing countries that a secondary impact of well-designed social protection is a positive impact on economic growth, although evidence on the level of impact is still not robust. There are a number of pathways by which social protection can contribute to economic growth, and these will be discussed across three levels: the household, the local economy and national level.

At the **household** level, families often use social transfers to help them invest in income generating activities. By knowing that basic consumption is secure, it builds their confidence to invest, while also providing them with investment capital (including greater ability to access credit). Some families invest in higher risk and higher return activities. In a crisis, if families receive regular transfers they are less likely to sell their assets and can, therefore, recover their productive capacity more quickly. Having access to regular cash support can help people access employment by, for example, subsidising the costs they incur in taking work. This is particularly important for people with disabilities who experience additional costs in accessing work. Often, older people in receipt of transfers can take on childcare responsibilities enabling younger women to remain in the labour force.

Importantly, social transfers enable families to build the human capital of their children by improving nutrition, helping them attend school and perform better, and by covering costs of health care. In the long-term, this will improve the quality of a country's labour force, which should be good for business.

n the **local economy**, providing cash to poor and vulnerable families – if there are sufficient beneficiaries – can increase consumption and stimulate local economic activity. This can include benefiting non-recipients who often sell their products and services to recipients of transfers. Workfare programmes can be used to construct and maintain assets that facilitate local economic activity.

47 HelpAge International (2006).

48 Source: IMF World Economic Outlook Database, at: http://www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx

49 Alderman and Yemstov (2012) provide a useful summary of the evidence.

At the **national** level, well-designed social protection can build social cohesion, which is important for the business environment. Indeed, social protection is often used to facilitate macro-economic reforms by compensating losers and reducing social conflict. Social protection – such as unemployment programmes – is also essential to building a flexible labour market. If transfers are large enough, the aggregate increased demand can provide a macro-stimulus to the economy. Contributory pension schemes can offer an important source of investment funds.

Of course, poorly designed social protection can impede growth. Schemes that create perverse incentives and encourage people to remain in poverty or not to save can harm the economy. Furthermore, the impact of social protection will depend on the level of investment. Schemes that are small and focused on only a small proportion of the population are unlikely to generate significant demand and consumption. And, while social protection can be a major factor in reducing inequality – which should be good for economic growth – this will only happen if investment in social protection is sufficiently high.

There may remain, however, a number of highly-specialised, context-specific interventions, where there may still be a justification at least to consider alternative forms of transfer. This might include fragile state settings, where government capacity is limited and where development partners have particular incentives. Yet, even here, the contexts are very few: Nepal managed to deliver a universal old age pension in a very challenging topography – with limited administrative capacity and during a civil war – mainly because the programme was popular and simple in design. So, it should be emphasised that these considerations only apply in a small number of extreme cases, and do not apply to more comprehensive, inclusive, lifecycle social protection systems. In these specific contexts, six key aspects may then be considered to determine the appropriateness of a particular form of social transfer:[50]

Objective: The objective of a programme may directly inform the choice of the form of social transfer. For example, where there is a specific objective such as increasing the nutritional impact of school meals, food would be the only option. But, while in the past cash and food transfers were seen as alternatives, the potential for designing cash and food transfers as mutually reinforcing, complementary options are increasingly recognised in certain situations. A number of pilot interventions, for example in Malawi, Swaziland and Bangladesh itself, have provided a combination of food and cash, though these are not replicable on a national scale. Mexico's Oportunidades Program provides both cash and nutritional supplements to some recipients.

Markets: Understanding the capacity, potential and limitations of markets for both goods and services is of utmost importance for appropriate transfer selection. Where markets can supply the required essential goods and services, even in a fragile state, then cash-based transfers would provide beneficiaries with the purchasing power to access basic commodities and hence let them participate as consumers and express their choice in existing markets.

Implementation Capacity: The level of complexity of the scheme needs to be aligned with the level of administrative capacity. Cash may be more challenging in a fragile state context where administrative capacity and financial institutions are absent or highly constrained. However, physically handling large volumes of food or inputs, on the other

[50] Gentilini (2007).

hand, can entail significant logistical challenges, and often results in substantial levels of leakage. Cash has been successfully delivered in very challenging fragile state contexts, such as Somalia, so, again, the contexts in which food is preferable are likely to be minimal.

Cost Efficiency and Effectiveness: When markets work well, cash-based social transfers are inevitably more cost-efficient and -effective. Even in cases where local markets may appear – on the face of it – to be less effective, (see Box 8.10), comparisons need to be undertaken carefully, taking into account all costs, both on the provider's side (e.g. set-up, monitoring and administrative costs) and from the recipient's side (e.g. transport, opportunity, reselling, damage costs).

Beneficiary Preferences: The international evidence base suggests that cash is usually the preference of recipients. However, in specific instances, beneficiaries have been found to prefer food transfers, based on factors such as distance from markets, seasonality and gender of recipient (Devereux, 2006). However, it needs to be borne in mind that beneficiaries frequently express a preference for the existing form of transfer, perhaps for fear that it might be removed from them if they seem not to be appreciating it (Ahmed et al 2007). And, often, they have no experience of cash so naturally opt for what they know. There are other cases where beneficiary preference (e.g. for food) is a function of poor programme design: see the examples of Ethiopia and Kenya below, where the value of the cash transfer was eroded by rising prices, and beneficiaries made the entirely rational choice of opting for higher-value food instead. Furthermore, it is unusual – and, often, not good practice – for government decisions on the modality of transfer to be driven only by beneficiary preferences, since governments need to take into account other factors such as cost-effectiveness and the practicalities of delivery.

Political Environment: Public or political perceptions of corruption, and of patronage systems, may influence, one way or another, the choice between different forms of transfer. However, corruption is more likely with food transfers than with cash which is one reason why cash transfers have become much more popular.

Box 8.10: The Need for a Comprehensive Analysis of Cost-effectiveness

Additional multiplier effects of cash-based transfers — compared with food transfers — are important to keep in mind because — in purely financial terms — cash transfers may occasionally appear less cost-efficient than food transfers. This became particularly visible during the world food-price hike, when large price differences were registered between international, national wholesale and local retail markets. In late 2008, for example, it cost the UNRWA less than US$90 to provide US$100 worth of food aid — as per its 'local market value' (i.e. how much the same food parcel would cost if procured on the local retail market). Even when considering the "beneficiary cost" of the transfer – i.e. accounting for any costs borne by beneficiaries: transport, resale, loss or damage, and opportunity costs – food transfers still appeared cost-efficient. Only when the additional multiplier effect of providing cash into the economy was factored in did the cash option become the more cost-effective.[51] However, this was not a social protection programme, but humanitarian assistance so has minimal relevance for core, lifecycle programmes.

[51] Cherrier (2009).

Setting up and running a voucher scheme is more administratively demanding than establishing a cash transfer scheme and presents less potential to be expanded nationally. The decision to opt for vouchers must be careful reviewed. The fear that the poor would spend the cash on non-essential items would not in itself be a satisfactory justification. There is little empirical evidence from cash transfer evaluations to support misuse.[52] On the contrary, evidence indicates that even when cash transfers are not tied to specific goods or services, the additional income from cash transfers is used on basic requirements, primarily food, health and education.

Generally speaking, therefore, there is international acceptance that the default transfer for social protection schemes should be cash – as it is in the majority of OECD countries – especially where comprehensive national social protection programmes are concerned. Amartya Sen made a strong case for cash transfers rather than food aid in his reanalysis of several famines in Africa and South Asia. Famines in Bangladesh, Ethiopia and the Sahel – which had previously been characterised as "supply failure" or "food availability decline" famines – were reclassified by Sen (1981) as "demand failure" or "food entitlement decline" famines, on the basis that food availability at national and regional levels had not declined or was, at least, adequate to meet all food needs.

Box 8.11: Food Transfers in Other Public Services

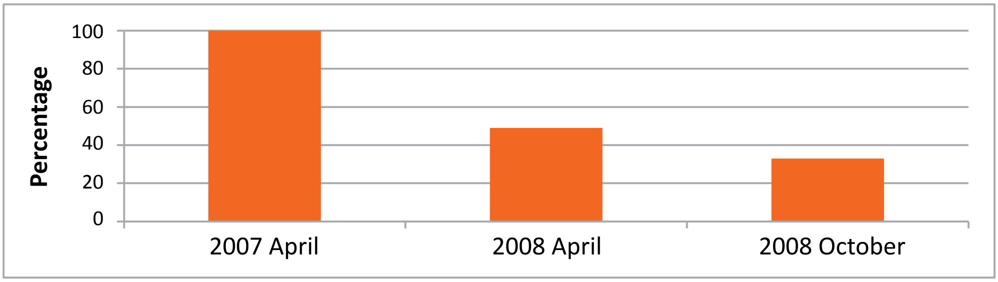
Food transfers can take place in other public services. For example, it is often sensible to provide food immediately in a disaster response context before gradually moving to a cash based transfer; school feeding is, by necessity, a food transfer to children that takes place within the education sector; and, supplementary feeding to tackle child undernutrition is often an effective response within the health sector. But, these are not social protection interventions and do not influence the arguments in this paper.

However, in the context of school feeding it is now widely recognised that, rather than central government transferring food that has been sourced in international or national markets to schools, it is better to provide schools with cash so that they can procure nutritious food locally and thus help the local economy.

This does not mean that cash transfers will always work effectively. Poorly designed programmes can present challenges. The recent world price hike showed that some cash transfer schemes had been poorly designed to respond to short-term inflation. In Ethiopia's PSNP and the UNRWA's Special Hardship Assistance Programme in Palestine, food transfers were better able to shield beneficiaries from inflation, while the value of cash transfers was eroded by rising market prices. Figure 8.30 indicates how the real value of cash transfers fell in Kenya, during this period. However, it should be emphasised that the cash transfers in the three contexts of Ethiopia, Palestine and Kenya are effectively acting as long-term humanitarian programmes rather than core lifecycle social protection schemes.

[52] Devereux et al (2005).

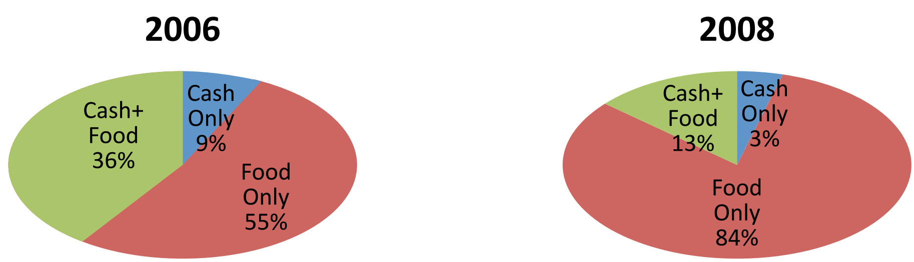
Figure 8.30: Purchasing Power of An (unindexed) Cash Transfer of HSNP in Northern Kenya[53]



Source: OECD Social Expenditure Database

Figure 8.31 provides an example of how the fall in value of the cash transfer affected beneficiary preference on PSNP between 2006 (before the food price crisis) and 2008 (during the crisis). However, as noted above, respondents were effectively opting for a much higher value transfer when preferring food, a highly rationale choice. So, they were not making a choice between transfers of similar value.

Figure 8.31: Change in PSNP Beneficiary Preferences as Food Prices Increased[54]



Source: Devereux (2008) - Regional Hunger and Vulnerability Programme presentation

It is, therefore, essential to index the value of cash transfers to inflation, as a minimum. In the context of humanitarian schemes – such as Ethiopia's PSNP and Kenya's HSNP – this might require some extra flexibility from governments or donors.

Summary of the Discussion of Food Versus Cash

There is general acceptance that, in national social protection systems – in particular those addressing lifecycle risks – the default transfer should be in the form of cash, because it offers a number of proven advantages that have been substantiated by international experience, such as:

- Easier administration;
- Reduced risk of dependency and disincentives;
- Greater individual choice;
- More positive effects on income and employment;
- Greater stimulation of markets by increasing purchasing power.

[53] Devereux (2008) - Regional Hunger and Vulnerability Programme presentation

[54] Source: Devereux (2008) - Regional Hunger and Vulnerability Programme presentation

Only in very particular circumstances – and only with small-scale schemes (often funded by donors) – would alternative forms of transfer be justified. Furthermore, social protection schemes should always be delivered in the context of a broader provision of high quality public services. So, a cash grant for children from the social protection sector could be complemented – for some children – by a nutritional supplement from the health sector. And mechanisms should always be found to make cash transfers inflation-proof, so that they retain their value even if prices rise. Indeed, as economies grow and wages increase, it is preferable for many social protection schemes to be increased beyond the value of inflation, so as not to lose their value relative to wages.

Implications for Bangladesh of the Evidence on the Form of Transfer (Cash or Food)

Bangladesh still has a number of food transfers but these continue for three main reasons. The first is a strong lobby from organisations wedded to food (both national and international); the second is historical inertia, since the political will to make a rationale transition to cash has not yet been realised; and, the third is a need to renew the food reserves held by the government.

The international – and Bangladeshi evidence – would suggest a number of ways forward. Firstly, some of the existing food transfers – such as Vulnerable Group Feeding (VGF), Test Relief and Gratuitous Relief – should be reformed to become effective Disaster Response programmes, which provide food as the first response in case of a humanitarian crisis.

The Government should consider converting food based programmes – such as Vulnerable Group Development (VGD) – into cash transfers. The European Union is already working on a pilot programme with MoWCA that has demonstrated the effectiveness of providing the VGD transfer as cash. Furthermore, similar Programmes by BRAC and the Chars Livelihoods Programme already use cash with good results.

The third strategy will be for Bangladesh to find alternatives to replenishing its food reserves, in ways that do not distort the markets. One alternative may be to expand the Open Market Sales programme to sell lower quality rice at a reduced price. In effect, therefore, recipients of cash based transfers could use Open Market Sales to obtain rice, if they so choose. But, other alternatives should be explored, including using international markets.

Conclusion

This chapter has examined the evidence on five key issues of concern to Bangladesh as it develops its National Social Protection Strategy. It is time for Bangladesh to consider adopting alternative approaches if it is to increase the cost-effectiveness of its significant level of investment in social protection. The international evidence indicates that attempting to provide transfers of low value to families living in poverty is not the way to transform society. A move to an inclusive social protection system that benefits all those who are living in or vulnerable to poverty – with schemes tailored to their particular needs, depending on where they are in the lifecycle – would mark a paradigmatic shift for Bangladesh. It would be a significant step in supporting its transition to a middle-income country and would enable it to establish a modern social protection system that helps families engage effectively with the labour market while protecting those who are vulnerable. And, importantly, it is likely to gain the support of the citizens of Bangladesh.

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9. A Review of Bangladesh Social Protection System

*Dr. Ahsan H. Mansur and **Dr. Bazlul H. Khondker

Introduction and Background

Since independence, Bangladesh's social protection system has been gradually developing both in terms of its coverage and overall size. Around 2.1 percent of GDP is invested in social protection, which would make Bangladesh one of the highest spending low-income countries. However, as described below, this figure may be a significant exaggeration since the budget calculation is based on a very broad definition of social protection. Nevertheless, around 25 percent of households are in receipt of at least one social protection benefit, with a strong bias to rural areas, where 30 percent of households receive benefits, compared to only 9 percent in urban areas.

This paper aims to describe and assess Bangladesh's current social protection system. It begins by describing its evolution and provides an overview of the current system. This is followed by an assessment of its impact and cost-effectiveness. The targeting performance, administrative systems and governance system are then considered. Finally, current government policy on social protection, the political economy of social protection and development partners' engagement are described.

> The specific definition of social protection used for this review is:
>
> "Publicly funded initiatives that provide regular and predictable cash or in-kind transfers to individuals, households and communities to reduce poverty and vulnerability and foster resilience and empowerment."[1]

If we follow this definition, some initiatives included as social protection by the Government of Bangladesh may not really qualify as social protection programmes and thus should not be considered under the proposed core Lifecycle Based National Strategy for Social Protection. Nevertheless, it is also found that most of the government programmes like employment generation in rural areas, income and employment support as part of disaster management, and providing basic cereals and foodstuff at affordable prices for the poor through Open Market Sales (OMS) serve important purpose in mitigating poverty and coping with distress for the poor and vulnerable.

In this paper we start with the evolution of the social protection programmes and its current state. An overview of Bangladesh's current social protection system is provided in the third section. A discussion on the impact of Bangladesh's current social protection system is provided in the fourth section. Cost effectiveness and targeting performance of current social protection schemes are provided in the fifth and sixth sections, respectively. Administrative systems of social protection schemes and their related governance issues are discussed in the seventh and eighth sections, respectively. The ninth section discusses the stated policy commitments of the Government of Bangladesh as reflected in the Constitution and the Sixth Five-Year Plan. In the final two sections we discuss the political economy and development partners' engagement with social protection programmes/issues in Bangladesh.

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[1] AusAID Social Protection Framework, June 2012

Evolution of Bangladesh's Social Protection System

Bangladesh has a long history of formal social protection, which, in part, has shaped the nature of the current social protection system. Davis (2004) notes that, as far back as the pre-colonial period, systems were in place to provide famine relief to the poor. During the colonial period, public works came to be seen as an acceptable response to famine relief as they were regarded as less likely to encourage laziness and dependence.

This same fear of creating dependency on the state has imbued the development of social policy post-independence and, Davis (2004) argues, continues up to the present. At independence, the main social protection scheme in place was the civil service pension.[2] It was complemented by a Provident Fund that acted as a savings vehicle for government and formal private sector employees, providing them with a lump sum amount on retirement.[3]

However, in response to the 1974 famine and floods in the 1980s, new schemes were developed for poor families that were badly hit (Rahman and Choudhury 2012). The schemes were mainly public works and other food aid programmes, making use of foreign assistance. In the 1990s the government began to introduce schemes that addressed risks across the lifecycle, such as school stipend programmes and allowances for the elderly, people with disabilities, and widows. During the 1990s, there was also significant investment by donors in various NGO programmes, providing a range of social services, including social transfers. BRAC has become the most notable provider of these services.

