

# National Budget for the Ultra Poor

An Analysis of Allocation and Effectiveness

Fahmida Khatun

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Published in April 2012 by

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ISBN 978-984-8946-10-7

Cover and graphic design  
Avra Bhattacharjee

Typesetting  
Fazley Rabbi Shakil  
Md Shaiful Hassan

Cover picture by  
Kishore Kumer Basak

Price: Tk 135  
USD 15

Printed at

---

Enrich Printers  
41/5 Purana Paltan, Dhaka 1000

C12012\_2NAT\_EOP

**Centre for Policy Dialogue (CPD)**, established in 1993, is a civil society initiative in Bangladesh to promote an ongoing dialogue between the principal partners in the decision making process. A key area of CPD's activism is to organise dialogues to address developmental policy issues that are critical to national, regional and global interests with a view to seek constructive solutions from major stakeholders. Other key area of CPD activities is to undertake research programmes which are both serviced by and are intended to serve as inputs for CPD's dialogue process. Some of these research areas include: macroeconomic performance analysis, poverty and inequality, agriculture, trade, regional cooperation and global integration, infrastructure and enterprise development, climate change and environment, human development, development governance, policies and institutions. CPD actively networks with other institutions within and outside Bangladesh, and also regularly participates in various regional and international fora where interests and concerns of developing and least developed countries are discussed. In recognition of the track record, CPD was selected as an awardee under the Think Tank Initiative (TTI) through a globally competitive selection process. CPD's publication list includes about 370 titles including Books, Monographs, Working Papers (Occasional Papers), Dialogue Reports and Policy Briefs. These are available for sale at the Centre and in selected bookstores in Bangladesh. CPD publications and other relevant information are also regularly posted on CPD's website [www.cpd.org.bd](http://www.cpd.org.bd)

**BRAC Advocacy for Social Change** strides to initiate changes through Participation, Interaction and Mobilisation (PIM). It aims to increase access of the poor, marginalised and affected for accelerating positive changes in their lives. The emphasis is on social communication, media mobilisation and policy advocacy to change social behaviour and raise voice in favour of the marginalised, and at the same time, convince policymakers to review, reform, enact and implement policies to improve the overall human rights scenario of Bangladesh.

Advocacy for Social Change started its journey in 2002 with CFPR-TUP and gradually expanded in programmes including Tuberculosis Control, Malaria Control, Safe Migration Facilitation, WASH, Alive & Thrive, Abating Labour Trafficking and Communication for Development.

Community research, interactive popular theatre shows and community meetings, workshops at grassroot are the communication tools used at community level, whereas workshops with service providers and representatives of government, NGOs, civil society and media, and campaigns, theatre festivals, day observations are conducted at district level. At the national level, lobby meetings, policy dialogues, workshops, roundtable meetings and talk shows with policymakers, civil society, media and technical experts are conducted.

Along with BRAC, GFATM, AusAid, DFID, Oxfam Novib, CIDA, Manusher Jonno Foundation, Winrock International, Government of the Netherlands, UNICEF, AED, World Bank, Japan Social Development Fund are some of the major contributors for BRAC Advocacy for Social Change initiatives.

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# Preface

It is widely recognised that the poor lack adequate capacity to participate meaningfully in the mainstream economy. This is particularly true for the poorest of the poor among the poor. As a matter of fact, significant constraints that impede the ability of the poor to take advantage of the opportunities offered by the mainstream economy also severely limit their ability to escape the clutches of poverty. As is known, in the recent past, successive governments in Bangladesh has put poverty alleviation at the core of their development efforts. Pro-poor growth and poverty alleviation in Bangladesh are being pursued through various policy initiatives and concrete actions. Evidence suggests that over the past years Bangladesh has been able to achieve impressive results in terms of poverty mitigation and alleviation. However, experience also bears out that reaching the ultra poor in this process has proved to be a specially difficult task. A key strategy in addressing this particular challenge was to deploy fiscal-budgetary measures as part of the national budgets of the country. In this context, allocation for social safety net programmes (SSNPs) in the budgets has played an important role in directing and targeting assistance to the very poor in the society. Nonetheless, reaching the poorest sections of the poor has remained a difficult enterprise. Indeed, addressing the concerns of the ultra poor, in a sustainable manner, remains a continuing agenda in Bangladesh.

It is in view of this that the Centre for Policy Dialogue (CPD) undertook an exercise to examine and evaluate fiscal measures in support of the 'ultra poor' in the national budgets of Bangladesh. Based on this analysis, the purpose of the study was to identify modalities which were best equipped to address the concerns of the ultra poor and to advance their interests. Indeed, this study reflected CPD's sustained interest, and was in continuation of CPD's manifold activities undertaken as part of its thematic research area titled *Poverty, Inequality and Social Justice*. The present study was carried out by the CPD in collaboration with the BRAC Advocacy for Social Change. As is widely known, BRAC has a strong track record in working with the very poor in Bangladesh as also in several other countries. BRAC is implementing a number of nationwide programmes towards socio-economic upliftment and empowerment of the poorest segments of the Bangladesh society. BRAC's contribution in addressing the developmental needs of the very poor, through institutional measures and concrete actions, have been highly acclaimed both in Bangladesh and abroad. It is hoped that the policymakers in Bangladesh will find the recommendations emerging from this joint effort useful in crafting pro-poor fiscal policies in future.

The present study makes an assessment of the allocations and measures in successive national budgets of Bangladesh that were geared towards the development of the ultra poor of the country. Based on data and information gleaned from field level investigations and interviews with beneficiaries and government officials, and also secondary information, the study carried out a qualitative assessments of the efficacy of three pioneering safety net programmes being implemented in Bangladesh: *Employment Generation Programme for the Poorest (EGPP)*, *Primary Education Stipend Programme (PESP)* and *Maternity Allowance for the Poor Lactating Mothers*.

Chapter 1 of the present volume sets the context of the study and its scope; reasons for selecting the three programmes put under scrutiny is also set out here. This chapter also puts forward the specific objectives of the study along with a brief overview of the methodology. Chapter 2 analyses the dynamics of poverty in Bangladesh, and deals with methods relating to measurement and classification of poverty. The chapter also highlights a number of key issues concerning poverty pockets and chronic poverty along with some of the other dimensions of poverty including regional inequality and the rural-urban divide. Chapter 3 analyses the trends in revenue mobilisation and public expenditure, and undertakes an appraisal of their role in poverty reduction. This chapter provides an overview of Bangladesh's SSNPs, and highlights the design, scope, allocation and expenditure associated with these programmes. Chapter 4 of the volume presents the findings of the field investigations and makes an evaluation of the three above mentioned SSNPs. Based on focus group discussions (FGDs) and interviews with officials involved with grassroot level implementation agencies, ministry officials and local non-government organisations (NGOs), this chapter undertakes an assessment of the implementation status of the selected programmes and the resultant impact on the beneficiaries. This is followed by a discussion on utilisation of the resources. Finally, Chapter 5 concludes the study by putting forward specific recommendations to raise the efficacy of fiscal policies and the national budgets in delivering resources towards the poorest sections of the society in order that poverty alleviation programmes are effective and attain the expected results.