Over the past decade, social protection schemes – when understood broadly – have continued to grow along a number of trajectories. These include:

- A continuing commitment to public works programmes, such as Food for Work and the Employment Generation Scheme;
- Continuing investment in food transfer programmes such as Vulnerable Group Feeding (VGF) and Vulnerable Group Development (VGD), including the introduction of the Open Market Sales (OMS) scheme which sells rice at a reduced price;
- An expansion in lifecycle social transfer schemes, in particular stipends for school children and allowances for vulnerable categories of the population; and
- Continuing donor support for programmes outside government that provide social services, including using social transfers to stimulate micro-enterprises among poor families.

In addition, the Civil Service Pension has continued to receive strong support from the government. There has also been a gradual growth in the proportion of transfers provided as cash rather than food, although cash is mainly provided through the lifecycle programmes. By the mid-2000s, foreign food aid was mostly withdrawn, being replaced by food transfers funded from taxation. There has also been a significant increase in small schemes among both NGOs and government that include some elements of social protection.

An Overview of Bangladesh's Current Social Protection System

Bangladesh's current social protection system is complex comprising a large number of programmes and managed by a large number of ministries. According to a comprehensive

[2] See: Miyan (undated)

[3] See: Mahmood et al. (2008) and Alam (2012).

official compilation prepared by the Ministry of Finance (Safety Net Programmes, Ministry of Finance) there are 145 programmes under the social protection system currently financed through the budget. Annex Table 9.1 provides a complete list of the programmes along with some description of the objectives of various programmes. The total amount spent on these programmes, including government pensions, in FY 2013-14 was Tk. 266.5 billion, which was equivalent to 2.26 percent of GDP and represented 12.33 percent of the total public budget (Annex Table 9.1). According to the 2010 household survey, around 25 percent of households are in receipt of at least one social protection benefit (BBS 2010). The programmes are administered by 26 line ministries/divisions and there is no mechanism for sharing information among the implementing ministries/agencies.

In 2011, Rahman et al. (2011) found 54 programmes that they would classify as social protection. However, most of these programmes are very small. Furthermore, the definition used by Rahman et al. (2011) for social protection was broad. It included a range of livelihoods programmes and also food transfers that are short-term disaster responses (such as Vulnerable Group Feeding, Test Relief and Gratuitous Relief).

A review of the safety net programmes by PRI/SANEM also indicates that there are serious overlaps among various safety net programmes and many of these programmes are very small to have any significant impact on the target groups. About 70 percent of programmes are less than Tk. 1 billion or less than 0.01 percent of GDP or 0.4 percent of Government's total social protection spending. Most of the large social protection programmes in terms of spending and the number of beneficiaries are concentrated in 14 ministries/agencies, accounting for 92 percent of total social protection spending.

When trying to define social protection, many overlapping elements come into consideration. Some argue that social protection should tackle chronic destitution, others to manage risk and vulnerability, and others include disaster risk management. Too narrow a definition may eliminate some of Bangladesh's most successful "graduation" programmes. The fairly tight definition stated at the start of this chapter would focus on schemes that involve regular and predictable transfers for individuals, families and households. This means that the large but short-term disaster response programmes may be excluded from the classification of core social protection programmes. Their inclusion has confused debates on social protection in Bangladesh, and has inflated understandings of levels of spending considered to be on genuinely for social protection purpose. The other main programme that could be excluded – potentially more contentiously – is Open Market Sales; it is an important subsidy but not a regular and predictable transfer. It is however important that disaster management and OMS operations will continue to play important roles in protecting the poor and vulnerable population from covariate risks like natural disasters and basic commodity price shocks. Poor families are particularly vulnerable to these covariate risks/shocks and must be protected so that they do not slip back further into poverty.

Table 9.1 sets out the schemes that would fit under the adopted definition of social protection. Only government schemes with spending above Tk. 500 million (US$ 6.3 million) are considered. As a result, 13 schemes are classified as social protection. However, if a higher spending threshold of 0.25 percent of annual government expenditure is used – around Tk. 3,000 million (US$ 38.5 million) – only 8 schemes could be regarded as significant components of Bangladesh's social protection system[4]. The civil service pension, although not primarily a scheme for the poor, has been included because this is considered to be a contributory social insurance programme for the civil servants and also there are other arguments for recognising it as social protection, since many former civil servants would live in poverty if it did not exist.

Box 9.1: Are Public Works Programmes Social Protection?

Not all public works programmes should be considered as social protection. If the main aim of a public works programme is to build or maintain assets, it should not be considered as social protection. The focus in such programmes should be for them to be labour intensive, but they are likely to need more skilled labour and pay higher wages. Only public works programmes in which the priority is to pay transfers to participants – in other words, workfare – should be considered as social protection, with assets as a potentially positive side effect (although often these assets are of limited value).

While many in Bangladesh consider all public works programmes to be social protection, under a stricter definition some would not be. For example, it is likely that the Rural Employment and Rural Maintenance Programme is not social protection but is, as its name suggests, a maintenance programme. The Food for Work programme also has many elements of an infrastructure programme, rather than welfare. The Employment Generation scheme seems to be a good example of workfare although in some areas it imports labour from other regions, which indicates it is not purely social protection (Khatun et al. 2009).

However, in this study, all public works programmes are considered as social protection as they arguably fit under the above mentioned and internationally accepted definition of social protection.

Overall spending on core social protection schemes (excluding Disaster Management Programmes) is, therefore, less than commonly reported in government figures, at around 1.94 percent of GDP.[5] Figure 9.1 compares the number of beneficiaries of eight of the ten major social protection schemes, along with their budgets. It is evident that the three largest programmes in terms of coverage are the two school stipend programmes and the Old Age Allowance, although benefits are comparatively small per recipient – in particular for the stipends – when compared to other programmes such as Employment Generation, Vulnerable Group Development (VGD) and Insolvent Freedom Fighters.[6]

Table 9.1: The Major Types of Social Protection Schemes in Bangladesh

BDT in Millions	FY13	As Percent of Total SP Budget	As Percent of Total GDP
GDP	**10380000**	-	100%
Total Social Protection Budget	230975.2	100%	2.23%
Total Budget Under Family Welfare	127566.3	55%	1.23%
1) Assistance	50303.6	22%	0.48%
2) Child Development	18514.3	8%	0.18%
3) Health	11106	5%	0.11%

[4] The Provident Fund is not included as a social protection scheme, as it is effectively a savings scheme, only providing lump sums.

[5] See Kidd and Wylde (2012) for information on Nepal's social protection system.

[6] The Civil Service Pension has relatively few beneficiaries despite having the largest budget, at 0.49 percent of GDP.

BDT in Millions	FY13	As Percent of Total SP Budget	As Percent of Total GDP
4) Education	984.6	0.4%	0.01%
5) Old-Age Assistance	64237.8	28%	0.62%
- Government Pension	55327.8	24%	0.53%
OMS	17580	8%	0.17%
Total Budget Under Income Generation/ Employment Generation	43532.3	19%	0.42%
Total Budget Under Miscellaneous Programmes	8747.6	4%	0.08%
Total Budget Under Disaster Management	30164.8	13%	0.29%

Source: Rahman et al. (2011) and Khondker (2013). The Civil Service Pension is not included, although it has a budget equivalent to 0.49% of GDP.

1. 'Assistance' includes programmes that address vulnerabilities in the family or household. The main recipients of these programmes are destitute/widowed women, injured freedom fighters, people with disabilities, beggars and other marginalized groups.

2. 'Child Development' includes programmes addressing child development from pre-natal care, early childhood development, primary education, secondary education, vocational training. The target group for these programmes are children aged between 0-18 years of age.

3. 'Health' includes programmes designed to address health issues of the population including national nutrition service, national sanitation project, maternal health voucher schemes, Maternal, Child, Reproductive and Adolescent Health (MCRAH), Urban Public Environment Health Development. The target group for the maternal health and MCRAH are pregnant women while the other programmes address children, adolescents, adults and the elderly.

4. 'Education' includes only two programmes and is shown separately since the programmes address adult literacy. The two programmes are 'Post Literacy Education Project for Human Resource Development' and 'Female Stipend for Degree (Pass) and Equivalent Level Project'.

5. Old Age Assistance includes two programmes- the old age allowance and the pension for government employees. The old age allowance is a non-contributory assistance provided to elderly people on a need-basis. Pension for government employees on the other hand is contributory and provided to government employees from retirement onwards.

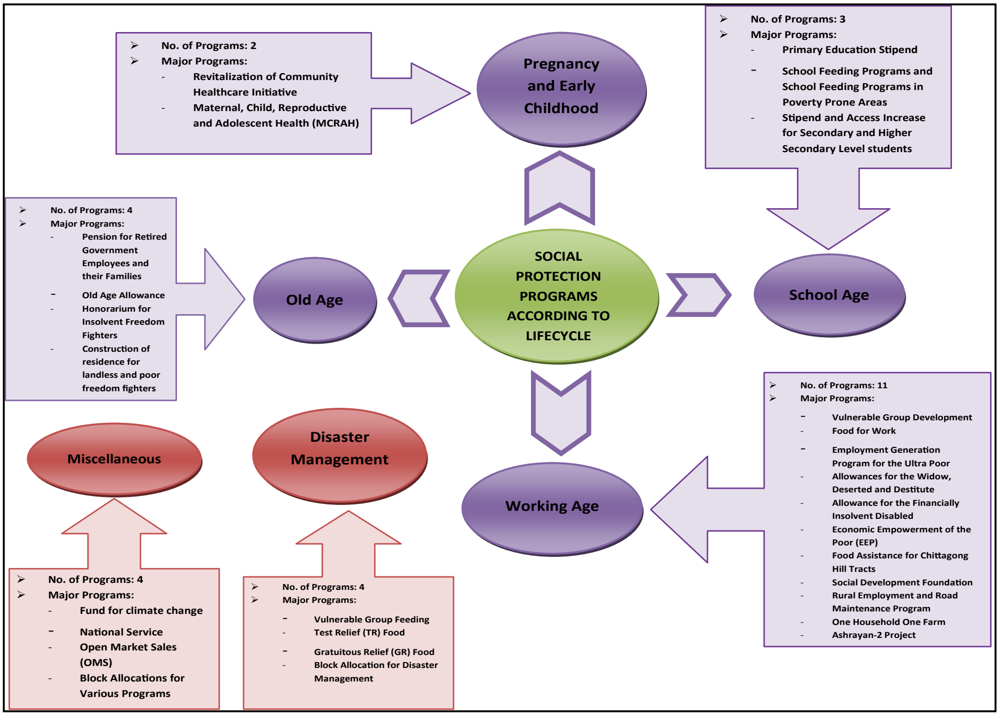
a. Includes programmes which are aimed at providing income support and employment generation in different regions of the country- for instance, Economic Empowerment of the Poor, Vulnerable Group Development for Ultra Poor, One Household One Farm etc. The main recipients of the programmes are individuals who are in the working age group but are unable to find employment in addition to belonging from households which fall under the poverty line.

b. Includes programmes which are uncategorised under the above categories and provide agricultural and fisheries support.

c. Includes programmes addressing disaster management providing support to people affected by natural disaster, safeguarding disaster prone areas. The programmes included are Vulnerable Group Feeding, General Relief Activities, Gratuitous Relief (GR) Food etc.

The major social protection schemes in Bangladesh have evolved over time to mitigate specific conditions/risks and are also serving to address lifecycle risks. Because these programmes were not originally conceived and designed to mitigate risks from a lifecycle perspective, they are not necessarily well designed to provide full/adequate lifecycle protection for the citizens. Figure 9.1 maps the major schemes in Bangladesh across the lifecycle. It also includes the main short-term disaster relief programmes and the civil service pension.

Figure 9.1: Social Protection Schemes in Bangladesh Mapped Against the Lifecycle

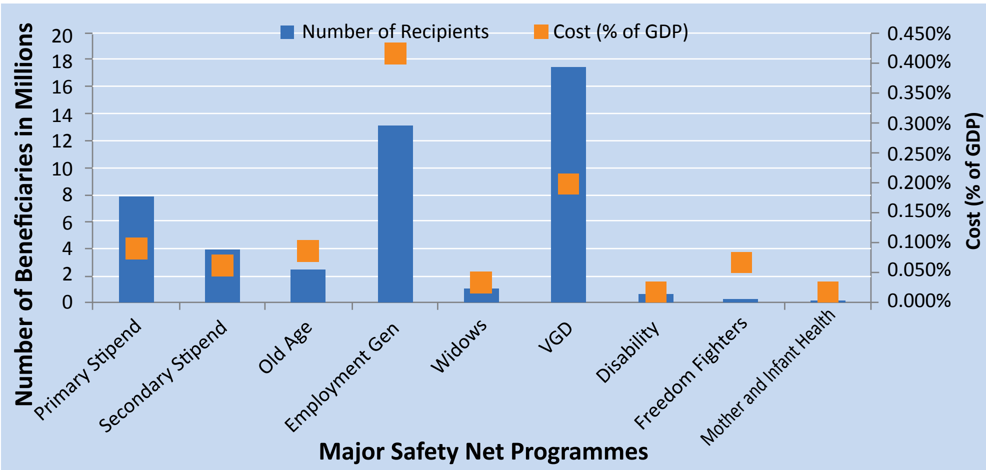


Source: Author's own source

A noticeable gap in Bangladesh's social protection system is the lack of a major scheme to directly address the needs of pregnant women and young children. However, there are a few programmes which address the healthcare needs of pregnant women namely the Maternal Health Voucher Scheme and the Maternal, Child, Reproductive and Adolescent Health (MCRAH) both of which are operated by the Ministry of Health and Family Welfare (MOHFW). While the latter programme has ended as of FY 2012, the former is still in operation. Additionally, some health-based programmes prioritise maternal and child health. In FY 2013, budget for this programme was BDT 1.4 billion with a combined coverage of 67,000 beneficiaries. MoWCA also has two small-scale grants for young children, benefiting just over 100,000 families in total, while there is a World Bank-funded conditional cash transfer programme for young children run by the Ministry of Local Government. There are also schemes providing incentive payments for women to attend pre-natal care and give birth in clinics, and although they do not fall under social protection per se, reference is made here to demonstrate how closely social protection interventions interact with other social sectors.

The Ministry of Social Welfare provides some childcare schemes, mainly in Dhaka through the Child Day care centre, Child Development Centre programmes as well as funding of government and registered non-government orphanages. The VGD programme could potentially be regarded as addressing the needs of a few young children, although its provision of wheat and rice may not be much beneficial for child nutrition.

Figure 9.2: Beneficiaries of Social Protection Schemes Compared to Budgets



Source: Ministry of Finance (2012) and Khondker (2013).

Note: Data on the number of civil service pensioners is from Aminuzzaman (2005), and the number has been increased in line with the growth in the national population. The number of beneficiaries of the Employment Generation Programme is based on each participant undertaking 80 days' work per year. However, Khatun et al. (2009) indicate that when the Programme commenced there were 1.8 million beneficiaries, although less work was provided to each one. Data is not provided for the Food for Work scheme as the figures are uncertain. The Ministry of Finance data states 3.81 million recipients but it may mean 3.81 million person/months, as this is how other workfare programmes are reported.

As Figure 9.2 indicates, the highest coverage of social protection schemes is during ***school age***, mainly via the Primary Student and Secondary Student Stipends. Around 12.1 million children receive stipends, with the majority at primary school. Overall spending on student stipends is the equivalent of around 0.16 percent of GDP in FY 2013.

There is a range of programmes addressing the needs of ***young people and those of working age.*** They are three main types of schemes: workfare schemes, in particular the Food for Work[7] and Employment Generation programmes; the VGD programme, providing wheat and rice transfers to women for up to two years, alongside training to help them develop income generating activities. None of these programmes appear to have particularly extensive coverage – the largest is the Widows' Allowance – which means that the vast majority of the working age population is deprived of direct support. However, it needs to be acknowledged that many will receive the student stipends.

While there are programmes to address the needs of ***people with disabilities***, they are relatively small. The main disability grants reach only 200,000 people, while there is also a

[7] The Food for Work scheme appears to provide recipients mainly with cash (Rahman: personal communication). Although the central government provides local government with rice, this is sold on the market and cash is provided to workers. By selling the rice, local government is able to cover the administrative costs of the programme.

[8] Khondker (2013).

small scheme for disabled freedom fighters. The Ministry of Social Welfare has a small grant scheme for disabled schoolchildren, but it reaches only around 18,600 beneficiaries.[8]

Social assistance//pension programmes primarily at protecting individuals at various stages of life cycle with family supports in various forms. As in most other countries' social security programmes, the highest spending in Bangladesh is on programmes that address risks associated with old age. Whilst the Civil Service Pension does not fit the definition of social protection stated at the start of this chapter, it is the largest income transfer scheme in Bangladesh, paying relatively high benefits to relatively few people. The Old Age Allowance for poor households has grown in recent years and now reaches 2.5 million people. In addition, the allowance for Insolvent Freedom Fighters is almost certainly mainly for older people. The Widows' Allowance provides an unconditional cash transfer, with no accompanying support to enable recipients to engage more productively in the labour market and most recipients of the allowance are, in fact, elderly. The combined spending of these old age social programmes accounts for 37 percent of total social protection spending (excluding disaster relief). In relation to the total old age population, these programmes cover about 47 percent of the target group. Excluding the number of people covered under the government pension system, the coverage ratio is 41 percent.

A key feature of all social protection schemes in Bangladesh – apart from the Civil Service Pension – is a strong commitment to targeting the "extreme poor." Unlike many other developing countries, Bangladesh has not developed a mix of broader targeting approaching universal coverage and targeted approaches to social protection. All schemes follow essentially the same targeting mechanism, which is based on local officials making decisions on selection, using criteria provided by the central government. Furthermore, it is common for schemes to either target on the basis of a prior identification of poorer areas – using out of date poverty maps – or by employing fixed quotas for each area, usually upazilas.

Furthermore, social protection schemes are biased towards rural areas, and some specifically exclude urban areas. While 30 percent of rural households receive social protection benefits, coverage in urban areas is only 9 percent (BBS 2010). However, the incidence of urban poverty is also less. Using HIES 2010 data, it can be estimated that around 34 percent of poor households in rural areas and 18 percent of urban poor households receive benefits from at least one of 30 core social protection programmes. The continuing focus on rural areas stems from the fact that social safety nets in Bangladesh were originally designed for a static rural population and need a measure of modification to be brought into urban areas. As a result, many migrants to urban areas are now denied access to social protection benefits, despite high levels of urban poverty in slums.

Impacts of Bangladesh's Social Protection System

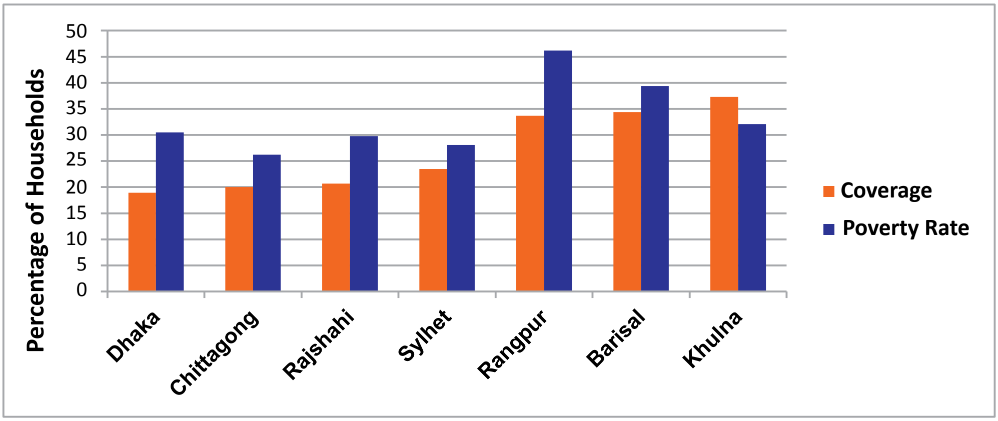
Despite relatively large expenditure on social protection – as broadly defined in Bangladesh – the impacts on poverty appear to be relatively small. Analysis of the 2010 HIES indicates that the current broad social protection system reduces the national poverty rate by only 1.5 percentage points and the national poverty gap by 10 percent, based on benefits received from 30 core programmes.

There are a number of reasons for the limited poverty impact of social protection schemes relative to the size of investment. These include:

- Overall coverage of the schemes is low, and – at 25 percent – is less than the national poverty rate. When the dynamics of poverty are taken into account – and many more people are considered as poor – this suggests that coverage is particularly limited. Even if the poor were perfectly targeted, a large proportion of those who are poor and vulnerable to poverty would miss out because income dynamics lead to frequent movements into and out of poverty (and vice versa).

- As Figure 9.3 indicates, the coverage of social protection schemes is not aligned to the geographical spread of poverty. While in Khulna the proportion of households receiving benefits is higher than the poverty rate, in Dhaka and Rangpur it is more than 10 percent lower. As a result, the impact of low coverage is exacerbated across a number of Divisions.

Figure 9.3: Proportion of Households Receiving Social Protection Benefits by Division, Compared to Divisional Poverty Rates (UPL)



Source: BBS 2010

- The number of households receiving benefits under various social protection programme based on HIES 2010 data is significantly lower than official number of beneficiaries. At the same time, the total number of beneficiaries under various programmes as reported by the Ministry of Finance (excluding civil servants' pension) exceeds the total number of poor persons. This difference is primarily attributable to either one poor household receiving benefits from more than one source[9] and/or many non-poor persons/households receiving benefits from these programmes.

- Although social protection schemes target the extremely poor, targeting is not accurate and exclusion errors are relatively large. Only around one third of poor households in 2010 received a benefit from any of 30 core programmes (excluding civil

[9] This should be viewed positively as multiple benefits are often necessary to trigger a dynamic path out of poverty.

[10] Based on data from 2010 HIES.

[11] 40% targeting error is the threshold defining the best performing programmes in the world.

servants' pensions).[10] Given that around 60 percent of recipients are above the poverty line[11], necessarily this reduces the impact of schemes on poverty.

- However, it is also true that if we expand the target group to those families who are vulnerable to falling below the poverty line or have been fallen back to poverty on occasions in recent years due to various shocks (physical illness or financial), the target group would be much higher and the problem of miss targeting will decline correspondingly.

- The payment levels of benefits on some of the larger programmes – in terms of number of beneficiaries – are too low to have much impact on poverty headcount, although they do contribute to reducing the poverty gap (see Box 9.2 for a discussion of specific schemes). Two of the schemes with the largest coverage – the Primary Stipend and OAA – have very low benefits, at Tk. 100 per month and Tk. 300 per month.[12] Figure 9.4 compares the Bangladesh OAA benefit with the benefit levels of other tax-financed schemes in developing countries, and it can be seen that, as a proportion of GDP per capita, it is one of the lowest in the world. Furthermore, the Primary Stipend has not increased in value for many years, meaning a significant reduction in its purchasing power (Baulch 2010).

The low level of benefits also means that impacts in other areas are also limited, including on child wellbeing. There is no evidence that by themselves social protection benefits paid to the parents of young children have an impact on child under-nutrition, and more likely a complex of interventions is needed involving complementary programmes in health, communication, and maternal care[13]. This strengthens the case of intra- and inter-sectoral linkages of social protection, for achievement of substantially higher returns.

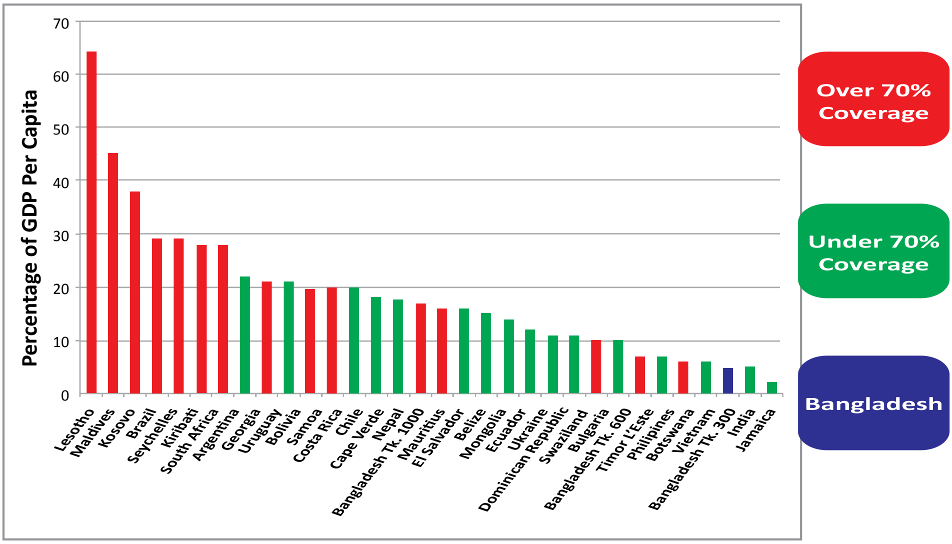
Ahmed et al. (2007) have shown that participation in the VGD and Food for Asset Creation programmes had no impact on the caloric food intake among pre-school children, school age children or older people. In fact, they also indicate that the workfare programme had a negative impact on nutrition among children aged 6-60 months, while there have been similar findings from the Chars Livelihoods Programme's public works (Helen Keller International: undated). This is in line with recent international evidence indicating that workfare often harms child nutrition[14] (Manley et al. 2012).

[12] The Primary Stipend is, in reality, even lower given that, if a family has more than one child, it receives a total of only Tk.125 (Rahman et al. 2011).

[13] Ongoing research by International Food Policy Research Institute on transfer modalities for cash and food transfers in Bangladesh shows that the leading nutritional impacts came from transfers when they were combined with nutrition behaviour change communication.

[14] Interestingly, Ahmed et al. (2007) did find an increase in caloric intake among school children and older people – though not pre-school children – from the Rural Maintenance Program, but it pays transfers that are 70 percent higher than VGD. This indicates that higher transfers may well have a greater impact.

Figure 9.4: Value of Bangladesh OAA as A Percentage of GDP Per Capita, Compared to other Tax-financed Pension Schemes in Developing Countries



Source: OECD Social Expenditure Database

Box 9.2: Impacts of Specific Social Protection Schemes

Rahman and Choudhury (2012) examined five national schemes: The Widows' Allowance, the Old Age Allowance, VGD, Employment Generation and Secondary Stipend. They found that monthly household incomes increased by 11.6 percent, household savings by 92 percent, while ownership of cattle and goats increased by 44 percent. However, it is unclear the extent to which this is attributable to the schemes or to general improvements in the economy.

A study by BRAC (2008) of the OAA indicated that the scheme had enabled recipients to increase their protein intake and they reported an increase in bodyweight.

However, not all impacts appear to be positive. Of particular concern is an increase in landlessness reported by Rahman and Choudhury (2012) among recipients of the OAA, Secondary Stipend and Employment Generation Programme. While this may be expected among OAA recipients given their age, the largest increase – of 32 percent – was among those on the Employment Generation workfare scheme, although it is unclear whether this is related to their participation on the scheme.

Although the aim of the Primary Stipend programme is to increase enrolment, it has no discernible impact in this area, almost certainly because the value of the stipend is too low (Baulch 2010). However, the Female Secondary Stipend seems to have been more successful, although this may be the result of beneficiaries also receiving exemptions from school fees (Khandker et al.2003; Shamsuddin 2013).[15] This again demonstrates the importance of a cross-sectoral approach to social protection – perhaps a low benefit combined with school

[15] Until 2009, the transfer on the Secondary School Stipend programme was only Tk.25 per month which appears to low to incentivise children to stay at school, although over 10 years ago this amount may have had more impact. This perhaps demonstrating the importance of cross-sectoral approaches—perhaps a low benefit and school fee exemptions are more powerful than a higher benefit.

fee exemptions is more effective than a higher stipend value. Baulch (2010) argues that the Female Secondary Stipend has also been the reason for the lower dropout rates of girls – when compared to boys – in the upper grades of Primary School.

Box 9.3: Impacts of Non-government Asset Transfer Programmes

Although not government social protection programmes, there is significant enthusiasm in Bangladesh for asset transfer programmes that incorporate regular cash transfers to participants, such as BRAC's Targeting the Ultra Poor (TUP) programme – also known as the Challenging the Frontiers of Poverty Programme (CFPR) – and the Chars Livelihoods Programme (CLP). The "graduation" rates in these programmes refer to a multidimensional approach to deprivation.

In the TUP programme – using 2007 values – the average increase in earnings from income generating activities was only Tk. 1,755 per year, with annual per capita expenditure increasing by Tk. 806 (Bandiera et al. 2012). To put this in perspective, the average annual income in Bangladesh in 2007 was around Tk. 107,000.[16] Furthermore, the poverty line in 2007 was Tk. 17,784 per capita per year which means that the increase in household expenditure was only 4.5 percent of the value of the poverty line, a modest increase which may be insufficient to help households escape extreme poverty. However, participants also receive other benefits – such as an increase in assets, more self-confidence and a greater ability to manage livestock.

There are indications that the sustainability of gains is not assured for all participants of the TUP. Among those who entered the programme in 2002, 52 percent experienced a decrease in assets between 2005 and 2008 (Krishna et al. 2010). This is probably because beneficiaries were still subjected to the same risks and shocks as before and, without access to a continuing social protection transfer, their only option, when faced with illness or some other contingency was to draw down on their assets (c.f. Huda 2012). These participants had the advantage of benefiting from BRAC's health programme. Those on other programmes without similar access to good health services may find that assets declining even more quickly.

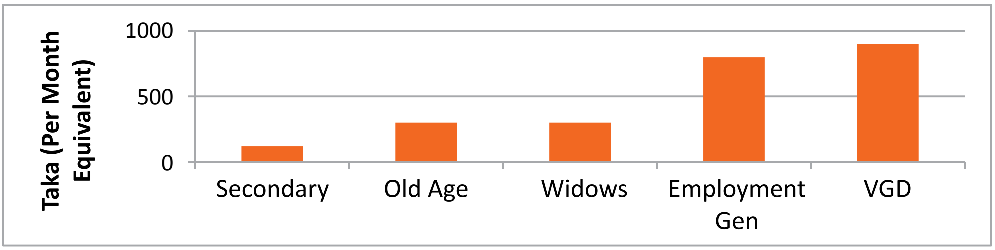
Finally, it should be recognised that these assets transfer programmes often exclude particularly vulnerable groups, such as the elderly and people with disabilities, on the ground that they are unable to engage in productive activities.

Cost-effectiveness of Social Protection Schemes

There is limited information on the overall cost-effectiveness of different schemes. However, an indication of the cost-effectiveness of programmes can be gained by comparing the increase in incomes in beneficiary households with the size of the benefit. Rahman et al (2011) calculated the percentage increase in household incomes for five major social protection schemes, including Old Age Allowance, Widows' Allowance, VGD, Secondary Stipend programmes and Employment Generation Programme for the Poorest (EGPP). The highest percent change in income was reported for VGD (i.e. 13.4 percent) while the lowest was found for EGPP (i.e. 10.4 percent). The changes for the other schemes were around 11 percent (Old Age Allowance was 11.8 percent; Secondary Stipend was 11.3 percent; Widow Allowance was 11 percent). Yet, as Figure 9.5 indicates, the size of benefits is very different. A comparison of the income changes of these five major social schemes against their respective benefit size, cost effective schemes turn out to be Secondary Stipend, Old Age Allowance and Widows' Allowance.

[16] Calculated using data from BBS (2010).

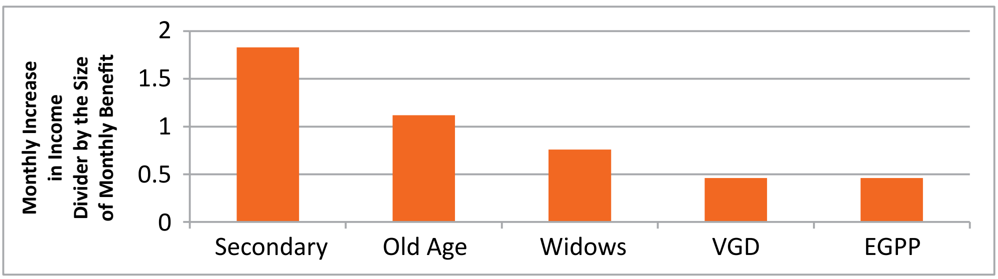
Figure 9.5: Size of Benefits Across A Selection of Social Protection Schemes[17]



Source: Government data and study by Rahman et al (2012) [18].

Another measure of cost-effectiveness is the increase in monthly income relative to the monthly benefit. Figure 9.6 has divided the increase in monthly benefit measured by Rahman and Choudhury (2012) by the size of the benefit. [19] It suggests that simple cash transfers again appear to be more cost-effective than workfare or food transfers. It would again suggest that the Secondary Stipend, Old Age and Widows' Allowances are the most cost-effective schemes.

Figure 9.6: Monthly Increase in Income Measured by Rahman and Choudhury (2012) Divided by Monthly Size of Transfer[20]



Source: Rahman et al (2012), "Social Safety Nets in Bangladesh: Ground Realities and Policy Challenges" VOL 2, PPRC and UNDP Research Initiative, March 2012.

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[17] A number of assumptions have been used to calculate equivalent monthly benefits. The real value of the Primary Stipend is much lower since families with more than one child can only receive a maximum of Tk.120 per month. The Secondary Stipend provides benefits of between Tk.100 and Tk.150 so, for ease of calculation, a benefit level of Tk.120 (or Year 8) has been used. This may well underestimate the true level of the benefit since the in-kind benefits provided by the Stipend are not incorporated. For the Employment Generation programme, it has been assumed that beneficiaries work for 80 days per year at Tk.125 per day. For VGD, it has been assumed that the 30 kgs of grains delivered would cost beneficiaries Tk.30 per kilo to purchase in the market. It is likely that government procures the grains at a lower price but when comparing the impact of schemes, it is preferable to examine the relative value to recipients.

[18] "Social Safety Nets in Bangladesh: Ground Realities and Policy Challenges" VOL 2, PPRC and UNDP Research Initiative, March 2012.

[19] The increase in monthly income was for the years 2008 to 2011 while the benefit size is for the year 2012. While not strictly comparable, it is not problematic as the interest is in a relative measure comparing schemes, so the comparison between size of benefits is likely to have been similar in 2008 and 2012.

[20] So as not to underestimate the value of the Secondary stipend, it has been assumed that families will have 2 children receiving stipends (either Secondary or Primary). Therefore, the calculation for the Secondary Stipend assumes a value of two stipends, at Tk.240 per month. The change in monthly household income receiving secondary stipend scheme has been estimated at Taka 440 (i.e. Taka 4,324 (Year 2010) – Taka 3,883 (Year 2007); Table 7.7 Rahman et al 2012). Size of transfer to household is Taka 240 per month (see above). The benefit ratio has been calculated as 183 (i.e. Taka 440/240). Similarly, for VGD change in monthly household income has been estimated Taka 410 (i.e. Taka 3,466 (2010) – Taka 3,056 (2007); Table 7.7 Rahman et al 2012). Size of transfer to household is Taka 900 per month. The benefit ratio has been calculated as 0.456 (i.e. Taka 410/900).

A study by Ahmed et al. (2007) provides insights into why workfare schemes are not always cost-effective. They found that for each Tk. 100 transferred in a Food for Assets workfare programme, the income of participants increased by only Tk. 32, while the Rural Maintenance Program was more cost-effective with participants getting an income increase of Tk. 85.[21] However, this study also found impacts other than income increase from these programmes, such as increased asset values, substantially higher savings and a significant effect on women's empowerment outcomes. The lower cost-effectiveness of workfare programmes is mainly due to the opportunity costs incurred by participants who have to withdraw from other income generating opportunities (the opportunity cost of foregone other income being deducted from the net income increase reported above). Furthermore, Ahmed et al. (2007) noted that participants were exhausted after a full day's work and were in a poor position to undertake other activities, including the care of children. On the Chars Livelihoods Programme, there is evidence of public works programmes impacting negatively on female participants' health, with many losing weight (Helen Keller International: undated). The analysis presented in the above studies however does not take into account the social/national benefit derived through the construction activities undertaken under these programmes.