It is hoped that the present volume will contribute towards a critical review of the budgetary policies from the perspective of their implications for the ultra poor. Findings and recommendations of this study were presented at several dialogues which were widely participated by members of the parliament, development practitioners, experts, civil society representatives and the media. It is expected that policymakers will find the CPD-BRAC joint effort useful in formulating more effective policies and designing appropriate fiscal measures for addressing the challenges associated with sustainable graduation of Bangladesh's hardcore poor.

## Acknowledgement

I would like to express my sincere appreciation to the authors, *Dr Fahmida Khatun*, *Mr Towfiqul Islam Khan* and *Mr Ashiqun Nabi* for undertaking this challenging study. The study was carried out in partnership with BRAC's project titled *National Policy Advocacy on CFPR-TUP*, supported by Oxfam Novib. *Ms Sheepa Hafiza*, Director, Gender, Justice and Diversity and Advocacy, BRAC needs special mention for her keen interest and valuable contribution in the conduct of the study. Special words of appreciation are due to the staff of BRAC's Advocacy for Social Change for their sincere cooperation in the course of this study, particularly in organising the field visits by the team members. I would like to acknowledge the important support of *Mr Sk Mojibul Huq*, Senior Manager and *Mr Md A Halim Miah*, Senior Policy Specialist, Advocacy for Social Change, BRAC. I would also like to thank *Ms Rezvina Parvin*, Senior Social Communicator, Advocacy for Social Change, BRAC for her support at various stages of the study.

The CPD publication team led by *Ms Anisatul Fatema Yousuf*, Director, Dialogue and Communication, CPD deserves special appreciation for its tireless efforts in bringing out this publication. *Ms Nazmatun Noor*, Senior Dialogue Associate, CPD has worked on copy editing of the volume. *Mr Avra Bhattacharjee*, Senior Dialogue Associate, CPD has done the cover design and graphic works for the book. *Mr Fazley Rabbi Shakil*, Publication and Print Associate, CPD and *Mr Md Shaiful Hassan*, Programme Associate (DTP), CPD have provided able support to get the present volume in the pre-printing format.

I would like to take this opportunity to sincerely thank all the survey respondents, interviewees, and government officials at the ministries, headquarters and local levels without whose support and cooperation this study would not have been possible. On behalf of the authors, I would also like to put on record my sincere appreciation of the contribution of *Mr Kishore Kumer Basak*, Research Associate, CPD who provided valuable support during the field visits. I would also like to thank *Ms Samina Hossain*, Programme Associate, CPD for her excellent editorial support.

Dhaka  
April 2012

*Mustafizur Rahman*  
Executive Director, CPD



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# Acronyms

ADP	Annual Development Programme
BBS	Bangladesh Bureau of Statistics
CBN	Cost of Basic Needs
CHT	Chittagong Hill Tracts
CIMU	Central Independent Monitoring Unit
CPD	Centre for Policy Dialogue
DCI	Direct Calorie Intake
EGHP	Employment Generation for the Hardcore Poor
EGPP	Employment Generation Programme for the Poorest
EPWP 2	Expanded Public Works Programme Phase 2
FFE	Food for Education
FFW	Food for Work
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GR	Gratuitous Relief
HIES	Household Income and Expenditure Survey
LDC	Least Developed Country
LGED	Local Government Engineering Department
MDG	Millennium Development Goal
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MIS	Management Information System
MMR	Maternal Mortality Ratio
MPI	Multidimensional Poverty Index
MoF	Ministry of Finance
MoFDM	Ministry of Food and Disaster Management
NBR	National Board of Revenue
NGO	Non-Government Organisation
OMS	Open Market Sales
PESP	Primary Education Stipend Programme
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
PSNP	Productive Safety Net Programme
REOPA	Rural Employment Opportunities for Public Asset
RMP	Rural Employment and Road Maintenance Programme
SAM	Social Accounting Matrix

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SFYP	Sixth Five Year Plan
SGP	Scholarship and Grant Program
SIGP	School Improvement Grant Program
SMC	School Management Committee
SPI	Social Protection Index
SSNP	Social Safety Net Programme
TR	Test Relief
UNDP	United Nations Development Programme
UNO	Upazila Nirbahi Officer
UP	Union Parishad
USD	United States Dollar
VAT	Value Added Tax
VGD	Vulnerable Group Development
VGF	Vulnerable Group Feeding
100-DEGP	100-Days Employment Generation Programme

## Introduction

Bangladesh has been performing moderately well from the economic growth perspective in recent pasts. During the last decade (2000-2010), the gross domestic product (GDP) growth rate was on average 5.8 per cent per year. At the same time, one may find that Bangladesh has been able to transform her economic growth by a modest reduction in the headcount poverty rate. Poverty reduction has been at the core of all the medium and long-term plans and development policies of the country including the Five Year Plans and Poverty Reduction Strategy Papers (PRSPs). The Sixth Five Year Plan (SFYP) and the long-term Perspective Plan (2011-2020) continue to focus on poverty reduction. Bangladesh is also committed to the Millennium Development Goals (MDGs) for poverty reduction.

Sustainable poverty reduction requires broad-based and employment generating economic growth with an emphasis on the development of human capital to empower the poor to participate in the growth process. Injection of resources in poverty reduction programmes may not always bring expected results unless policy making and implementation processes are able to ensure empowerment of the poor through a participatory approach.

Success of poverty reduction strategies are often undermined since it is difficult to bring the poorest section of society into the mainstream economic activities of a country. This is due to the informal, insecure and unremunerative nature of their occupations, and the challenge is exacerbated by their inability to come out of the poverty trap as a result of their lacking skills. Moreover, the planning and budgetary processes of the country are mostly top-down, centralised and bureaucratic in nature, which in turn impedes empowerment of the poor (Rahman and Kabir 2010).