The low cost effectiveness of the VGD programme may be because it delivers food rather than cash. Food restricts the ability of families to make decisions on how best to use the transfers, unless they sell the food to convert it into cash, often at a discounted rate. The quality of food provided under the VGD programme is often of very poor quality and sometimes not fit for normal human consumption. There are complaints that VGD food is used for feeding animals because of its low quality. Food may also depress local markets; at the very least, it will not have the same impact as cash in stimulating local consumption to benefit local markets. While not impacting directly on families, the cost-effectiveness of food transfers is also reduced due to higher delivery costs, when compared to cash. Ahmed et al. (2007) found that, while it costs Tk. 20 to deliver Tk. 100 of food, the cost of delivering cash was negligible. However, food is not used for transfers by government due to any conviction that it is superior to cash. Instead, government engages actively in the rice market to influence prices and ensure adequate supply of food as part of its National Food Security strategy and, as a result, stores significant quantities of rice and wheat. These stocks need to be replenished to keep them fresh. The food that it no longer needs is, therefore, disbursed as transfers. It is unlikely that government will change this practice so the potential for moving from current food transfers to cash is limited.

Box 9.4: Cost Effectiveness of Asset Transfer Programmes

The average cost of the BRAC TUP asset transfer programme was US$600 per household in 2007[22] (Bandiera et al. 2012). Yet, the increase in annual expenditure per household was around US$36[23]. It would, therefore, take almost 17 years to recover the investment. Potentially, it would be interesting to see whether simply providing households with $100 per year for 6 years would have a higher impact on incomes (whilst also recognizing that the programme had positive non-income impacts as well as the income benefits). International evidence would indicate that, with a higher level of benefit, families are able to invest in their own business activities without additional support.

[21] This was because the time spent on public works in the Rural Maintenance Program was relatively short, with the workday from 8 am to 2 pm. As a result, participants could continue with other income generating activities.

[22] It is unclear whether this includes the costs of staff and administration, so overall costs may be higher.

[23] The welfare metric in TUP includes more than income and evidence documents other dynamic impacts and multi-dimensional returns that are harder to quantify and monetize.

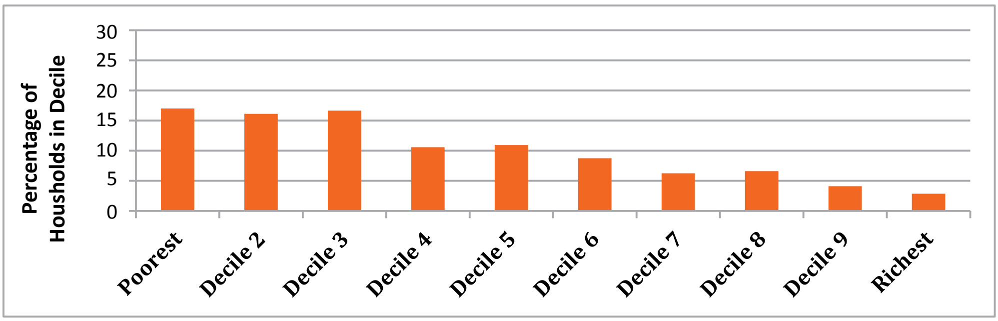
Furthermore, although the data is not reliable enough for a strict comparison, it is interesting to note that the increase in annual household income from the OAA was found by Rahman and Choudhury (2012) to be Tk.4,000, significantly higher than the increase in income reported by the TUP programme, at Tk.1,755 (not accounting for multi-dimensional benefits rendered by TUP).

Finally, the household increase in expenditure of Tk. 2,400 came at a cost of an additional 765 hours worked (Bandiera et al. 2012). This corresponds to just over Tk.3 of income per hour of work, equivalent to around Tk.24 for an 8-hour day. This does not suggest a particularly productive increase in labour. However, an increased value of productive assets also needs to be factored in as an additional benefit of the TUP programme.

Targeting Performance

The targeting performance of Bangladesh's social protection schemes is not strong. Figure 9.7 indicates the proportion of recipients across wealth deciles for the Old Age Allowance. Only around half the benefits reached those who were, at the time, under the poverty line. Similar poor targeting has been shown for the Primary Stipend[24] (Baulch 2010).

Figure 9.7: Proportion of Beneficiaries of Old Age Allowance in each Wealth Decile (2010)



Source: Household Income and Expenditure Survey, BBS, 2010

Note: The Secondary Stipend used to be provided to all girls. However, most of the beneficiaries were better-off, probably because there were less poor girls reaching secondary school. In reality, the stipend aimed to address gender discrimination, rather than address poverty directly (Grosh et al. 2008).

In fact, the targeting of social protection benefits overall – with the exception of the civil service pension – is similar to the Old Age Allowance, and is not necessarily as poor as often thought. Figure 9.8 indicates the proportion of households receiving at least one benefit in each decile. As can be seen, the proportions are higher among the poorest households with the overall pattern relatively progressive. If it is considered that all households in the poorest six or seven deciles are poor or vulnerable to poverty, there are few households that should absolutely not be receiving a benefit.

However, there are multiple reasons for inaccurate targeting, including geographical quotas, the use of schemes for patronage purposes, and the realities of poverty dynamics. Each is discussed briefly below.

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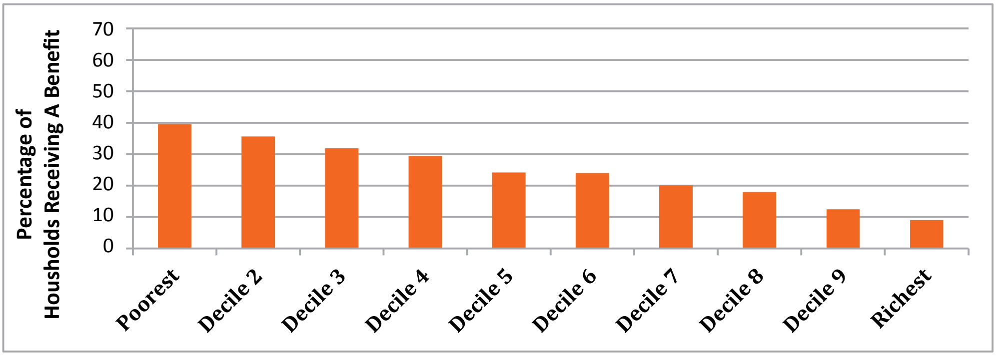
24 The Secondary Stipend used to be provided to all girls. However, most of the beneficiaries were better-off, probably because there were less poor girls reaching secondary school. In reality, the stipend aimed to address gender discrimination, rather than address poverty directly (Grosh et al. 2008).

The geographical quota system in schemes such as the OAA means that, necessarily, a relatively high proportion of recipients are from better off areas. So, even if recipients are among the poor in their upazila, they may be relatively better-off in a national context. Exclusion errors are also increased by the low coverage of schemes in urban areas, where poverty rates are high, particularly in slums.

Figure 9.8: Proportion of Households in Each Decile that Receive at Least One Social Protection Benefit



Source: Household Income and Expenditure Survey, BBS, 2010

Note: Only those schemes considered to be social protection in this report are included. So, for example, disaster relief programmes have not been included.

While it is commonly believed that many targeting errors are due to corruption and to local officials providing benefits for the purposes of patronage, Hossain (2007) argues that the situation is more complex. It is also true that local officials are confronted by a large number of potential recipients and it is challenging for them to identify who is poorer than others. They are also subjected to lobbying from potential recipients, which was also noted by BRAC (2008) in its study of the OAA. Given the restrictions in the number of people that can be selected due to quotas, officials tend to choose some of the poor from a larger pool of poor. While they may well use this for patronage purposes, they are probably mainly selecting poor people. Of course, there is also corruption, with money being charged to those put on beneficiary lists, but this may not be a significant driver of poor targeting.[25]

It is likely that the main reason for the poor targeting performance is the large proportion of people who are poor and vulnerable to poverty. As noted earlier, over 60 percent of the population are poor or vulnerable to poverty and in many regions this is even higher. The differences in incomes between most households are relatively small. Therefore, officials have – in effect – to choose a small number of beneficiaries from a much larger pool of population, and it is unsurprising that they make errors. The fact that the majority of beneficiaries of programmes are among the poorest 60 percent of the population in household surveys probably indicates a reasonable performance. Given that household incomes can also rise and fall with relative rapidity due to economic and health related shocks, selection on the basis of poverty is – as Sen (1995) notes – like hitting a moving target. Hence these numbers should be viewed with caution.

[25] See BRAC (2008) and Khatun et al (2009).

The main concern with targeting is the high exclusion errors, with the majority of the poor and near poor families not receiving any benefits. Yet, the main cause of the high exclusion errors is the relatively small beneficiary size of social protection schemes – due to multiplicity of programmes and each one having low budget – so that the Programmes cannot individually cover the real needs of the population in Bangladesh. Poor targeting performance is a less important reason for the exclusion errors observed in Bangladesh.

However, targeting challenges are not only due to the difficulties in identifying the poorest families and individuals. Analysis of the 2010 HIES indicates that a large proportion of beneficiaries of the Old Age Allowance are too young, with 33 percent under the age of eligibility.[26] As a result, many more old people are excluded from the Old Age Allowance than indicated by the number of recipients. The inclusion of younger people may indicate the extent to which elites use the scheme for patronage. It is likely that similar problems could be found in other benefits, such as the Widows' Allowance and Disability Allowance.

While in terms of targeting the benefits are by and large reaching the right people, there are problems to indicate that there are important reasons for it to be improved. Indeed, one important reason for improving targeting is to stop local elites from using social protection schemes for patronage purposes, as this is undermining the poverty reduction objective and weakening democracy. It could be argued that strengthening Bangladesh's social protection system – in particular its selection processes – could contribute to improved programme outcome and strengthening of governance and democracy.

Administrative Systems of Social Protection Schemes

The administrative systems of social protection schemes in Bangladesh are relatively weak. As noted in Annex Tables 9.1 and 9.2 below, schemes are spread across a range of Ministries without any Ministry having a clear specialisation in the delivery of social protection schemes. In reality, much of the administration is done at the local government level using paper-based management information systems (MIS). There are no central beneficiary databases for schemes, and no advanced management information systems linking local administration with the centre. As a result, the government is unable to effectively manage and monitor its social protection schemes.

The weaknesses of MISs also mean that payment systems have to be managed locally. Although many cash payments are made through banks, funding is first sent to local governments, which are responsible for passing the transfers to the banks. The advantages of undertaking national tendering of payments and economies of scale are, therefore, lost. In the workfare programmes, such as the Employment Generation Programme, payments are made on a daily basis by programme officials – often with no proper receipts – thereby allowing significant scope for corruption. The potential for building a financially inclusive payment system is not being taken advantage of.

There is good evidence of losses of food in food transfer schemes due to weak administration and monitoring. There are, for example, claims of up to 30 percent of food being lost on the Food for Work programme (Khatun et al. 2009). On the VGD scheme, the leakage of food is around 13 percent (Ahmed et al. 2007).

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26 The age of eligibility for the old age pension is 62 years for women and 65 years for men. It is possible that there may have been problems in identifying age correctly in the HIES.

Inadequate investment in management and administration – in particular from the centre – evidently means that other aspects of programme operations are ineffective. There are no adequate grievance systems, for example. There is also no indication that Ministries are able to effectively monitor schemes and hold local government to account, for example through monitoring visits or spot-checks. Influential figures in ministries recognise that both their staff and the local government staff need significant capacity development to be able to manage the schemes effectively.

Governance of Social Protection Schemes

Bangladesh's social protection schemes are run by a large number of Ministries. While based on the MOF data 27 Ministries/Agencies are responsible for social protection, the main schemes are run by 13 Ministries/Agencies (excluding the Civil Service Pension[27]). The Ministries and the major programmes they are responsible for are set out in Table 9.2.

Table 9.2: Ministries Responsible for Major Social Protection Schemes

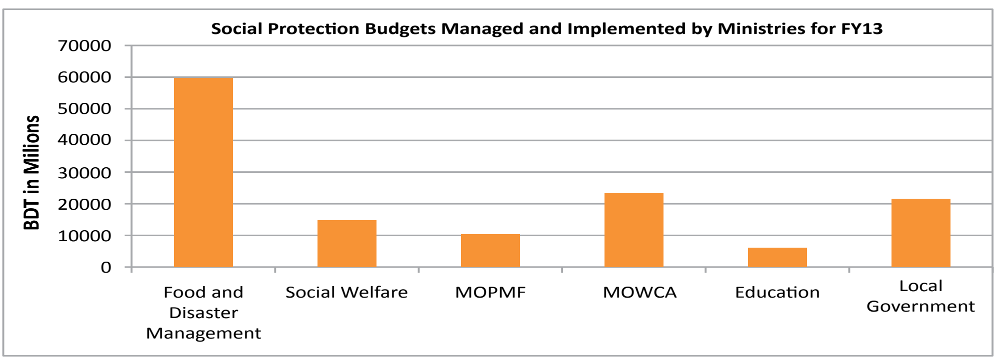
Major Social Protection Programmes (Budget Over BDT 1 billion)		
	Programme Name	**Ministry**
1	Pension for Retired Government Employees and their Families	All Ministries
2	Open Market Sales (OMS)	Food and Disaster Management
3	Food for Work	Food and Disaster Management
4	Test Relief (TR) Food	Food and Disaster Management
5	Vulnerable Group Feeding	MOWCA, Food and Disaster Management
6	Employment Generation Programme for the Ultra Poor	Food and Disaster Management
7	Primary Education Stipend	MOPME
8	Old Age Allowance	Social Welfare
9	Vulnerable Group Development	MOWCA, Food and Disaster Management
10	Block Allocations for Various Programmes	-
11	Stipend and Access Increase for Secondary and Higher Secondary Level students	Education
12	One Household One Farm	Agriculture
13	School Feeding Programmes and School Feeding Programmes in Poverty Prone Areas	MOPME
14	Fund for climate change	Environment and Forest
15	Revitalization of Community Healthcare Initiative	Health and Family Welfare
16	Honorarium for Insolvent Freedom Fighters	Liberation War Affairs

[27] The Civil Service Pension is managed by the Accountant General's Office in the Ministry of Finance.

Major Social Protection Programmes (Budget Over BDT 1 Billion)		
	Programme Name	**Ministry**
17	Allowances for the Widow, Deserted and Destitute Women	Social Welfare
18	National Service	-
19	Social Development Foundation	-
20	Gratuitous Relief (GR) Food	Food and Disaster Management
21	Rural Employment and Road Maintenance Programme	Local Government Rural Division
22	Food Assistance for Chittagong Hill Tracts	Chittagong Hill tracts
23	Construction of residence for landless and poor freedom fighters	Liberation War Affairs
24	Maternal, Child, Reproductive and Adolescent Health (MCRAH)	Health and Family Welfare
25	Ashrayan-2 Project	Prime Minister's Office
26	Economic Empowerment of the Poor (EEP)	Shiree (NGO), RDCD
27	Allowance for the Financially Insolvent Disabled	Social Welfare
28	Block Allocation for Disaster Management	-

In terms of responsibility for budgets, the leading ministries for social protection are set out in Figure 9.9.[28] The Ministry of Disaster Management manages the largest social protection budget, although this is dependent on the inclusion of the Food for Work programme which – as Box 9.1 indicated – could, potentially, be considered as more of an infrastructure programme. The Ministry of Social Welfare is the other prominent Ministry in terms of the size of its social protection budget, delivering five schemes. The other Ministries have relatively similar budgets and no more than two large schemes each. MoWCA has a number of other small schemes – such as two targeted at young children – which have not been included here, as budgets are small.

Figure 9.9: Social Protection Budgets Managed and Implemented by Ministries



Source: Ministry of Finance

28 In reality, the Ministry of Finance manages the largest social protection budget as the value of the Civil Service Pension is Tk39,900 million.

Budget decisions on social protection are taken by the Ministry of Finance, under the leadership of the Cabinet. Ministries are able to propose budgets to the Ministry of Finance and final allocation is done on the basis of consultations and taking into account national objectives. In general, there is reluctance among Ministries to propose significant increases in budgets. However, Ministries are more successful in gaining small budgets, which feed the proliferation of small social protection programmes. In part, this proliferation is also driven by development partners persuading Ministries to adopt pet initiatives, with core funding coming from the donors.

There is no Ministry responsible for overall policy on social protection. By default, key policy initiatives are led by the Cabinet Division, in consultation with other Ministries. In reality, effective policy on social protection is driven by budget allocations, and so to this extent, it could be argued that the Ministry of Finance is, de facto, the lead Ministry on social protection policy. This reflects the normal practice in most countries where Ministries of Finance as the custodian of public finance – in collaboration other agencies like Planning Commission and political leaders - have played a leading role in developing social protection policy. The Ministry of Finance along with other ministries have expressed their desire to strengthen monitoring of spending on social protection, potentially via a national Management Information System on social protection.

Government Policy on Social Protection

Social protection – or, in effect, social security – is guaranteed as a right in the Constitution of Bangladesh.[29] In Article 15 – titled the *provision of basic necessities* – the Constitution states:

> It shall be a fundamental responsibility of the State to [secure to] its citizens *the right to social security, that is to say to public assistance in cases of undeserved want arising from unemployment, illness or disablement, or suffered by widows or orphans or in old age, or in other such cases.*

In effect, social protection/security is defined as an entitlement and, specifically, as tax-financed assistance from the government that is directed at addressing lifecycle risks.

The other main policy document setting out commitments to social protection is the Sixth Five Year Plan (FY 2011-15), which is currently under implementation. The Plan assumes growth acceleration and job creation as the primary foundation for the poverty strategy of the country. However, a major proposition of the Plan is that: *"these two core activities need to be complemented by a well-designed specific and targeted intervention that go to the bottom of the various factors contributing to the rural-urban poverty divide, the regional variations in poverty, and the large concentration of ultra-poor and seek to remove those constraints"* [30]

Moreover, the Sixth Five Year Plan clearly states that - *"a coherent and integrated national social protection strategy based on a comprehensive mapping of existing and emerging vulnerabilities will be developed. This strategy will also draw on good international practices."*

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[29] There are strong arguments for using the term social security in Bangladesh, instead of social protection. Social protection is a highly contested term and often there is little common understanding on what it comprises. Since social security is recognised as a right in the Constitution of Bangladesh and its meaning is much less contested than social protection, its use would engender a sense of entitlement and create more common understanding.