Nevertheless, every government in Bangladesh since her independence has been addressing the issue of poverty reduction and pro-poor growth through its fiscal policies. Effectively designed and implemented fiscal policies and/or government

budgets could play a vital role in poverty reduction. However, the current fiscal policy of the country, emphasises more on fiscal stability than empowerment of the poor (Rahman and Kabir 2010). In addition, rather than pursuing specific goals to empower and improve the condition of the poor, current policies focus pre-dominantly on public expenditure programmes that are supposedly earmarked for poverty reduction. As a result, the poor continue to be marginalised and excluded from the development process. Though most of the fiscal programmes are designed to cover all sections of society and have no special focus on the poorest, a number of programmes are designed specifically for poverty reduction. In particular, social safety net programmes (SSNPs), through which direct assistance is provided, are one of the most important interventions that address the poor. Bangladesh has long been employing social protection policy as a crucial instrument in her fight against poverty, and SSNPs are, in fact, the core building blocks of the country's social protection strategy. However, needs of the poorest segments of society often remain unaddressed in the national budget. Very limited budget allocations are dedicated to the ultra poor, who do not have the capacity to participate actively in the growth process. Sustainable economic growth cannot be achieved if poor people remain outside of the growth curve.

Keeping this in mind, the budgetary and fiscal policies need to be crafted and redesigned in a manner which is inclusive, and can help eliminate structural injustices that exclude the poor, specifically the ultra poor, from the development processes. In view of this, it is important to assess the allocations and measures taken so far in the national budgets to identify budgetary and fiscal policies which can be redesigned to reduce poverty through economic and political empowerment of the poor. Against this backdrop, the current study has the following objectives:

- i. Identify programmes and allocations in the national budgets directly targeted for poverty reduction or development of the poor.
- ii. Assess the design and implementation process of the programmes and allocations in the national budgets which are directly related to assist only the ultra poor.
- iii. Provide a set of proposals to increase the efficacy of fiscal measures and public service delivery to the ultra poor.

Given the paucity of disaggregated information on measures and allocations exclusively for the ultra poor, the study will analyse a number of targeted programmes and measures for the poor. Following this introductory discussion, the next chapter deals with the concept, definition and dynamics of poverty in Bangladesh. The third chapter presents an analysis of budgetary trends regarding revenue, expenditure and programme-specific allocations which are targeted for the poor. Based on field investigation, the fourth chapter assesses the safety net programmes with particular emphasis given on three selected programmes, namely, *Employment Generation Programme for the Poorest*, *Primary Education Stipend Programme* and *Maternity Allowance for the Poor Lactating Mothers*. The final chapter concludes with specific recommendations.

The analytical approach of the study is qualitative, drawing information from both primary and secondary sources. Primary data from field level investigation is based on focus group discussions (FGDs) with beneficiaries of selected safety net programmes. Two sample districts were selected for collecting information at the micro level. Detailed design of the field investigation is provided in Chapter 4. In addition to the FGDs with the beneficiaries, a number of interviews were conducted with relevant stakeholder groups such as policymakers (officials at the line ministries and departments), programme implementation authorities (upazila nirbahi officers [UNOs], union parishad (UP) chairmen, ward members), implementation officials (upazila education officer, mohila bishoyok kormokorta, tag officers), journalists (local journalists, members of local press clubs), and local non-government organisations (NGOs). The field visits were conducted in December 2010. A semi-structured questionnaire was used during the FGD process. The study also draws information and findings from various government documents and existing literatures on safety net programmes in Bangladesh and abroad.

# 2

## Dynamics of Poverty in Bangladesh

Poverty alleviation has been the focus of the development discourse for many years. Development policy discourse in Bangladesh is largely dominated by issues related to poverty reduction. The very first development plan of the country in 1973 identified poverty alleviation as the highest priority (Bhattacharya and Ahamed 2006). To date, conceptualisation of poverty in Bangladesh's policy making has been limited to income/consumption poverty, where rise or fall of income/consumption relative to a pre-defined poverty line determines changes in poverty.

The conceptualisation of poverty solely based on income/consumption has often come under scrutiny. It is argued that the use of a poverty line approach to define poverty overlooks the multi-faceted nature of poverty. Rather than income deprivation as the measure of poverty level, Sen (1999 and 2009) gave precedence to human agency or the capacity of an individual to make choices in his or her life. He identified five key freedoms as part of the process of development: (i) political freedom and civil rights; (ii) economic freedom; (iii) social opportunities in the form of healthcare, education and other social services; (iv) transparency guarantees – interactions with others, including the government; and (v) protective security including unemployment benefits, famine and emergency relief and general safety nets.

Sobhan (2010) called for a redefined concept where poverty is seen as the economic and political disempowerment of the poor. He termed poverty as a result of structural injustice – a process which bars people "from opportunities to participate on equitable terms in the opportunities for development and decision making in society" (Sobhan 2010). He identified the sources of 'structural injustice' to be: (i) unequal access to assets; (ii) unequal participation in the market; (iii) unequal access to human development; and (iv) unjust governance.



Recognising the limitations of the current narrow definition of poverty, Oxford Poverty & Human Development Initiative and the United Nations Development Programme (UNDP) introduced the Multidimensional Poverty Index (MPI) in the Human Development Report 2010. The Index considers "the nature and intensity of poverty at the individual level in education, health outcomes, and standard of living" (UNDP 2010). The ten indicators used to calculate the MPI are: (i) years of schooling; (ii) child enrolment in education; (iii) child mortality; (iv) nutrition intake; (v) electricity consumption; (vi) sanitation; (vii) availability of drinking water; (viii) floor; (ix) cooking fuel; and (x) assets. Poverty is increasingly becoming recognised as a multidimensional concept and a result of multiple deprivations. And it is high time for the policymakers to recognise these various dimensions of poverty.

The fiscal policies prepared so far in Bangladesh provide limited space to address the poorest section of society. Sobhan (2010) argued that the fiscal policy needs to include more specific indicators by which to assess the government's progress in tackling poverty. However, one may find only limited effort by policymakers to address the needs of the poorest. In fact the fiscal programmes hardly differentiate between poor and the poorest. For example, most of the designated poverty programmes set the broad criteria of 'landless' for their target beneficiaries. Policymakers must develop approaches specific to the needs of the poorest and adopt a more exhaustive understanding of poverty. A number of non-government initiatives in Bangladesh have already recognised this reality. The government policies should also take more proactive and pragmatic steps towards designing a pro-poorest fiscal policy.