[30] Sixth Five Year Plan, Part I

The Plan distinguishes between the poor with labour capacity who can "lift themselves out of poverty with appropriate short to medium-term support" and the "dependent poor" who are old, disabled and chronically sick [and] will depend on long-term social protection to survive." This replicates traditional position against providing social protection to the working age population on a long-term sustainable basis. The Plan, however, recognises the erosion of traditional family-based systems of support and highlights the elderly and people with disabilities as "new vulnerable groups."

The Five Year Plan also sets out weaknesses in government systems, stating that leakages in the Food for Work programme are 26 percent and 10-12 percent in the Female Secondary Stipend programme. Indeed, it notes that the main weaknesses in government social protection programmes are coverage, targeting, leakages and inadequacies in addressing the disparities among regions.

The main commitment in the Five Year Plan is to increase budgetary commitments from 2 percent to 3 percent of GDP. Given that the estimates of the social protection programme in the current budget included disaster relief programmes and civil service pension, this should probably be understood as increasing the budget commitment from a base of 2.2 percent of GDP in FY 2013, and thus the targeted increase in spending under the SFYP probably entailed an increase of less than one percent of GDP over the Plan period.

However, the SFYP does not clearly specify which programmes will be prioritised for expansion. It does, though, make commitments to extend childcare services, which could help women in the labour force. It also indicates that the introduction of a contributory old age pension will be explored. The Plan also notes that priority will be given to tackling child under-nutrition.

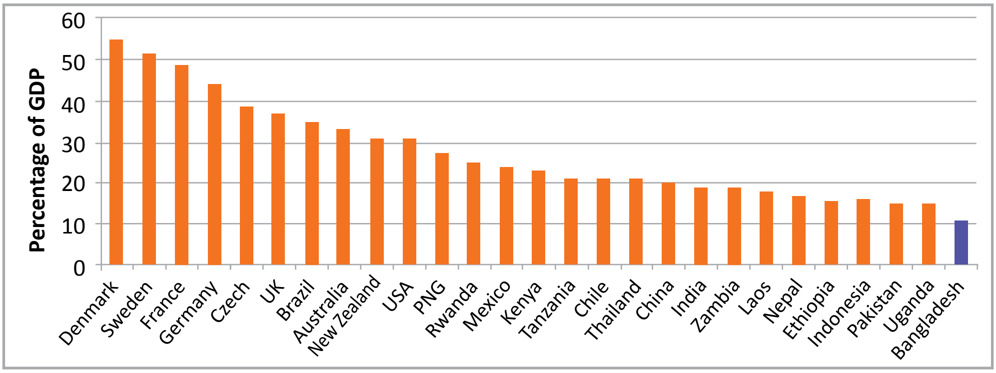
The Plan makes some commitments to improve social protection systems and its governance, such as strengthening monitoring and evaluation, reducing the number of organisations administering social protection programmes, increasingly decentralising responsibilities for implementation to local government, and consolidating programmes.

The government plans to overcome the lack of specificity in the Five Year Plan by developing a National Social Protection Strategy. The General Economics Division (GED) in the Ministry of Planning is leading the process. Development of the strategy is at an early stage and the direction the government will take is unclear at this stage.

The Political Economy of Social Protection in Bangladesh

The political economy of social protection in Bangladesh needs to be understood within the broader context of national economic and social policy. As Figure 9.10 indicates, when compared to other countries, both development and developing, Bangladesh is a country with a very low tax base. The limited tax intake significantly restricts the capacity of Bangladesh to re-distribute and invest in social policy. As Davis (2004) argues, social policy in Bangladesh is based on neoliberal ideology of low taxes and limited redistribution.

Figure 9.10: Government Revenues in Developed and Developing Countries as A Percentage of GDP (2011)



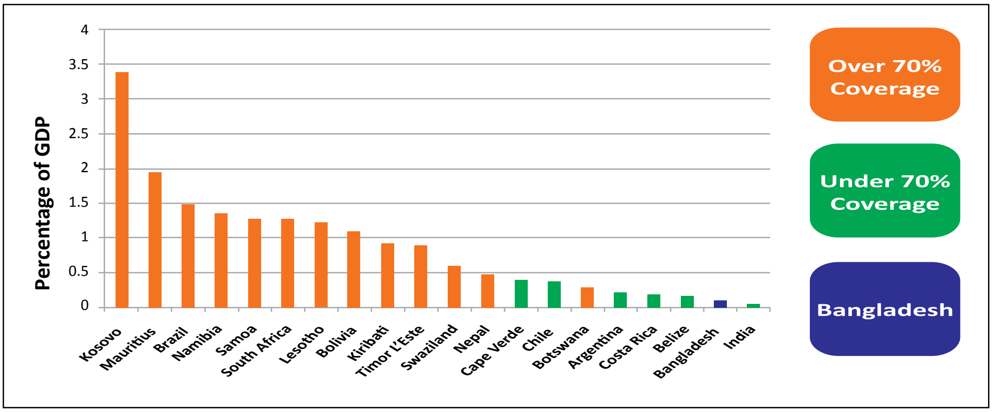
Source: IMF World Economic Database

The policy discourse of targeting the extreme poor is characteristic of a neoliberal ideology. By targeting programmes at the poor, social spending – and taxation – can be maintained at a low level. Indeed, the strong commitment in Bangladesh to targeting the extreme poor indicates its conservative/prudent fiscal policy stance to limit the fiscal deficit to less than 5 percent of GDP on average in an environment of its inability to mobilize larger amount of tax revenue through stronger tax administration.

Interestingly, the commitment to targeting the extreme poor is shared by most intellectuals and development partners in Bangladesh. In many cases, this probably does not reflect a shared neoliberal ideology but a lack of understanding of the political economy of social policy. Countries with more progressive social policy tend to have a greater commitment to more inclusive and universal programmes, since these build alliances between the poor and those in the middle of the wealth spectrum. As Sen (1995) points out, the poor are politically weak and can find it difficult to defend their own interests. Programmes that build alliances between the poor and those who are better-off are more likely to receive higher levels of investment and, indeed, provide higher benefits to the poor than poverty targeted programmes (Pritchett 2005).

Therefore, the targeting of social protection schemes to the “extreme poor” in Bangladesh explains their low budgets and limited benefits. The Old Age Allowance is a good example. As Figure 9.11 indicates, Bangladesh’s investment in the OAA is one of the lowest in the world. It is even significantly lower than Nepal – a much poorer country – although this is understandable given that Nepal provides a universal pension. There are some analysts who are also of the view that the exclusion of many children of politically more influential parents from the Primary Stipend also explains the significant reduction in its purchasing power over the past ten years. Some also argue about the merit of continuing the primary stipend programme and suggest using the resources saved for improving the primary education system in general. In their view, by reducing the real value of the primary stipend programme the government would be able to phase out this programme politically or as a minimum not increase its economic cost.

Figure 9.11: The Cost of the Bangladesh OAA Compared to other Tax-financed Pensions in Developing Countries



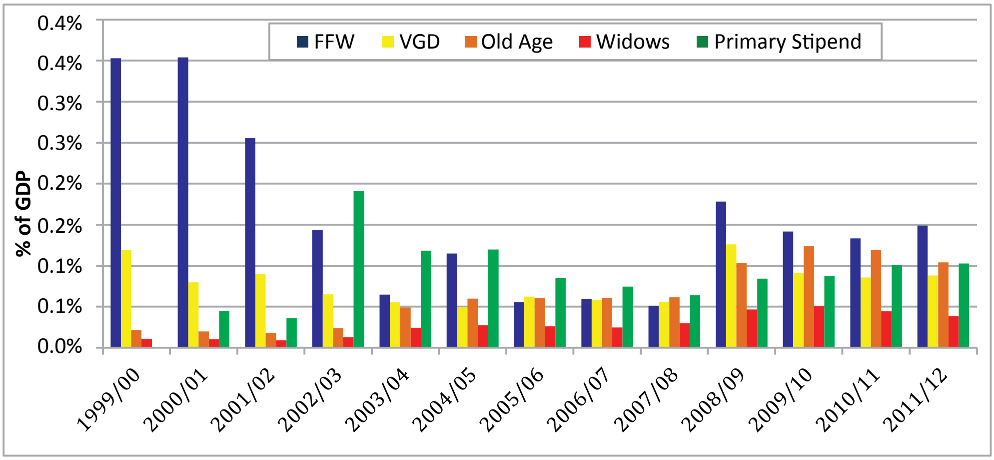
Source: IMF World Economic Database

Note: The figure for Bangladesh does not include Government Pension.

The apparent neoliberal basis for social protection policy in Bangladesh is also evident in the political discourse on dependency and graduation. There is a strong belief that if people receive benefits they will become lazy and stop working. As a result, government prefers programmes that either make people work before receive their benefits – such as workfare or conditional cash transfers – or are provided for a limited period, such as VGD. However, as the SFYP suggests, government and popular discourse recognises that the "deserving poor" – such as the elderly and people with disabilities – should receive permanent support. On the positive side, a commitment to "graduation" does mean that efforts are made to complement programmes such as VGD with training, to enable people to engage more effectively in the labour market. Yet the commitment to help recipients access work should not be seen as incompatible with the provision of long-term entitlements, especially if this can ensure greater access to the labour market for vulnerable families.

Nonetheless, it is evident that, over the past decade, there has been a growing commitment to social protection in Bangladesh. As Figure 9.12 indicates, a number of schemes have grown in size, when budgets are measured as percentages of GDP. The OAA and Widows' Allowance grew gradually from inception to 2009/10, but have stagnated since then. The Primary Stipend had its highest expenditure in 2002/03 but fell rapidly; however, since 2007/08 it has been gradually recovering, as student numbers have expanded. Overall, therefore, there seems to have been a growing trend of political support for these programmes since 2005. The commitment to food-based programmes – VGD and Food for Work – fell from the late 1990s until the global commodity price shock of 2008, when they rapidly grew. While it may have been expected that spending on these programmes would fall once the food crisis is over, instead the reduction in budgets was minimal, reflecting perhaps that they are used by government mainly as a means of maintaining rice price stability in the domestic market and managing grain reserves.

Figure 9.12: Spending on A Number of Social Protection Scheme, FY2000-FY 2012



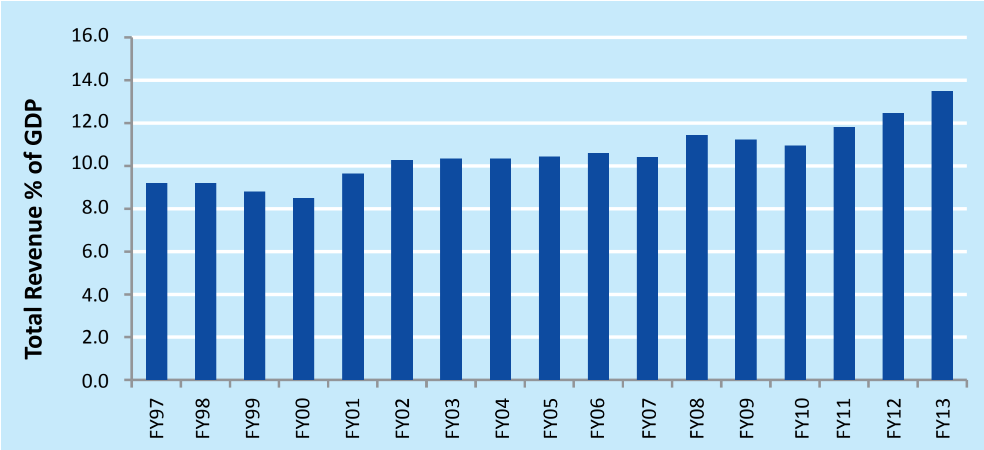
Source: Ministry of Finance

However, when examining political commitment, it is important to recognise that all individual schemes have very low budgets and the programmes themselves are not of high quality, as evidenced by leakage rates, targeting errors, the use of patronage in the selection of beneficiaries, corruption and inefficient systems. As Sen (1995) has argued: "Benefits meant exclusively for the poor often end up being poor benefits."

Therefore, while it is positive that Bangladesh has invested over 1.93 percent of GDP in core social protection schemes – many low-income countries invest almost nothing – its overall spending is low, and less than what many other developing countries spend on old age pensions alone. It is unlikely that any individual programme will grow to a budget that is sufficient for it to have a significant impact on poverty unless it becomes "inclusive," in other words incorporating not only the extreme poor but also those who are near the poverty line and vulnerable to falling below the poverty line. In reality, given that almost 60 percent of Bangladeshis may be considered either as poor or vulnerable to poverty, an inclusive approach would still mainly reach those who would need and benefit from access to social protection.

For the first time, however, there is discussion of moving away from poverty targeting to an inclusive, entitlement-based approach to social protection. GED has mentioned that they may consider making the OAA almost universal. The Ministry of Finance has also asked the Ministry of Social Welfare to undertake an assessment of the OAA, although the rationale behind this is unclear. However, this type of thinking is very tentative and there is no indication yet that it will strengthen. Yet, at a macro-level it would appear that tax revenues are beginning to increase as a percentage of GDP, because of the growing political pressure to mobilize more resources to finance the growing needs for public sector service delivery, reduce the infrastructure gap, and providing broader social protection for the vulnerable segments of the society (Figure 9.13).

Figure 9.13: Government Revenues as Percentage of GDP (1997 to 2012)



Source: IMF World Economic Database

Development Partners' Engagement in Social Protection

Development partners are engaged in social protection in a number of ways. Over the past decade, the most significant investments in social protection have been from bilateral development partners, mainly through non-government channels. DFID continues as a significant funding source for BRAC and the Chars Livelihoods Programme – with AusAID support – while the European Commission has funded programmes such as the Food and Livelihood Security (FLS) Programme, Food and Security for the Ultra-Poor (FSUP) programme, and Rural Employment Opportunities for Public Assets (REOPA). While these programmes are nominally with government, they are implemented by non-governmental organisations: the FLS is implemented by four NGOs, FSUP by WFP, and REOPA – now discontinued – by UNDP. These programmes are essentially income generating, asset transfer or micro-enterprise programmes and may not necessarily be characterized as core social protection programme. The poverty reduction functions of these programmes however should not be ignored.

Only in the past three years have development partners begun to engage in policy dialogue with the government. An effective alliance has developed between DFID, AusAID and UNDP – and, to a lesser extent, WFP – which has resulted in support to an influential conference on social protection and a number of consultancies to explore how best to facilitate the development of a National Social Protection Strategy. The most recent initiative by DFID has been the design of a programme to support government's capacity to develop policy and, potentially, to strengthen the systems of core social protection programmes (this is yet to be approved by the government). A sub-group of the extreme poverty Local Consultative Group has been established to strengthen policy dialogue and coordination.

The World Bank is the other development partner with a significant interest in influencing policy. However, it does not actively partner with DFID, AusAID and UNDP and prefers to focus on specific areas. Its main interests are in strengthening the Employment Generation Programme, improving targeting through the introduction of a national single targeting mechanism that uses the proxy means testing methodology, and the introduction of a new conditional cash transfer (CCT). The World Bank is engaging unilaterally with the Ministry of

Disaster Management and Relief on the Employment Generation Program for the Poorest, with the Bangladesh Bureau of Statistics (BBS) on targeting, and with the Ministry of Local Government on CCTs. These initiatives are currently being piloted as small programmes.

The disinterest of development partners in supporting the core social protection schemes has been a feature of social protection in Bangladesh. To date, the Ministry of Social Welfare has received no support from development partners on social protection, despite its responsibility for delivering the types of schemes that, in most countries, generate the highest levels of political support.[31] There is, however, some recent interest from the UNICEF and the World Bank in providing support to the Primary Stipend programme. In particular, a focus on integrated approaches to comprehensive social protection may generate more harmonized development partner support as it may better achieve the diverse goals of development partners and as well harmonize interest of government and the development partners.

The support from development partners in specific areas of social protection cannot be divorced from their internal incentives. The World Bank is unable to give loans for unconditional social protection programmes so, as in many other countries, its interest in the Employment Generation programme is clearly linked to its desire to help alleviate poverty by providing Bangladesh with sizable loans on very soft terms (a large loan is currently under discussion). Its interest in the CCT programme in the Ministry of Local Government may also be driven by a desire to reduce poverty and improve targeting through financial support in the form of a new concessional loan. The push behind a proxy means test is also a common strategy of the World Bank with a view to improve targeting of social programmes using a common World Bank recommended methodology. WFP and UNDP also have strong interests in their core areas of expertise, which may explain WFP's interest in school feeding and UNDP's interest in REOPA and, potentially, in being a vehicle for the Social Protection Policy and Reform programme.

AusAID has played a key – though understated – role in generating the growing interest from development partners in supporting policy development. It has effectively built a close partnership with UNDP and DFID. Although AusAID's main funding of social protection has been to BRAC and the Chars Livelihoods Programme, it has used small funding to support key activities, such as the 2011 Social Protection conference and a number of influential consultancies.

[31] The Ministry of Social Welfare has received support from UNICEF on social care programmes.

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Annex-9a: Social Safety Net Programmes as Reported by the Ministry of Finance

The following tables show the comprehensive list of the Social Safety Net Programmes as classified by the Ministry of Finance. The programmes are broadly classified under 'Social Protection' programmes and 'Social Empowerment' programmes. Under each of these categories there are further sub-classifications of Cash Transfer Programmes, Food Security Programmes, Micro Credit programmes, Development Sector Programmes and New Development programmes and programmes under Miscellaneous Fund. The Cash Transfer programmes covers all programmes including financial assistance and direct cash transfers to different vulnerable segments of society like people with disabilities, injured or distressed freedom fighters etc. The Food Security Programmes include programmes which provide assistance to the poor and vulnerable through providing food grain on a need-basis or in exchange for work (Food for Work) etc. The Development Programmes cover major programmes designed to address key development issues of the country through interventions for instance in education, health, livelihood support, income/employment generation etc.