## 2.1 Measuring Poverty and Ultra Poverty

In recent times most developing countries follow the Cost of Basic Needs (CBN) approach, an income or expenditure-based measure of poverty. In Bangladesh, the current government statistics are based on the CBN criteria<sup>1</sup>, and hence, the government policies do not recognise the 'ultra poor' concept. CBN method provides two sets of poverty lines for 16 strata in the country known as upper and lower poverty lines. People below the lower poverty line are generally recognised as extreme poor (GED 2011). According to CBN measure, poverty headcount ratio declined from 56.6 per cent in 1991-92 to 40 per cent in 2005, while extreme poverty rate declined from 41 per cent to 25.1 per cent over the same period (Table 1). Poverty scenario improved considerably between 2000 and 2005 in terms of both

**Table 1: Number and Percentage of Population below Poverty Line (CBN)**

Survey Year	Upper Poverty Line		Lower Poverty Line	
	No. in Million	Per cent	No. in Million	Per cent
2005	55.4	40.0	34.8	25.1
2000	60.9	48.9	42.7	34.3
1995-96	58.1	50.1	40.7	35.1
1991-92	61.5	56.6	44.5	41.0

**Source:** Various issues of the Household Income and Expenditure Survey (HIES) Report.

<sup>1</sup>See BBS (2007) for detailed estimation procedure of CBN method in Bangladesh.

percentage points and number of people under the poverty line. Annualised extreme poverty reduction was 1.8 percentage points at national level during this period while the number of extreme poor declined by 7.9 million.<sup>2</sup>

Historically the national poverty statistics is estimated by the Direct Calorie Intake (DCI) method. The DCI method provides three measures of poverty based on cut-offs in kilo calorie per capita per day: absolute poverty (with the threshold of  $\leq 2122$  Kc/capita/day); hardcore poverty (with the threshold of  $\leq 1805$  Kc/capita/day); and ultra poverty (with the threshold of  $\leq 1600$  Kc/capita/day).<sup>3</sup> According to measurements by the DCI method, Bangladesh experienced moderate success in reducing poverty. In 2005, 19.5 per cent and 7.8 per cent of the total population were classified as hardcore poor and ultra poor respectively (Table 2). These groups of people are unable to afford adequate food per day. Between 2000 and 2005, hardcore poverty reduced by only 0.5 percentage point, and the absolute number of people below the hardcore poverty line increased by 2.1 million. Similarly, the number of ultra poor increased by 0.5 million between the two survey periods mentioned above. These findings clearly cast doubt on whether the prevailing economic policies are taking into account the hardcore poor.

**Table 2: Number and Percentage of Population below Poverty Line (DCI)**

Survey Year	Absolute Poverty $\leq 2122$ Kc/Capita/Day		Hardcore Poverty $\leq 1805$ Kc/Capita/Day		Ultra Poverty $\leq 1600$ Kc/Capita/Day	
	No. in Million	Per cent	No. in Million	Per cent	No. in Million	Per cent
2005	56.0	40.4	27.0	19.5	10.8	7.8
2000	55.9	44.3	24.9	20.0	10.3	8.2
1995-96	55.3	47.5	29.1	25.1	16.5	14.2
1991-92	51.6	47.5	30.4	28.0	19.3	17.8

**Source:** Various issues of the Household Income and Expenditure Survey (HIES) Report.

## 2.2 Spatial Poverty

### Rural vs Urban

Historically, a major proportion of the population in Bangladesh resides in the rural area. At the same time, incidence of poverty is also higher in rural areas compared to that in urban areas. Poverty rate in rural areas was 43.8 per cent whereas 28.4

<sup>2</sup>Recently released Household Income and Expenditure Survey (HIES) 2010 data indicated that according to CBN method, (upper) poverty headcount ratio declined to 31.5 per cent at the national level. At the same time, in 2010, 17.6 per cent people were below the extreme (or lower) poverty line (BBS 2011). The number of poor and extreme poor in 2010 were 46.8 million and 26.1 million respectively. Annualised extreme poverty reduction, between 2005 and 2010 was 1.7 percentage points at national level, and the number of extreme poor declined by 8.7 million.

<sup>3</sup>Bangladesh Bureau of Statistics (BBS) discontinued poverty estimates according to DCI method in 2010. Thus it is no longer possible to determine how the poverty reduction process fared between these two estimates (CBN and DCI).

per cent of urban residents remained under the upper poverty line in 2005 (Table 3). In 15 years (1991-2005), poverty headcount ratio in rural and urban areas declined by 14.9 and 14.3 percentage points respectively. In fact, poverty reduction in rural areas between 2000 and 2005 was faster compared to that in urban areas.<sup>4</sup>

**Table 3: Number and Percentage of Population below Upper Poverty Line (CBN): Rural vs Urban**

Survey Year	Rural		Urban	
	No. in Million	Per cent	No. in Million	Per cent
2005	45.8	43.8	9.7	28.4
2000	52.6	52.3	8.4	35.2
1995-96	53.0	54.6	5.3	27.8
1991-92	55.2	58.7	6.2	42.7

**Source:** Various issues of the Household Income and Expenditure Survey (HIES) Report.

Incidence of extreme poverty is almost double in rural areas compared to that in urban areas. In 2005, incidence of extreme poverty in rural and urban areas was 28.6 and 14.6 per cent respectively (Table 4). However, during the 15 years under consideration, the number of extreme poor in rural areas reduced by 11.2 million, 8.2 million of which just in the last five years. On the other hand, the number of extreme poor in urban areas increased by 1.6 million in that same period.<sup>5</sup> This demonstrates that extreme poor people are concentrating in urban areas.

**Table 4: Number and Percentage of Population below Lower Poverty Line (CBN): Rural vs Urban**

Survey Year	Rural		Urban	
	No. in Million	Per cent	No. in Million	Per cent
2005	29.9	28.6	5.0	14.6
2000	38.1	37.9	4.8	20.0
1995-96	38.3	39.4	2.6	13.7
1991-92	41.1	43.7	3.4	23.6

**Source:** Various issues of the Household Income and Expenditure Survey (HIES) Report.

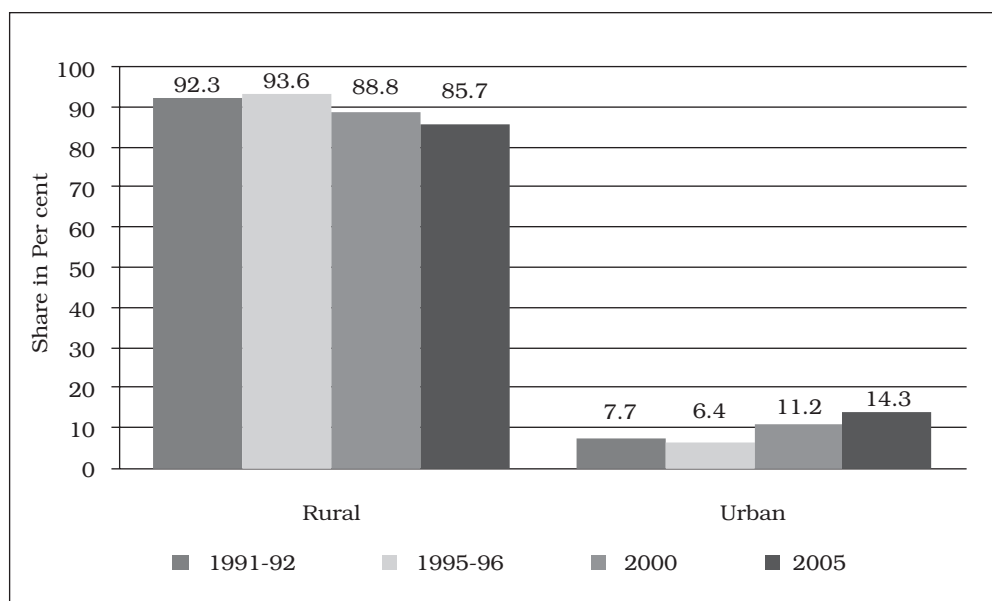
The concentration of extreme poor in urban areas also balanced the share of extreme poor residing in urban and rural areas to some extent. The share of extreme poor residents in urban areas increased from 7.7 per cent in 1991 to 14.3 per cent