Social Safety Net Programmes

Budget 2013-14, 2013-14 (Revised) & Budget 2014-15

(A.1) Cash Transfer (Allowances) Programmes & Other Activities:

(A.1.1) Social Protection

Sl.	Programmes	Coverage			Budget (Taka in Crore)		
		Budget (2013-14)	Revised (2013-14)	Budget (2014-15)	Budget (2013-14)	Revised (2013-14)	Budget (2014-15)
1	Old Age Allowance	27.23	27.23	27.23	980.10	980.10	1306.80
2	Allowances for the Widow, Deserted and Destitute Women	10.12	10.12	10.12	364.32	364.32	485.76
3	Allowances for the Financially Insolvent Disabled	3.15	3.15	4.00	132.13	132.13	240.00
4	Maternity Allowance Programme for the Poor Lactating Mothers	1.16	1.16	2.20	48.88	48.88	132.00
5	Allowances for Urban Low-income Lactating Mothers	0.98	0.86	1.00	41.19	41.19	60.00
6	Honorarium for Freedom Fighters	2.00	2.00	2.00	360.00	720.00	1200.00
7	Honorarium & Medical Allowances for Injured Freedom Fighters	0.08	0.13	0.15	75.64	121.40	144.97
8	Assistance for Cancer, Kidney and Liver Cirrhosis Patients		0.04	0.20		2.00	10.00
9	Grants for Residents in Government Orphanages and Other Institutions	0.18	0.18	0.18	30.88	30.88	46.50

Sl.	Programmes	Coverage			Budget (Taka in Crore)		
		Budget (2013-14)	Revised (2013-14)	Budget (2014-15)	Budget (2013-14)	Revised (2013-14)	Budget (2014-15)
10	Capitation Grants for Orphan Students in Non-Gov. Orphanages	0.54	0.54	0.60	71.40	71.40	74.40
11	General Relief Activities	7.32	5.79	6.51	89.36	89.36	100.41
12	Block Allocation for Disaster Management				100.00	100.00	100.00
13	Non-Bengali Rehabilitation	1.21	1.21	1.21	19.80	19.80	20.00
14	Allowances for Distressed Cultural Personalities/ Activists	0.01	0.01	0.01	2.50	2.50	3.10
15	Pension for Retired Government Employees and their Families	4.81	4.81	5.00	6691.51	6816.05	8482.03
16	Ration for Shaheed Family and Injured Freedom Fighters	0.25	0.29	0.30	22.50	26.00	26.90
17	Programme for Livelihood Improvement of tea-garden labourers		0.02	0.10		1.00	5.00
Subtotal: Lac-Man & Taka (A1.1)		**59.04**	**57.54**	**60.81**	**9030.21**	**9567.01**	**12437.87**
(A.1.2) Social Empowerment							
1	Stipend for Disabled Students	0.29	0.29	0.50	9.70	9.70	25.56
2	Grants for the Schools for the Disabled	0.12	0.18	0.19	5.81	8.50	9.00
Subtotal: Lac-Man & Taka (A.1.2)		0.41	0.47	0.69	15.51	18.20	34.56
Total: A.1 (A.1.1+A.1.2)		**59.45**	**58.00**	**61.50**	**9045.72**	**9585.21**	**12472.43**
(A.2) Cash Transfer (Special) Programme							
(A.2.1) Social Empowerment							
1	Housing Support	2.14	2.14	2.45	14.00	14.00	16.00
2	National Legal Aid		0.10	0.11		4.89	6.00
3	Agriculture Rehabilitation	29.82	29.82	32.22	62.15	62.15	67.15
Subtotal: Lac-Man & Taka (A.2.1)		**31.96**	**32.06**	**34.77**	**76.15**	**81.04**	**89.15**
Total: A (Taka)		**91.41**	**90.06**	**96.27**	**9121.87**	**9666.25**	**12561.58**
(B) Food Security Programmes: Social Protection							
1	Open Market Sales (OMS)	209.11	209.11	225.48	1565.00	1565.00	1687.50
		(Lac Man)	(Lac Man)	(Lac Man)	(7.50)	(7.50)	(7.50)
2	Vulnerable Group Development (VGD)	91.33	91.33	91.33	851.06	836.77	886.92
		(Man Month)	(Man Month)	(Man Month)	(2.75)	(2.75)	(2.75)

Sl.	Programmes	Coverage			Budget (Taka in Crore)		
		Budget (2013-14)	Revised (2013-14)	Budget (2014-15)	Budget (2013-14)	Revised (2013-14)	Budget (2014-15)
3	Vulnerable Group Feeding (VGF)	85.00	64.72	64.72	1326.91	1362.77	1419.22
		(Lac Man)	(Lac Man)	(Lac Man)	(4.00)	(4.00)	(4.00)
4	Test Relief (TR) Food	39.00	18.75	18.75	1291.94	1282.35	1292.37
		(Man Month)	(Man Month)	(Man Month)	(4.00)	(4.00)	(4.00)
5	Gratuitous Relief (GR)- Food	80.00	29.05	40.00	265.38	272.55	283.84
		(Lac Man)	(Lac Man)	(Lac Man)	(0.80)	(0.80)	(0.80)
6	Food Assistance in CTG-Hill Tracts Area	7.14	7.91	7.44	240.81	266.70	250.88
		(Man Month)	(Man Month)	(Man Month)	(0.75)	(0.75)	(0.75)
7	Food for Work (FFW)	50.00	10.08	18.75	1456.98	615.19	1317.74
		(Man Month)	(Man Month)	(Man Month)	(4.00)	(2.15)	(4.00)
8	Work for Money (WFM)		8.67			428.63	
		(Man Month)	(Man Month)	(Man Month)		(1.85)	
9	Employment Generation Program for the Poorest	0.49	7.72	8.27	1400.00	1400.00	1500.00
		(Man Month)	(Man Month)	(Man Month)	(0.00)	(0.00)	(0.00)
	Total (B Lac-Man)	**374.11**	**302.88**	**330.20**	**3157.29**	**3200.32**	**3390.56**
	Total (B Man-Month)	**187.96**	**144.46**	**144.54**	**5240.79**	**4829.64**	**5247.91**
	Total: B (Taka)				**8398.08**	**8029.96**	**8638.47**
(C.1) Micro-Credit Programmes: Social Empowerment							
1	Micro-credit for Women Self-employment	0.09	0.09	0.18	1.00	1.00	2.00
2	Fund for Micro-Credit through PKSF	21.38	19.24	34.21	50.00	45.00	80.00
3	Social Development Foundation				298.50	300.00	160.00
Subtotal: Lac-Man & Taka (C.1)		**21.47**	**19.33**	**34.39**	**349.50**	**346.00**	**242.00**
(C.2) Miscellaneous Funds: Social Empowerment							
1	Fund for the Welfare of Acid Burnt Women and Disabled	0.30	0.30	0.30	1.00	1.00	1.00
2	Trust for the protection of the persons with neurodevelopmental disabilities.						20.00
3	Welfare Trust for Physical disabilities.						5.00

Sl.	Programmes	Coverage			Budget (Taka in Crore)		
		Budget (2013-14)	Revised (2013-14)	Budget (2014-15)	Budget (2013-14)	Revised (2013-14)	Budget (2014-15)
4	Oppressed destitute women and children welfare fund.						5.00
5	Fund for Assistance to the Small Farmer and Poultry Farms	1.00	1.00	1.00	100.00	100.00	100.00
6	Swanirvar Training Programme	0.12	0.12	0.14	1.50	1.50	1.70
7	Joyeeta Foundation						10.00
8	Shamaj Kallyan Parishad	0.36	0.36	0.40	23.99	23.99	28.40
Subtotal: Lac-Man & Taka (C.2)		**1.78**	**1.78**	**1.84**	**126.49**	**126.49**	**131.10**
(C.3) Miscellaneous Funds: Social Protection							
1	Fund for Climate Change	4.50	4.50	4.50	200.00	200.00	200.00
2	Block Allocation for Various Programme	1.17	1.00	0.64	1933.71	910.10	1052.23
3	National Service	0.42	0.42	0.43	235.00	235.00	242.74
4	Women's Skill Based Training for Livelihood						2.50
5	Child Development Centre	0.02	0.02	0.02	3.20	3.20	4.00
6	Service and Assistance Centre for Disabled	1.04	1.04	1.04	12.50	13.50	13.00
7	Rehabilitation and Creation of Alternative Employment for Beggars Profession	0.01	0.01	0.01	1.00	1.00	0.50
8	Universal Pension Insurance Scheme	0.02	0.02	0.02	11.50	11.50	12.00
9	Programme for Improving the Livelihood of Harijan, Dalit, Bede community	0.13	0.13	0.13	8.00	8.00	9.23
10	Programme for Improving the Livelihood of Trans Gender (Hijra)	0.02	0.02	0.02	4.26	4.26	4.59
Subtotal: Man-Month & Taka (C.3) =		**7.33**	**7.16**	**6.81**	**2409.17**	**1386.56**	**1540.79**
Total: C (Taka) =		**30.58**	**28.27**	**43.03**	**2885.16**	**1859.05**	**1913.89**
Total: Protection - Lac-man (A.1.1+B) =		**433.15**	**360.42**	**391.01**	**12187.50**	**12767.33**	**15828.43**
Total: Protection - Man-Month (B+C3)		**195.29**	**151.62**	**151.35**	**7649.96**	**6216.20**	**6788.70**
Total: Empowerment: Lac-man (A.1.2+A.2.1+C1+C2) =		**55.62**	**53.64**	**71.68**	**567.65**	**571.73**	**496.81**
Grand Total (A+B+C) =					**20405.11**	**19555.26**	**23113.94**
Total Non-development Budget =					**155,163**	**155,028**	**168,699**
Percentage to Non-development Budget =					**13.15%**	**12.61%**	**13.70%**

Sl.	Programmes	Coverage			Budget (Taka in Crore)		
		Budget (2013-14)	Revised (2013-14)	Budget (2014-15)	Budget (2013-14)	Revised (2013-14)	Budget (2014-15)
(D) Development Sector Programmes: Social Empowerment							
N. 1	**Running Development Projects**						
1	Lump sum Provision for Development of Special Areas (Except Hill Tracts)					16.00	16.00
2	Ashroyan-2 Project	0.16	0.15	0.13	180.00	165.00	141.43
3	Primary School Stipend Programme	78.17	78.17	78.17	1000.00	852.50	970.00
4	School Feeding Programmes	44.20	42.12	31.12	541.00	515.50	380.94
5	Reaching Out of School	6.30	248.99	148.00	224.00		
6	Secondary Education Sector Investment Programme	2.10		40.00	396.00		
7	Secondary Education Stipend			273.00	1.00		
8	Stipend and Access Increase for Secondary and Higher Secondary Students (including Secondary)	26.28			449.86		
9	Female Stipend for Degree (pass) and Equivalent Level		1.74	2.10	3.00	3.00	5.00
10	Higher Secondary Female Stipend Project-Phase-4		4.02			112.00	1.00
11	Revitalization of Community	4.00	863.00	1140.00	275.00	370.00	200.00
12	Maternal, Neonatal, Child and Adolescent Health		1035.00	523.42		633.00	585.00
13	Essential Services Delivery		1050.00	1100.00		54.52	60.00
14	Community Based Health Care	0.09	863.00	1140.00	78.50	61.00	345.00
15	National Nutrition Services		1342.00	1476.00		75.00	87.00
16	Maternal, Child, Reproductive and Adolescent Health	0.76	517.00	569.00	125.00	118.50	142.00
17	Clinical Contraception Services Delivery		6.36	13.00		95.45	141.96
18	Family Planning Field Services Delivery		162.59	202.95		270.60	235.50
19	Promotion of Services & Opportunity to the Disabled Person in Bangladesh		0.37	0.37		16.40	27.20
20	Child Sensitive Social Protection in Bangladesh		0.02	0.02	25.98	16.08	23.97

Sl.	Programmes	Coverage			Budget (Taka in Crore)		
		Budget (2013-14)	Revised (2013-14)	Budget (2014-15)	Budget (2013-14)	Revised (2013-14)	Budget (2014-15)
21	Establishment of Multipurpose Rehabilitation Centre for Destitute Aged Pupil and Socially Disabled Adolescent Girls		0.01	0.01		4.24	0.86
22	Expansion and Development of PROYAS at Dhaka Cantonment		0.01			12.60	
23	Services for Children at Risk					10.70	29.01
24	Establishment of Hostel for the Visually Impaired Children (37 Unit)		0.01	0.01		15.00	18.54
25	Basic Education for Urban Working Children	0.87			33.00		
26	Enabling Environment for Child Rights		0.23	0.15		60.55	68.49
27	Early Learning for Child Development (2nd phase)	1.22	1.08		28.98	25.72	
28	Sisimpur Outreach Project				1.34	1.34	
29	Urban Based Marginal Women Development		0.06	0.07		4.13	4.66
30	Day Care Programme for Lower and Middle Income Working Women		0.01	0.01		2.53	2.00
31	Food and Livelihood Security	1.20	1.12	0.06	81.44	76.00	3.76
* Coverage (Revised 2013-14 & Budget 2014-15) denotes number of visits							
32	Eradication of Hazardous Child Labour in Bangladesh (3rd Phase)		0.50			42.00	
33	Northern Areas Reduction of Poverty Initiatives		0.04	0.04		89.45	32.00
34	Pro Poor Slum Integration		0.08	0.05		6.73	4.19
35	Employment Opportunities for Unemployed Youth in 7 Northern District	0.12	0.12	1.00	5.44	5.44	49.20
36	Establishment of Vocational Training and Health Care Centre for the Vulnerable youth		0.10	0.10		4.67	4.24
37	Establishment of Training and Employment Generation Centre for the Vulnerable Youth and Adolescents		0.12	0.10		6.68	5.95
38	Urban Primary Health Care Services Delivery Project				166.68	100.00	148.91
39	Urban Public Environment Health Centre Development		22.40	22.40	226.27	125.99	208.38

Sl.	Programmes	Coverage			Budget (Taka in Crore)		
		Budget (2013-14)	Revised (2013-14)	Budget (2014-15)	Budget (2013-14)	Revised (2013-14)	Budget (2014-15)
40	Rehabilitation of Aila Affected Rural Infrastructure	0.10	0.10	0.16	35.00	35.00	55.00
41	Haor Infrastructure and Livelihood Improvement		0.25	0.45		90.00	161.28
42	Costal Climate Resilient Infrastructure Improvement Project					50.00	178.00
43	Rural Employment and Road Maintenance Programme-2		0.46	0.46		94.21	235.00
44	Development of Improved Seed for Rice, Wheat and Maize				4.44	4.44	
45	Bangladesh Agriculture Infrastructure Development					6.55	34.00
46	Construction of Cleaners Colony of Dhaka City Corporation.					0.08	20.00
47	Poverty Reduction through Urban Partnership		5.79	4.28		134.40	104.58
48	Fisheries Development	0.60			33.60		
49	Poverty Eradication through Social Afforestation	0.21	0.04		33.40	6.12	
50	Employment Creation through Sugarcane Cultivation in Char Areas of Greater Rangpur	0.02	0.02	0.03	1.66	1.64	2.78
51	Participatory Small Scale Water Resources Development		3.80	7.60		75.00	150.00
52	Emergency 2007 Cyclone Recovery and Restoration		1.87	0.77		300.00	123.98
53	Expansion of Polli Daridro Bimochon Foundation for Poverty Alleviation and self-Employment				30.00		
54	Bangladesh Rural Water Supply and Sanitation			6.50		23.75	103.00
55	Special Rural Water Supply		14.97	21.84		136.50	145.00
56	Water Supply and Sanitation Project in Cyclone Prone Sidr Affected Coastal Area		55.00	40.00		47.00	29.00
57	Chars Livelihoods Programme-2nd phase		0.68	0.53		164.91	130.37
58	One House One Farm	4.67	11.22	11.22	260.00	562.19	585.00
59	Economic Empowerment of the Poorest in Bangladesh		3.10	2.40	131.23	131.23	151.94

Sl.	Programmes	Coverage			Budget (Taka in Crore)		
		Budget (2013-14)	Revised (2013-14)	Budget (2014-15)	Budget (2013-14)	Revised (2013-14)	Budget (2014-15)
60	Integrated Rural Employment Support Project for the Poor Women	0.24	0.20	0.32	24.00	20.00	32.00
61	Comprehensive Village Development Programme	2.80	5.31	6.63	18.54	21.54	24.87
62	Rural Livelihood (2nd Phase)		0.26	0.36		27.36	32.00
63	Participatory Rural Development	3.09	2.04	1.05	19.73	13.00	6.73
64	Pulse and Oil Seed Project				29.74	29.74	
65	Mujibnagar Integrated Agricultural Development	0.60	0.70	0.77	25.00	29.08	32.03
66	Initiative for Development, Empowerment, Awareness & Livelihood, Kurigram		0.05	0.06		3.43	4.80
67	Integrated Support to Poverty and Inequality Reduction through Enterprise Development		0.01		150.00	150.00	
68	Rural Development of Greater Comilla	0.15	0.10	0.10	45.00	55.00	70.00
69	Emergency 2007 Cyclone Recovery and Restoration		53.64	75.67		89.19	125.83
70	Jatka Conservation & Alternative Employment of Hilsha Fishermen and Research (Component-B)	0.05	0.10	0.04	0.41	0.78	0.30
71	Integrated Fisheries & Livestock Development in Flood Controlled Areas & Water Bodies	0.35	0.16	0.28	26.00	11.73	20.75
72	Regional Duck Breeding and Hatchery	0.10	0.11	0.21	25.00	26.82	51.41
73	Poverty Reduction & Livelihood Security for the People of Economically Backward Area	0.06	0.06	0.12	10.00	10.00	20.00
74	Small Scale Dairy & Poultry Farmers' Support Project in 22 Selected Districts					2.08	3.65
75	Community Based Adaptation to Climate Change through Coastal Afforestation.	0.07	0.05	0.06	22.90	15.00	18.55
76	Bangladesh Climate Resilient Participatory Afforestation and Reforestation					38.33	80.42
77	Char Development and Settlement	7.65	19.63	15.93	191.97	86.34	124.40
78	"Gucchagram" (Climate Victims Rehabilitation)	0.43	0.26	0.07	59.63	35.86	9.80

Sl.	Programmes	Coverage			Budget (Taka in Crore)		
		Budget (2013-14)	Revised (2013-14)	Budget (2014-15)	Budget (2013-14)	Revised (2013-14)	Budget (2014-15)
79	Food Security through enhanced Agricultural Production, Diversified sources of Income, Value Addition and Marketing in Bangladesh	0.05			7.85		
80	Comprehensive Disaster Management Programme (2nd phase)		3.00	3.00	82.69	82.69	67.51
81	Operations Support to the Employment Generation Program for the Poorest					19.59	
82	Second Chittagong Hill Tracts Rural Development Project (LGED part)					5.10	25.00
83	Construction of Residence for Landless & poor Freedom Fighters	0.29	0.29	0.29	227.97	33.75	75.00
Subtotal: Lac-Man & Taka (D.1)		**185.60**	**356.60**	**345.49**	**4966.24**	**7098.75**	**7597.17**
*Excluding Coverage (Revised 2013-14 & Budget 2014-15) of number of visits							
N. 2	**New Development Projects**						
1	Establishment of Autistic Academy in Bangladesh						10.00
2	Expansion of Existing Prime Mother and Child Care Hospital with Research Facilities						0.25
3	Construction of Multipurpose Sports Complex for Person with Disability						2.00
4	Comprehensive and Sustainable Health, Education and Livelihood Development Programme						0.25
5	Re-construction of Rehabilitation Centre for Destitute Children, Konabari, Gazipur						0.50
6	Establishment of Sheikh Rasel Training and Rehabilitation Centre for the Destitute Children						1.00
7	Construction of Probin Nibas in Five Divisional Head Quarter & One Zila						0.25
8	Empowerment of communities, groups and individuals						0.50
9	Construction of Hostel for the Sarkari Shishu Paribar (8 Units)						25.00
10	Construction of Vocational Training and Rehabilitation Centre, CRP-Manikgonj						0.25

Sl.	Programmes	Coverage			Budget (Taka in Crore)		
		Budget (2013-14)	Revised (2013-14)	Budget (2014-15)	Budget (2013-14)	Revised (2013-14)	Budget (2014-15)
Subtotal: Lac-Man & Taka (D.2)		0.00	0.00	0.00	0.00	0.00	40.00
Total: Lac-Man & Taka (D)		185.60	356.60	345.49	4966.24	7098.75	7637.17
Total: (Social Protection - Taka)					19837.46	18983.53	22617.13
Social Protection (% to Budget)					8.92	8.78	9.03
Social Protection (% to GDP)					1.67	1.61	1.69
Total: (Social Empowerment -					5,533.89	7,670.48	8,133.98
Social Empowerment (% to Budget)					2.49	3.55	3.25
Social Empowerment (% to GDP)					0.47	0.65	0.61
Total: Beneficiary (Lac-man)		681.37	770.65	808.18			
Total: (Man-Month)		195.29	151.62	151.35			
Total: (Annual Lac-Man)		16.27	12.63	12.61			
Total: Taka (Social Protection & Empowerment)					25,371.35	26,654.01	30,751.11
Total Budget					222,491	216,222	250,506
Percentage to Budget					11.40%	12.33%	12.28%
GDP					1,188,800	1,181,000	1,339,500
Percentage to GDP					2.13%	2.26%	2.30%

Annex-9b: Social Safety Net Programmes Classified in Four Broad Categories-Family Welfare, Income Support/ Employment Generation, Miscellaneous and Disaster Management

At present the social safety net programmes in Bangladesh are administered by more than 27 ministries/divisions. This resultantly leads to losses and inefficiencies since there is duplication in programmes which also exacerbates existing targeting problems. For this reason, it has been suggested that the programmes be brought under the jurisdiction of three major ministries and the remaining programmes be either separated from the safety net programmes or eliminated altogether. As per this, the classifications are as follows: Family Welfare, Income Support/Employment Generation, Disaster Management and Miscellaneous.

The programmes under Family Welfare cover all forms of assistance which are provided to the households or marginalized individuals and also include sub-classifications like Old Age Assistance, Child Development, Health, Education and Assistance. These programmes can be part of a central database which deals with all Family Welfare programmes which can be undertaken by an existing ministry or may require the formation of a new agency. The Income Support/Employment Generation programmes are programmes which aim to assist individuals who are of working age belonging to impoverished households who need employment/income support. The programmes classified under this could be consolidated and undertaken singularly by one designated ministry drawing information from the master database on family under the agency managing family welfare programmes.

We have suggested that Disaster Management programmes be separated from the core social safety net programmes since the latter should include programmes which provide consistent assistance and support in a predictable manner. Disaster Management programmes serve important roles in providing immediate income and shelters when impacted by cyclone and flood. These programmes should come into effect and provide support and aid in the aftermath of natural disasters and should continue to be administered solely by the Ministry of Disaster Management. Finally, there are programmes which could not be categorized under any of the three abovementioned groups have been included in the miscellaneous category. Programmes under this classification include several agro-based and climate change programmes.

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
1	**Old Age Allowance**	8910	24.75	The objective of the programme is to provide a monthly allowance to the elderly (Men aged 65 years or above and women aged 62 years or above) who are vulnerable and need assistance to fulfil their basic needs.	Family Welfare	Old Age Assistance
2	**Stipend for Disabled Students**	88	0.19	The objective of this safety net programme is to allow a certain financial relief for the households of children with disabilities resultantly aimed at providing an incentive for the families to send the disabled children to school/ continue or complete their education.	Family Welfare	Child Develop ment
3	**Primary Education Stipend**	9250	78.17	i) To increase the enrolment of all primary school level age children of poor families. ii) To increase the attendance rate of the enrolled students of the primary schools. iii) To reduce the trend of dropout rates of the enrolled students to the primary schools. iv) To establish equity in the financial assistance to all primary school aged children. v) To enhance the quality of primary level education.	Family Welfare	Child Develop ment
4	**Allowances for the Widow, Deserted and Destitute**	3312	9.2	Women in the rural areas who are widowed, divorced or separated are more hard-hit when when they live below the poverty line. Most of these women living in the rural areas had been dependant on their husbands for their livelihood and due to changes in their marital status are left in dire straits. In order to protect these women and support them the government within their limited means has taken the initiative to provide a monthly allowance for these vulnerable women	Family Welfare	Assistance

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
5	**Allowance for the Financially Insolvent Disabled**	1029.6	2.86	(i) To provide financial relief to the financially insolvent disabled person. (ii) To bring destitute disabled person under the social protection coverage. (iii) To provide monthly allowance to disabled people selected through the procedures stated in the programme guidelines. (iv) To fulfil the constitutional and legal obligations towards disabled people. (v) To include the issues of disabled people in the National Plans.	Family Welfare	Assistance
6	**Capitation Grants for Orphan Students in Non-Government Orphanages**	660	0.5	i. Motivate and influence non-government orphanages to actively work for the welfare of the orphans under their care. ii. Providing financial and professional aid to the non-government orphanages. iii. To make it possible for non-government orphanages to acquire resources required for the benefit and welfare of orphans under their care. iv. To aid the education, personal and social development of orphans in upazilas all over the country.	Family Welfare	Child Development
7	**Child Development Centre**	30	0.02	The objective of this programme is the rehabilitation of vulnerable and deprived children by providing them with protection, care and education. The programme aims to provide a normal and healthy childhood to these children who have faced deprivations and difficulties to fulfil even their basic needs.	Family Welfare	Child Development

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
8	**Community-Based Health Care (CBHC)**	725	0.04	In order to improve the quality and availability of health services in Bangladesh especially in the rural regions the government decided to open 18,000 community clinics in the rural areas of the country in 1996-2001. 13500 new constructions were to take place while 4500 were to be operated from existing health facilities at the upazila and union level.	Family Welfare	Health
9	**Grants for residents in Government Orphanages and other Institutions.**	271	0.18	Government, through the Ministry of Social Welfare has been operating state orphanages and programmes there within for the welfare and rehabilitation of orphans. Other than that, they also provide funds for orphans in non-government orphanages. The Ministry also operates Day Care Centres for children of poor working mothers and Training and Rehabilitation Centre for Destitute Children.	Family Welfare	Child Development
10	**Maternal Health Voucher Scheme**	0	0	To help improve the health of mothers and reduce their morbidity rate, the maternal health voucher scheme has been introduced.	Family Welfare	Health
11	**Maternal, Child, Reproductive and Adolescent Health (MCRAH)**	1390	0.67	(i) To ensure services to provide safe delivery at home and facility. (ii) To provide services to adolescent boys and girls. (iii) To provide services to community people on nutritional aspects of health. (iv) To provide Reproductive Health services such as Menstrual Regulation, Primary Health Care, Visual Inspection by Acetic Acid and CBE Fertility care. (v) To train service providers to ensure quality of care. (vi)	Family Welfare	Health

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
11	**Maternal, Child, Reproductive and Adolescent Health (MCRAH)**	1390	0.67	To ensure MSR/logistic supplies to service delivery point and the community. (vii) Minor repair/renovation of service centres. (viii) To introduce new evidence based best practices in the programme. (ix) To monitor and supervise the programme activities to ensure the quality of care.	Family Welfare	Health
12	**National Nutrition Service**	0	0	To achieve sustainable improvements in birth weights and in nutrition status of vulnerable groups through adoption of new behaviours and through appropriate use by individuals and households of nutrition services that are increasingly managed by local communities.	Family Welfare	Health
13	**National Sanitation Project**	122	0	The primary objective of this national sanitation strategy is to delineate the ways and means of achieving the national target through providing a uniform guideline for all concerned	Family Welfare	Health
14	**Protection of Children at Risk/Child Sensitive Social Protection (FY14)**	130.8	0	• To provide orphans and deprived children residing in any of the 20 elected districts, subsequent sub-districts and city corporations with financial assistance for social protection and rehabilitation.• To provide orphans and/or deprived children with an alternative path to receiving the family environment and care and better life that they are deprived from by providing assistance and opportunities to the children, as well as to caregiver of the children. • To include orphaned and deprived children into mainstream society by aiding their physical, mental and psycho-social development.	Family Welfare	Child Development

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
15	**Revitalization of Community Healthcare Initiative**	3967.3	5	(i) Making functional 10,624 existing community clinics. (ii) Constructing 2,876 new community clinics (which included 99 previously-constructed but non-functional community clinics) (iii) Starting operation of community clinics units at 4500 upazila and union health facilities. (iv) Recruiting 13,500 Community Health Care Providers (CHCP)-one for each community. (v) Revitalizing and establishing 18,000 Community Clinics (CCs).	Family Welfare	Health
16	**School Feeding Programmes and School Feeding Programmes in Poverty Prone Areas**	4565	24.4	This programme was initiated to combat hunger in the classroom, increase enrolment rates in primary school level as well as retain the enrolled students to ensure they complete the five-year primary education cycle.	Family Welfare	Health
17	**Sisimpur Outreach Project**	54.4		The overall objective of the programme is 'aimed at increasing learning opportunities and meeting critical educational needs of young children'.	Family Welfare	Child Development
18	**Construction of residence for landless and poor freedom fighters**	2279.7	0.29	This programme has been undertaken by the government has decided to construct houses for the freedom fighters who are poor and landless to provide them with shelter support help them financial relief and a mode of income.	Family Welfare	Assistance
19	**Fundamental Education for Urban Working Children**	320	0.84	The main objective of the programme is to discourage them being involved in full time exploitative and hazardous occupations and encourage them to seek safer alternatives and pursue their education.	Family Welfare	Child Development

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
20	**Grants for schools for the disabled.**	58	0.12	i. Increasing the school admission rate of children of school going age with disabilities. ii. Reduction of the school dropout rate of the students with disabilities. iii. Ensuring the continuation and eventual completion of the education cycle of the students with disabilities. iv. Improving the purchasing power of students with disabilities and thereby providing with a certain level of economic and social power.	Family Welfare	Child Development
21	**Fund for the Welfare of Acid Burnt and Disabled**	10	0.3	1. Assisting acid burnt women and disabled through provisioning of interest free credit and skill training.		
22	**Service and Assistance Centre for the Disabled**	125	1.04	The objective of this safety net programme is to provide rehabilitation and assistance services to the disabled.	Family Welfare	Assistance
23	**Food Assistance for Chittagong Hill Tracts**	2423.2	7.14	This programme has two main objectives:1. Supporting backward CHT2. Infrastructure Development	Family Welfare	Assistance
24	**Stipend for Dropout Students**	940.1	5.13	This programme is aimed at providing a financial incentive to the parents of children who dropped out of school to send them back and allow them to complete the education cycle.	Family Welfare	Child Development
25	**Stipend and Access Increase for Secondary and Higher Secondary Level students**	6475	37.83	Need further information	Family Welfare	Child Development
26	**Allowances for Urban Low-income Lactating Mothers**	326	0.78	This Programme has been initiated to ensure safe motherhood, better health and nutrition of mothers and, safe birth and sound upbringing of infants.	Family Welfare	Assistance

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
27	**Rehabilitation and Creation of Alternative Employment for People engaged in Begging**	24.5	0.02		Family Welfare	Assistance
28	**Food and Livelihood Security (FLS) Project**	906	0.5	The overall objective of the FLS Programme is to improve food security of rural ultra-poor households in the North-western districts of Bangladesh.	Family Welfare	Assistance
29	**Vulnerable Group Development**	8588.6	90.33	The objective of this project is to increase self-reliance of the most disadvantaged women, and aims to improve the nutritional status of malnourished women and children.	Family Welfare	Assistance
30	**Honorarium for Insolvent Freedom Fighters**	3600	1.5	To provide financial assistance to insolvent freedom fighters.	Family Welfare	Assistance
31	**Honorarium And Medical Allowances for Injured Freedom Fighters**	756.5	0.08	No further information available.	Family Welfare	Assistance
32	**Non-Bengali Rehabilitation**	180	1.1	No further information available.	Family Welfare	Assistance
33	**Allowances for Distressed Cultural Personalities/ Activities**	25	0.01	No further information available.	Family Welfare	Assistance
34	**Pension for Retired Government Employees and their Families**	55327.8	3.98	No further information available.	Family Welfare	Old Age Assistance

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
35	**Ration for Shaheed Family and Injured Freedom Fighters**	200	0.22	To provide food assistance to the freedom fighters and their families who are registered and require the aid. Allows food ration for maximum 2 children till they are 25 years.	Family Welfare	Assistance
36	**Housing Support**	70.2	1	Under this Programme family who lose their houses completely or partially as a result of natural disasters are provided with a onetime financial allocation based on the extent of the damage. The allotments are higher for institutions like schools, hospitals etc. which are destroyed or partially damaged.	Family Welfare	Assistance
37	**Open Market Sales (OMS)**	17580	220.63	This Programme aims to regulate food grain prices in the market which may be subjected to wide fluctuations due to seasonal patterns.	Family Welfare	Assistance
38	**Fund for Assistance to the Small farmers and Poultry Farms**	500	0.5		Family Welfare	Assistance
39	**Shamaj Kallyan Parishad**	220.8	0.33	No further information available.	Family Welfare	Assistance
40	**Block Allocations for Various Programmes**	8011	1	No further information available.	Family Welfare	Assistance
41	**Special Programme for Irrigation and Water Logging**	0	-	No further information available.	Family Welfare	Assistance
42	**Universal Pension Insurance Scheme**	115	0.02	No further information available.	Family Welfare	Assistance

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
43	**Construction of Sweeper Colony at District and Metropolitan Cities**	0	0	No further information available.	Family Welfare	Assistance
44	**Programme on the uplift of Harijana, Dalit, Bade Transgender (Hijra) and the embers of oppressed section of the society**	20.5	0.05	No further information available.	Family Welfare	Assistance
45	**Preliminary Education for Development of Children**	237	1.34	No further information available.	Family Welfare	Child Development
46	**Post Literacy Education Project for Human Resource Development**	950	6		Family Welfare	Education
47	**Urban Public Environment Health Development**	336.7	N/A	The major objectives of the project are reducing child mortality rate through controlling water-borne diseases, improving life standard of urban citizens, improving health status of the poor and making progress in achieving MDG relating to child and maternal healthcare and communicable diseases and improving urban sanitation.	Welfare	
48	**Female Stipend for Degree (Pass) and Equivalent Level Project**	34.6	N/A	Poor but meritorious students will be provided with stipend, books, tuition and exam fees and other facilities. In selecting the beneficiaries, the wards of distressed freedom fighters, orphans and students of beel, haor, monga and disaster-prone areas will be given priority.	Family Welfare	Education

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
49	**Economic Empowerment of the Poor (EEP)**	1104.5	40.1	(i) To enable over 1 million people to raise themselves out of extreme poverty and achieve sustainable livelihoods by 2015. (ii) The programme seeks to 'reduce the vulnerability of the extreme poor to natural disasters, economic shocks, social exclusion and under nutrition.' (iii) Address the needs of 'the needs of extremely poor women, children, the elderly and ethnic minorities and marginalized groups.'	Income Support/ Employment Generation	
50	**Employment Generation Program for the Poorest**	12000	0.42	This programme is carried out to reduce high seasonal poverty among people inhabiting in monga prone, river erosion, flood areas, haor-baor, and char areas in Bangladesh.	Income Support/ Employment Generation	
51	**Vulnerable Group Development for Ultra Poor**	-	-	The ultimate goal of the programme is to bring sustainable improvement to the lives of members of ultra-poor households. The long term objective of the programme is to improve the quality of life and enhance the productive income generating opportunities of Vulnerable Group development (VGD card holder) women and strengthening the Department of Women Affairs as well.	Income Support/ Employment Generation	
52	**Food for Work**	14927.1	50	A major objective of the programme is to provide income to the rural poor during the slack period when the unemployment rate in rural areas increases.	Income Support/ Employment Generation	
53	**Micro-credit for Women Self-employment**	40	0.4	Providing micro-credit loans to women to increase self-employment and aid women empowerment.	Income Support/ Employment Generation	