<sup>4</sup>According to the HIES 2010 Report, (upper) poverty headcount ratios in rural and urban areas reduced to 35.2 per cent and 21.3 per cent respectively (BBS 2011). This means, between 2005 and 2010 poverty rates in rural and urban areas reduced by 8.6 and 7.1 percentage points respectively. The absolute number of poor people also declined by 7.3 million and 1.4 million respectively. Incidence of poverty and number of poor people continued to decrease in rural area at a faster rate compared to urban area.

<sup>5</sup>In contrast, between 2005 and 2010, absolute number of extreme poor people declined in the urban area by 2 million. The number of extreme poor people residing in rural area also reduced by 6.8 million. The extreme poverty rate in rural and urban areas stood at 21.1 per cent and 7.7 per cent respectively in 2010 (BBS 2011). It implies that extreme poverty rate in rural and urban areas declined by 7.5 and 6.9 percentage points respectively during the last five years (2005-2010).

in 2005 (Figure 1).<sup>6</sup> One may also take to the fact that share of poor people in urban areas also increased between the same periods from 10.1 per cent to 17.5 per cent.<sup>7</sup> This implies that fiscal policies will need to take cognisance of the changing dynamics of poverty in Bangladesh.

**Figure 1: Share of Extreme Poor: Rural vs Urban**



**Source:** Various issues of the Household Income and Expenditure Survey (HIES) Report.

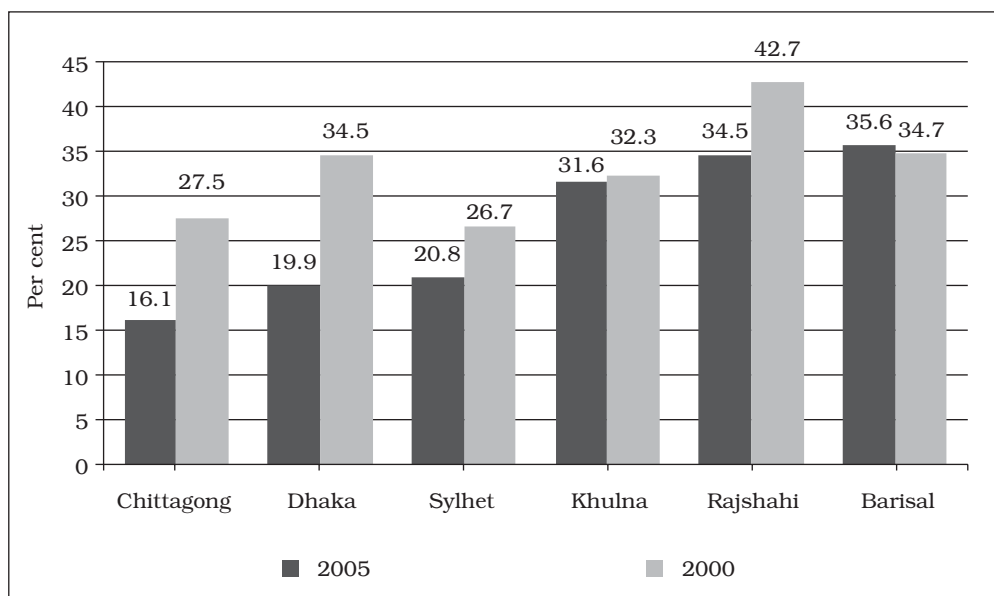
### East-West Divide

Regional disparity has been a common case all over the world. The division of Rajshahi has historically been the 'poverty pocket' in Bangladesh. But recent poverty statistics indicated a so-called 'east-west' divide in the pattern of poverty in Bangladesh. The western divisions (Rajshahi, Khulna and Barisal) poised as more prone to poverty, whereas the eastern divisions (Dhaka, Chittagong and Sylhet) have exhibited greater reduction in poverty (Figure 2). In fact, two western divisions, other than Rajshahi, failed to even show a significant reduction in poverty.<sup>8</sup>

<sup>6</sup>However, according to HIES 2010 data, the share of extreme poor inhabiting in urban areas declined to 11.5 per cent.

<sup>7</sup>The share of (absolute) poor living in urban area remained more or less same (17.7 per cent) in 2010.

<sup>8</sup>The most distinct feature of decline in poverty rate between 2005 and 2010 is the reduction of so-called 'east-west' divide. During the above mentioned period poverty rate fell at faster rates in the three western poverty-prone divisions compared to all the eastern divisions and national average. In Barisal, Khulna and Rajshahi poverty rates fell by 12.6, 13.6 and 15.5 percentage points respectively. The reduction in poverty rate during the reported period in Dhaka was only 1.5 percentage points. As a result, the gap between the sections of the country also reduced to some extent. This new trend needs to be examined closely in order to formulate policies in coming days.

**Figure 2: Incidence of Extreme Poverty by Division**

Source: Various issues of the Household Income and Expenditure Survey (HIES) Report.

### Poverty Pockets

Spatial differences in the context of extreme poverty incidence are also found among the districts in Bangladesh. For example, the extreme poverty rate in Feni was only 4.8 per cent in 2005 whereas it was as high as 55 per cent in Nilphamari. It is, however, not always true that the most poverty-prone districts belong to the western part of the country. Within the top 10 extreme poverty-prone districts, two districts, Mymensingh and Jamalpur, belong to Dhaka division. This suggests that the policymakers have to be concerned about hidden poverty pockets in the country while formulating a fiscal policy.