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
54	**Fund for micro-credit through PKSF**	500	21.38	PKSF provides micro-credit loans to individuals in the rural and urban areas through partner organizations like non-government, government and semi-government organization. The projects undertaken with these organizations vary in its specific objectives but the broad objectives remain self-employment and income generation for the poor.	Income Support/ Employment Generation	
55	**Social Development Foundation**	2887	-	SDF facilitates sustainable social and economic development and poverty reduction by building institutions of the poor at the village level increasing their access to knowledge and resources, and supporting sustainable livelihood opportunities.	Income Support/ Employment Generation	
56	**NGO Foundation**	0	-	NGO foundation was established to establish for financing NGOs and other voluntary organizations including Community Based Organizations working in the country for providing basic social services such as education, nutrition and health, sanitation support, safe drinking water, environmental protection and any other services needed by the poor, the ultra-poor, women and children and the ethnic minorities.	Income Support/ Employment Generation	

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
57	**Swanivar Training Programme**	11.6	0.09	Swanirvar Bangladesh will help resolve various problems to the youths who underwent outsourcing trainings, help create endless opportunities by emphasizing on UISCs and yield a prosperous E- Generation. The Programme can be followed and candidates can register for the training through an Online Interactive site. Support to Digital Bangladesh (a2i) Programme and Swanirvar Bangladesh will help conduct training courses at zila, upazila and union level as well as in formulating new planning.	Income Support/ Employment Generation	
58	**Employment for Ultra-poor in Northern Region**	153.1	0.04	The main objectives of this programme are to (a) reduce poverty and seasonal food insecurity, (b) organize need-based skills development training in weaving, sewing, embroidery, jute goods making and handicrafts, (c) ensure post training support to create linkage between acquired skills and income generating activities, (d) create self-employment opportunities of the mothers to raise income level, (e) bring positive change in the life of the trainees etc.	Income Support/ Employment Generation	
59	**Participatory Rural Development (2nd Phase0**	110	1.72	No further information available.	Income Support/ Employment Generation	
60	**Rural Employment Opportunity for Public Asset**	0	0	REOPA employs very poor rural people in public work schemes that will benefit their households and communities.	Income Support/ Employment Generation	

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
61	**Rural Employment and Road Maintenance Programme**	2574.6	1.33	The specific objectives of the programme are (i) maintaining the important rural roads fit for communications through repair and maintenance round the year to ensure the rural economy progressing; (ii) making the distressed women beneficiaries of the project skilled in productive activities and create for them self-employment based on training in self-employment opportunities.	Income Support/ Employment Generation	
62	**Small farmers Development Foundation**	100	0.7	The Small Farmers Development Foundation (SFDF) is established for helping the male and female members of the landless, marginal and small farmer families living in rural areas in order to enable them to gain access to resources for their productive self-employment, encourage them in undertaking activities of income generation and poverty alleviation and for enhancing their quality of life.	Income Support/ Employment Generation	
63	**Regional Fisheries and Livestock Development**	271	0.28	The stated objective of the programme is to achieve 'Improved and sustainable productivity of and returns from fisheries and livestock systems of resource-poor households.'	Income Support/ Employment Generation	
64	**Jatka (fish) Protection and Alternative Employment for Fishermen**	18.5	0.09	The objectives of the programme are as follows:(i) To increase Hilsa Production by saving Jatka (ii) Support to strengthen and enhance Hilsa Sanctuary activities (iii) Create alternative job opportunities for the Hilsa/Jatka fishers to improve their socio-economic condition (iv) to create mass awareness regarding the conservation of Jatka/Hilsa.	Income Support/ Employment Generation	

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
65	**One House One Farm**	5380	9.67	The project aims to cut poverty by creating jobs and ensure overall rural development.	Income Support/ Employment Generation	
66	**Comprehensive Village Development**	130	2.47	Self-funding micro-credit Programme (deposit BDT 5 per week) training for livelihood support	Income Support/ Employment Generation	
67	**Poverty Eradication through Social Afforestation**	390	0.61	No further information available.	Income Support/ Employment Generation	
68	**Promotion of Legal and Social Empowerment**	N/A	N/A	No further information available.	Income Support/ Employment Generation	
69	**Ashrayan-2 Project**	1201	0.11	The overall objective of the Project is to alleviate poverty of the landless and homeless people through providing shelters and human resource development activities. The aim of the project is to improve the standard of living ensuring basic education, health care and skill development on income generating activities of the landless, homeless, distress and rootless people.	Income Support/ Employment Generation	
70	**Mujibnagar Integrated Agricultural Development Project**	329.2	0.66	No further information available.	Income Support/ Employment Generation	

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
71	**Greater Comilla Rural Infrastructure Development Project**	300	0.09	(i)Provide better road communication network through improvement of Upazila roads, Union roads and important village roads including bridge and culverts. (ii) Contribute towards poverty reduction and improve quality of life by expanding commercial activities through development of Growth centres/Rural markets (iii) To improve the environmental condition through tree plantation by the side of Union road.	Income Support/ Employment Generation	
72	**Char Development & Settlement Project - 4**	721.6	2.88	The goal of the project is reduced poverty and hunger for poor people living on newly accreted coastal chars. This would be achieved via the purpose of improved and more secure livelihoods for 28,000 households.	Income Support/ Employment Generation	
73	**Support Service for Vulnerable Group**	100	0.3	(i)To improve the socio-economic condition of the tea garden labourers in Bangladesh. (ii)To bring the student of Lillah Boarding to the mainstream of the society. (iii)To provide financial assistance to the student of Ramakrishna Mission, Buddha Bihar, Moth, Toll and Missionary. (iv)To repair, development and maintenance of existing building of different religious institutions.	Income Support/ Employment Generation	
74	**Creation of Empowerment and Self-employment opportunities for unemployed youths in 7 district of North Bengal**	100	0.05	No further information available.	Income Support/ Employment Generation	

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
75	**Integrated Rural Employment Support Project for the Poor Women (IRESPPW)**	100	0.1	No further information available.	Income Support/ Employment Generation	
76	**Create Employment Opportunities of Char Dwellers in Greater Rangpur Districts Through Sugarcane Cultivation**	13	0.03	To improve the Socio-economic conditions of the People of Greater Rangpur Districts	Income Support/ Employment Generation	
77	**Food Security through enhanced Agricultural Production, Diversified sources of Income, Value Addition and Marketing in Bangladesh (Mymensingh/ Sherpur) (FSMSP)**	70.1	0.01	Increase agricultural productivity, marketed outputs and incomes of Village-based Organizations (VBOs) and their members, on a sustainable basis, resulting in better livelihoods and food security conditions.	Income Support/ Employment Generation	
78	**Fund for climate change**	4000	9	No further information available.	Miscellaneous	
79	**National Service**	3108.2	0.41	No further information available.	Miscellaneous	
80	**“Gucchagram” (Climate victims’ rehabilitation project)**	622.8	0.38	No further information available.	Miscellaneous	
81	**Projects undertaken for Fisheries Development**	238.3	0.4	Contains multiple projects aimed at the development of the Fisheries sector.	Miscellaneous	

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
82	**Pulse and Oil Seed Project**	185	-	To increase production of good quality crops through the distribution of quality seeds. Increasing seed production and disbursement of newly engineered type of seeds.	Miscellaneous	
83	**Community Based Adaptation to Climate Change**	100	0.07	The objective of the project is to reduce the vulnerability of coastal communities to the impact of climate change-induced risks, and to strengthen institutional mechanisms to support these communities to adapt to climate change impacts.	Miscellaneous	
84	**Improvement and Quality Seed Production of**	58.3	N/A	To increase production of good quality crops through the distribution of quality seeds. Increasing seed production and disbursement of newly engineered type of seeds.	Miscellaneous	
85	**Integrated Fisheries & Livestock Development Project in Food Control, Drainage and Irrigation**	295	0.4	No further information available.	Miscellaneous	
86	**Establishment of Regional Duck Breeding Farm along with Hatchery (3rd Phase)**	140	0.05	No further information available.	Miscellaneous	
87	**Vulnerable Group Feeding**	12007.8	85	The Programme enables destitute rural women to improve their economic and social condition. It is designed to provide food support for one or more months to a selected number of household in distress period.	Disaster Management	
88	**General Relief Activities**	617.2	5	No further information available.	Disaster Management	

	Programme Name	Budget (BDT in Billion)	Benefi Ciaries (00,000 Persons)	Main Objectives	Main Classifi cation	Sub-Classifi cation, if any
		FY13RB	FY13RB			
89	**Block Allocation for Disaster Management**	1000	-	No further information available.	Disaster Management	
90	**Agriculture Rehabilitation**	521	25	Provide agriculture seeds to marginal farmers who have been affected by floods or other natural disasters which may have had a detrimental effect on their agrarian lands and therefore threatened their livelihoods.	Disaster Management	
91	**Test Relief (TR) Food**	12602.5	39	The objective of the programme is to develop rural infrastructure so as to reduce the damage caused by natural disasters and to improve disaster-preparedness. It also aims to adapt the areas to changes caused by climate change and in developing the infrastructure provide work for people, while also providing food support and trying to reduce poverty.	Disaster Management	
92	**Gratuitous Relief (GR) Food**	2596.3	80	The objective of the programme is to provide food relief in the form of grain distribution to families/ individuals/institutions affected by natural disasters. The amount of food grain provided is set according to the beneficiary category.	Disaster Management	
93	**Disaster Risk Mitigation and Reduction**			No further information available.	Disaster Management	
94	**Comprehensive Disaster Management Programme**	600	N/A	The project aims to further reduce Bangladesh's vulnerability to adverse natural and anthropogenic hazards and extreme events including the devastating potential impacts of climate change.	Disaster Management	
95	**Rehabilitation of AILA Affected Rural Infrastructure**	220	0.06	No further information available.	Disaster Management	

Annex-9c: Social Safety Net Programmes Classified According to Human Lifecycle

Programme Name	Budgetary Allocation	Coverage	Total Budget of Lifecycle Stage	Total Budget of Lifecycle Stage % of Total SP Budget	Total Beneficiaries in Lifecycle Stage	Total Beneficiaries of Lifecycle Stage % of Total SP Beneficiaries
	BDT in Millions	No. of Person (in 00,000s)				
Total SP Budget in FY 2013, BDT in millions	230970					
Total Beneficiaries (No. of person in 00,000s)		709				
Lifecycle Stage: Pregnancy & Early Childhood			**6595.4**	**2.86%**	**5.71**	**0.81%**
Community-Based Health Care (CBHC)	725	0.04				
Maternal Health Voucher Scheme	0	0				
Maternal, Child, Reproductive and Adolescent Health (MCRAH)	1390	0.67				
National Nutrition Service	0	0				
National Sanitation Project	122	0				
Revitalization of Community Healthcare Initiative	3967.3	5				
Sisimpur Outreach Project	54.4	0				
Urban Public Environment Health Development Programme	336.7	N/A				
Lifecycle Stage: School Age			23024.9	9.97%	148.72	20.98%
Stipend for Disabled Students	88	0.19				
Primary Education Stipend	9250	78.17				
Capitation Grants for Orphan Students in Non-Government Orphanages	660	0.5				
Child Development Centre	30	0.02				
Grants for residents in Government Orphanages and other Institutions.	271	0.18				
Protection of Children at Risk/Child Sensitive Social Protection (FY 2014)	130.8	0				
School Feeding Programmes and School Feeding Programmes in Poverty Prone Areas	4565	24.4				
Fundamental Education for Urban Working Children	320	0.84				

Programme Name	Budgetary Allocation	Coverage	Total Budget of Lifecycle Stage	Total Budget of Lifecycle Stage % of Total SP Budget	Total Beneficiaries in Lifecycle Stage	Total Beneficiaries of Lifecycle Stage % of Total SP Beneficiaries
	BDT in Millions	No. of Person (in 00,000s)				
Grants for schools for the disabled.	58	0.12				
Stipend for Dropout Students	940.1	5.13				
Stipend and Access Increase for Secondary and Higher Secondary Level students	6475	37.83				
Preliminary Education for Development of Children	237	1.34				
Lifecycle Stage: Working Age			**73736.4**	**31.92%**	**336.83**	**47.51%**
Allowances for the Widow, Deserted and Destitute Women	3312	9.2				
Allowance for the Financially Insolvent Disabled	1029.6	2.86				
Economic Empowerment of the Poor (EEP)	1104.5	40.1				
Fund for the Welfare of Acid Burnt and Disabled	10	0.3				
Service and Assistance Centre for the Disabled	125	1.04				
Food Assistance for Chittagong Hill Tracts	2423.2	7.14				
Allowances for Urban Low-income Lactating Mothers	326	0.78				
Employment Generation Program for the Poorest	12000	0.42				
Vulnerable Group Development for Ultra Poor	-	-				
Food and Livelihood Security (FLS) Project	906	0.5				
Vulnerable Group Development	8588.6	90.33				
Vulnerable Group Feeding	12007.8	85				
Food for Work	14927.1	50				
Allowances for Distressed Cultural Personalities/Activities	25	0.01				
Micro-credit for Women Self-employment	40	0.4				
Fund for micro-credit through PKSF	500	21.38				

Programme Name	Budgetary Allocation	Coverage	Total Budget of Lifecycle Stage	Total Budget of Lifecycle Stage % of Total SP Budget	Total Beneficiaries in Lifecycle Stage	Total Beneficiaries of Lifecycle Stage % of Total SP Beneficiaries
	BDT in Millions	No. of Person (in 00,000s)				
Social Development Foundation	2887	-				
Fund for Assistance to the Small farmers and Poultry Farms	500	0.5				
Swanivar Training Programme	11.6	0.09				
Employment for Ultra-poor in Northern Region	153.1	0.04				
Rural Employment Opportunities for Public Assets	0	0				
Rural Employment and Road Maintenance Programme	2574.6	1.33				
Small farmers Development Foundation	100	0.7				
Regional Fisheries and Livestock Development	271	0.28				
Jatka (fish) Protection and Alternative Employment for Fishermen	18.5	0.09				
One House One Farm	5380	9.67				
Comprehensive Village Development	130	2.47				
Ashrayan-2 Project	1201	0.11				
Char Development & Settlement Project - 4	721.6	2.88				
Female Stipend for Degree (Pass) and Equivalent Level Project	34.6	N/A				
Support Service for Vulnerable Group	100	0.3				
Create Employment Opportunities of Char Dwellers in Greater Rangpur Districts Through Sugarcane Cultivation	13	0.03				
Food Security through enhanced Agricultural Production, Diversified sources of Income, Value Addition and Marketing in Bangladesh (Mymensingh/Sherpur) (FSMSP)	70.1	0.01				
Rehabilitation and Creation of Alternative Employment for People engaged in Begging	24.5	0.02				
Post Literacy Education Project for Human Resource Development	950	6				
Participatory Rural Development (2nd Phase0	110	1.72				
Regional Fisheries and Livestock Development	271	0.28				

Programme Name	Budgetary Allocation	Coverage	Total Budget of Lifecycle Stage	Total Budget of Lifecycle Stage % of Total SP Budget	Total Beneficiaries in Lifecycle Stage	Total Beneficiaries of Lifecycle Stage % of Total SP Beneficiaries
	BDT in Millions	No. of Person (in 00,000s)				
Poverty Eradication through Social Aforestation	390	0.61				
Promotion of Legal and Social Empowerment	N/A	N/A				
Greater Comilla Rural Infrastructure Development Project	300	0.09				
Creation of Empowerment and Self-employment opportunities for unemployed youths in 7 district of North Bengal	100	0.05				
Integrated Rural Employment Support Project for the Poor Women (IRESPPW)	100	0.1				
Lifecycle Stage: Old Age			**71189**	**30.82%**	**30.84**	**4.35%**
Construction of residence for landless and poor freedom fighters	2279.7	0.29				
Honorarium for Insolvent Freedom Fighters	3600	1.5				
Honorarium and Medical Allowances for Injured Freedom Fighters	756.5	0.08				
Pension for Retired Government Employees and their Families	55327.8	3.98				
Ration for Shaheed Family and Injured Freedom Fighters	200	0.22				
Old Age Allowance	8910	24.75				
Universal Pension Insurance Scheme	115	0.02				
Miscellaneous			**35089.1**	**15.19%**	**234.48**	**33.07%**
Fund for climate change	4000	9				
National Service	3108.2	0.41				
“Gucchagram” (Climate victims’ rehabilitation project)	622.8	0.38				
Projects undertaken for Fisheries Development	238.3	0.4				
Pulse and Oil Seed Project	185	-				
Community Based Adaptation to Climate Change through Coastal Aforestation in Bangladesh	100	0.07				
Improvement and Quality Seed Production of Rice, Wheat and Maize	58.3	N/A				

Programme Name	Budgetary Allocation	Coverage	Total Budget of Lifecycle Stage	Total Budget of Lifecycle Stage % of Total SP Budget	Total Beneficiaries in Lifecycle Stage	Total Beneficiaries of Lifecycle Stage % of Total SP Beneficiaries
	BDT in Millions	No. of Person (in 00,000s)				
Integrated Fisheries & Livestock Development Project in Food Control, Drainage and Irrigation	295	0.4				
Establishment of Regional Duck Breeding Farm along with Hatchery (3rd Phase)	140	0.05				
Non-Bengali Rehabilitation	180	1.1				
Open Market Sales (OMS)	17580	220.63				
Shamaj Kallyan Parishad	220.8	0.33				
Block Allocations for Various Programmes	8011	1				
Special Programme for Irrigation and Water Logging	0	-				
Construction of Sweeper Colony at District and Metropolitan Cities	0	0				
Programme on the uplift of Harijana, Dalit, Bede Transgender (Hijra) and the members of oppressed section of the society	20.5	0.05				
NGO Foundation	0	-				
Mujibnagar Integrated Agricultural Development Project	329.2	0.66				
Disaster Management			**30235**	**13.09%**	**235.06**	**33.15%**
Vulnerable Group Feeding	12007.8	85				
General Relief Activities	617.2	5				
Block Allocation for Disaster Management	1000	-				
Agriculture Rehabilitation	521	25				
Test Relief (TR) Food	12602.5	39				
Gratuitous Relief (GR) Food	2596.3	80				
Disaster Risk Mitigation and Reduction						
Comprehensive Disaster Management Programme	600	N/A				
Rehabilitation of AILA Affected Rural Infrastructure	220	0.06				
Housing Support	70.2	1				

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Social Security Policy Support (SSPS) Programme

The Cabinet Division

&

The General Economics Division (GED)

Government of the People's Republic of Bangladesh