Existence of extreme poverty pockets in different parts of Bangladesh makes the aggregate national figures even more incomplete. Often these dimensions are overlooked in policy making. For example, *monga*, a seasonal famine in ecologically and economically vulnerable parts of north-western Bangladesh, is not a new phenomenon. However, it became a part of the political debate and found its way into Bangladesh's PRSPs just in the last decade, and subsequently into the newly formulated SFYP document. *Chars* in the basins of three major rivers – *Padma*, *Jamuna* and *Teesta* – constitute one of the most poverty-stricken regions of the country. Similarly, the people of the *haor* areas of the north-east of Bangladesh, are always caught in the vicious cycle of poverty. Similarly residents of Chittagong Hill Tracts (CHT) and other ethnic populations are even more deprived in terms of economic and social entitlements. Bandarban, the largest of the CHT districts, is one of the top 10 extreme poverty-prone districts in Bangladesh. Significant risks

emerging from climate change may make people of coastal areas in Bangladesh more vulnerable. Sustainable poverty alleviation will need to consider all of these poverty pockets, which may have diverse sets of problems to be addressed.

### 2.3 Chronic Poverty

Chronic poverty is defined as people who remain poor for much or all of their lives and whose children are born into poverty and all too often die easily preventable pre-mature deaths (CPRC 2005). Chronic poverty is a combination of severe poverty, extended duration poverty and multidimensional poverty. Severe poverty can be viewed as: (i) chronically or severely below the poverty line or with incomes that are at most 75 per cent of the poverty line; (ii) those suffering hunger or not getting even two square meals a day as an extreme form of deprivation; and (iii) inability to absorb the impact of shocks, which in turn can also lead to extreme poverty, starvation and suicide. Extended duration of poverty can be estimated if a person is suffering from poverty over multiple years, sometimes for generations. Multidimensional poverty is the combination of a wide range of factors that include access to productive assets (land, credit, etc.), nutrition, health and longevity, literacy and education, safe drinking water, sanitation and other infrastructural facilities.

Using panel data for 1987-88 and 2000, CPRC (2005) estimated that 15 per cent of households descended into poverty after experiencing shocks related to a natural disaster. Indeed, in Bangladesh poverty rates remain severe in extremely low-lying areas including *chars*, that are frequently flooded, coastal areas which are more exposed to natural disaster, and in tribal areas where social and geographical disadvantages overlap.

Thus a number of concerns prevail in the dynamics of poverty in Bangladesh. *First*, poverty as a concept could not break free from the narrow definition. *Second*, poverty reduction has gained momentum in recent times, but it does not cover all the sections of people, particularly the hardcore poor. *Third*, so far the achievement in poverty reduction has not been equally apparent for all the popular indicators of poverty incidence. *Fourth*, rapid urbanisation and rising migration of poor to urban area raises concern about the progression of poverty reduction. *Fifth*, the deepening regional disparity is a new challenge in development work. *Sixth*, a number of poverty pockets may slow down the future progress of poverty alleviation.

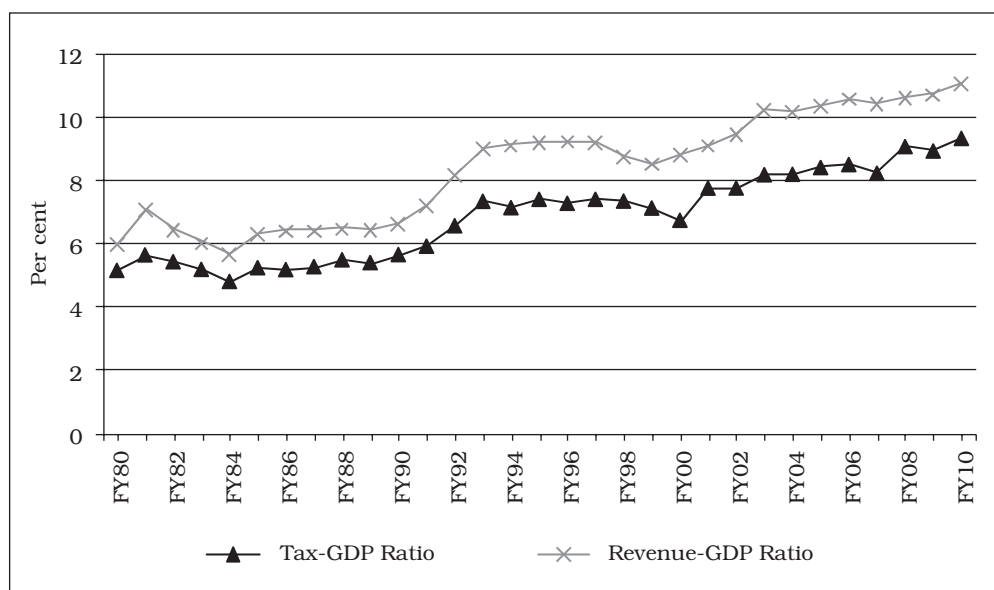
## Budgetary Trends

Fiscal policy and national budget are the government's most direct and effective tools to reach the poorest section of society. The policy mechanisms, including policies, institutions and governance, are important in addressing extreme poverty, but their impacts are indirect and complex in nature. This chapter provides a commentary on possible budgetary measures in the context of extreme poverty reduction.

### 3.1 Revenue Mobilisation

The size of the government exchequer generally determines a government's ability to channel resources to the poorest section. Despite making some moderate progress during the last 30 years, the revenue-GDP and tax-GDP ratios in Bangladesh are low compared to her regional neighbours (CPD 2010). Tax-GDP ratio and revenue-GDP ratio increased from 5.2 per cent and 6 per cent in FY1979-80 to 9.4 per cent and 11.1 per cent in FY2009-10 respectively (Figure 3). The most significant improvement was recorded during the last decade (between FY1999-2000 and FY2009-10) when revenue and tax collection increased by 2 percentage points of GDP. The enhanced domestic revenue mobilisation has helped to reduce the dependence of government's fiscal policy on foreign aid. Foreign aid as percentage of GDP decreased from 5.6 per cent in 1990-91 to 2.2 per cent in FY2009-10.

The analysis of domestic resource mobilisation often remains limited to its size. It is generally considered that if a government can generate higher domestic resources, it will be easier to maintain fiscal stability. However, tax revenue may also have serious implications from the perspective of poverty reduction. For developing countries like Bangladesh, a careful analysis of the distribution of the burden of tax revenue mobilisation and its impact on poverty, is required. The structure of the revenue collection sheds light on the pro-pooriness of a government's fiscal policy.

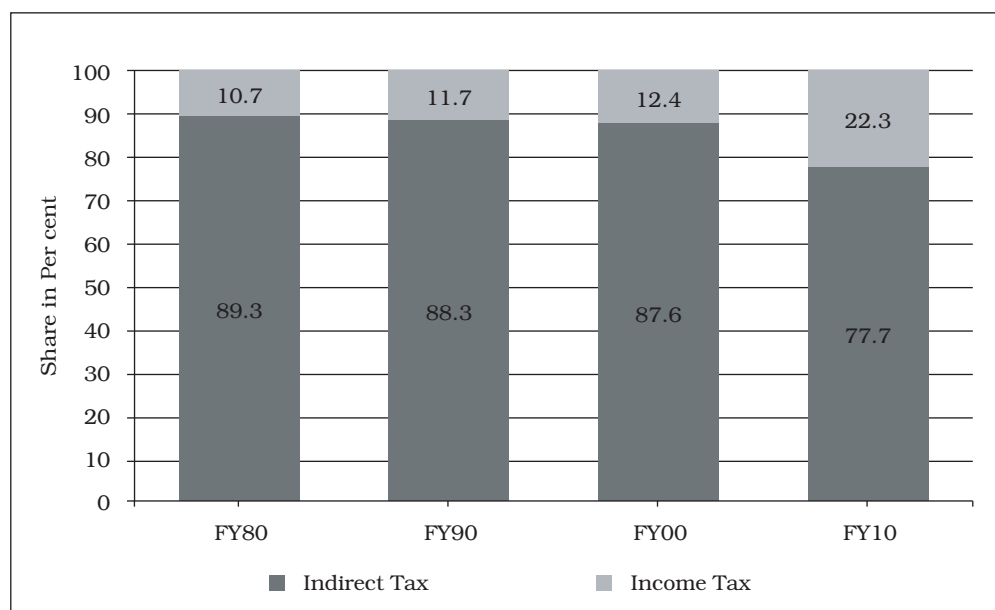
**Figure 3: Revenue-GDP Ratio and Tax-GDP Ratio in Bangladesh**

**Source:** National Board of Revenue (NBR) Annual Report; Monthly Fiscal Report, Finance Division, Ministry of Finance (MoF).

The domestic resources of government in Bangladesh comprise of tax and non-tax revenue. At present, tax revenue provides the lion's share (84.3 per cent) of the total revenue. The National Board of Revenue (NBR) is the apex body in collecting taxes in Bangladesh. NBR provides roughly 80 per cent of total revenue to the government exchequer. Like many other least developed countries (LDCs), the share of indirect taxes in the total tax revenue is substantially higher. However, a moderate decline of its importance is evident from the historical trend. The share of indirect taxes decreased from 89.3 per cent in FY1979-80 to 77.7 per cent in FY2009-10 (Figure 4). More importantly in the last decade, the share of direct tax has increased by 10 percentage points.

It is important to continue this trend to establish a more equitable fiscal policy in Bangladesh. Direct taxes in general are subject to statutory incidence – taxpayers cannot shift their burden. Indirect taxes, on the other hand, generate revenue by imposing the fiscal burden on the poor. Incidence of indirect taxation thus needs to be considered while formulating tax policy. It is however possible to design an equitable indirect tax policy. The key is to impose indirect taxes (or at a higher rate) on the items which are not included in the consumption basket of the poorest section of the population. Chowdhury (1994) determined that the difference between incidence of indirect taxes on the poorest (poorest 30 per cent of the rural population) and the richest income groups (richest 30 per cent of urban population) in Bangladesh was roughly around one percentage point. This implies, the indirect tax structure of Bangladesh has had little impact on equalising income between the richest and poorest sections of society. The study also concluded that indirect



**Figure 4: Share of Direct and Indirect Tax in Total Tax Revenue**

Source: NBR (2011).

taxation had little impact on narrowing the rural-urban per capita income gap and failed to address the spatial differences. Hossain (1995) also argued that the uniform value added tax (VAT) system, introduced in Bangladesh in 1991, benefitted the richer income groups while it adversely affected the poorest section of the economy. More recently, Bhattacharya *et al.* (mimeo), using the input-output model for 2000, showed that indirect tax system in Bangladesh was regressive in nature. The authors concluded that the poorest section paid relatively higher taxes as a percentage of their expenditure on different items compared to that of the richer section.

In general, the personal income tax structure is progressive in nature. The current tax exemption slab of Tk. 180,000 ensures that the poorest income group does not have to pay any income tax. However, the coverage of income tax is very limited. At present, only 7.5 lakh people pay their income tax – a small proportion of the eligible population. On the other hand, the income tax structure is also criticised due to the fact that marginal tax burden for the lower income group is higher than that of the upper income group (Rahman and Kabir 2010).

The government is currently finalising the drafts for direct tax and VAT law, which is expected to be enforced in coming years. Under the revised law, a new income tax law (*Direct Tax Act 2012*) will incorporate *Gift Tax Act 1990* and *Travel Tax Act 2003*, and re-introduce *Wealth Tax Act* that was scrapped in the late 1990s. The new VAT law will also scrap the existing system of package VAT, truncated base, tariff value

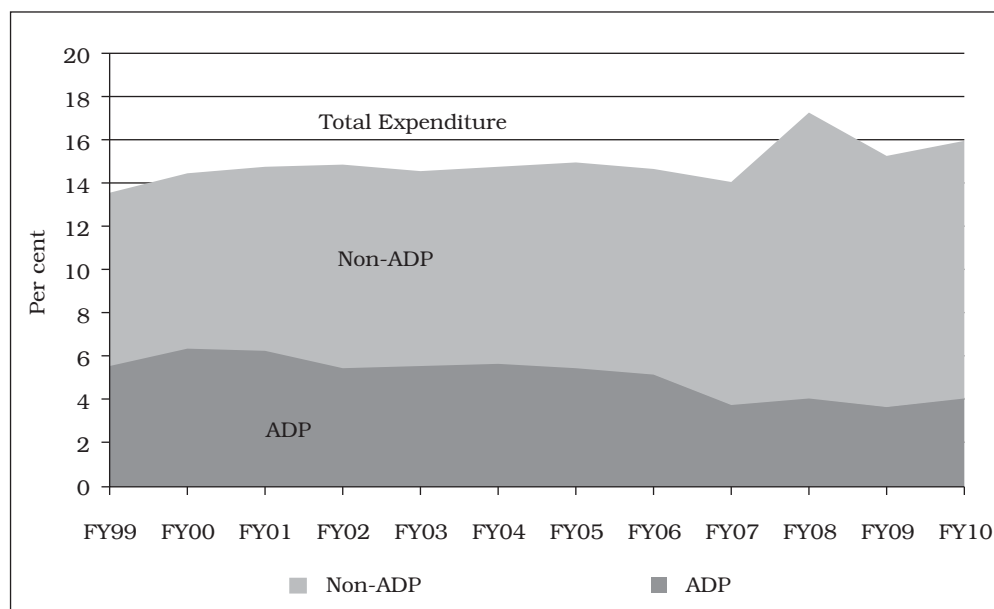
and price declaration method. All of the businesses that have been enjoying reduced rates of VAT will come under regular rate of 15 per cent. While formulating the new tax laws, the government may take cognisance of the above mentioned past experiences. These new laws should not only target higher revenue mobilisation, but also consider the well-being of the poorest section of the economy.

### 3.2 Public Expenditure

Public expenditure can be represented as the measure of allocative priorities of the government. The size of the public expenditure can also be used as an indicator of the government's involvement in the economy. There has been a growing consensus that public expenditure needs to play a greater role in low-income countries like Bangladesh. A number of studies have concluded that public expenditure may contribute to poverty reduction (Fan *et al.* 2000a; Fan *et al.* 2000b).

Public expenditure in Bangladesh is generally recognised to be lower than its demand for economic development (CPD 2010). Public expenditure as a share of GDP remained roughly around 14 per cent for most of the previous decade. FY2007-08 was marked by a sharp rise in public expenditure in the face of soaring global commodity prices. More importantly, public investment indicated by government's Annual Development Programme (ADP) as a share of GDP decreased gradually since FY2000-01. ADP expenditure as a share of GDP declined from 6.3 per cent in FY2000-01 to 4.1 per cent in FY2009-10 (Figure 5).

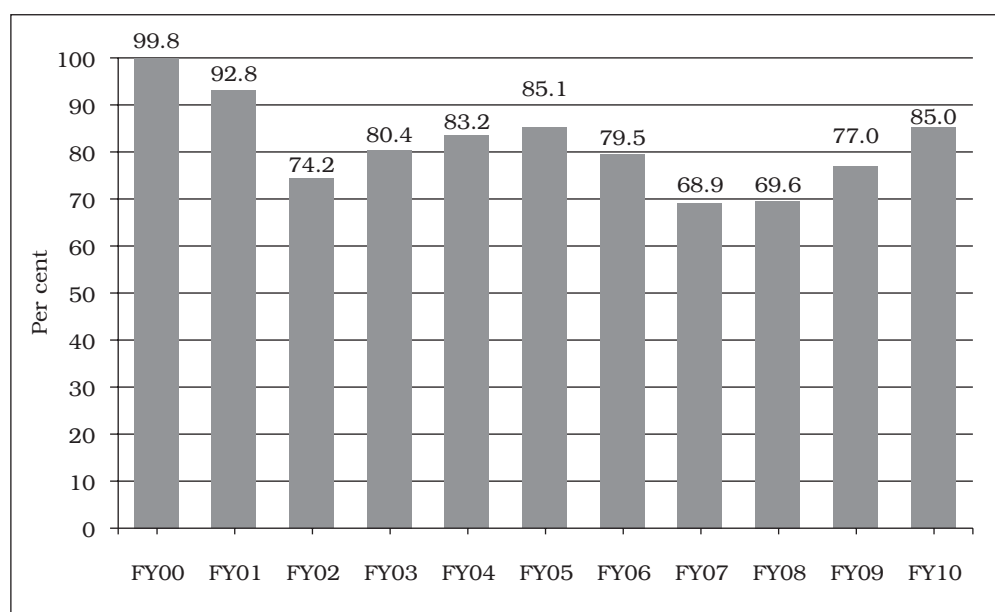
**Figure 5: ADP and Non-ADP Expenditure as Percentage of GDP**



Source: MoF (2010).

Slowing down of development expenditure is not a reflection of government's allocative priorities. Rather, it is a result of the administration's failure to realise the planned development programme. Since FY1999-00, implementation bottlenecks have been a major challenge for public investment. ADP implementation rate reached at its historical lowest point in FY2006-07, when only 68.9 per cent of planned expenditure was realised (Figure 6); the implementation rate has improved to some extent from FY2008-09 onwards.

**Figure 6: Actual ADP as Percentage of Original ADP**



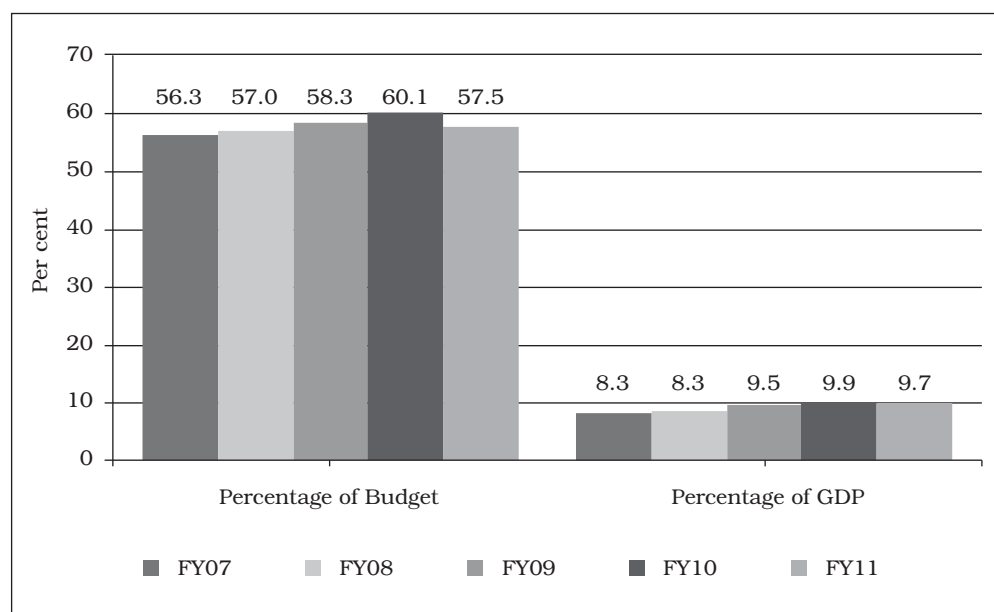
Source: MoF (2010).

### Poverty Reducing Expenditure

The size of public expenditure, however, cannot provide the whole picture of the government's fiscal priorities. Finance Division of the Ministry of Finance (MoF) has been preparing an estimate of poverty reducing expenditure in Bangladesh. The poverty reducing expenditure is defined as the "spending that would benefit the poor, such as: direct services and indirect services." The definition follows the framework of PRSP approach. Direct or targeted service is defined as the expenditures which address income and human poverty including the SSNPs and employment generating programmes/projects. Indirect services include spending on overall infrastructure development including roads/highways, electrification, modern agriculture, etc. These expenditures, which are not directly pro-poor but rather pro-growth in nature, are expected to have an indirect contribution to poverty reduction. According to these definitions, poverty reducing expenditure as a percentage of total expenditure and GDP remained more or less stagnant

(Figure 7). However, this measure of national budget's pro-poorness can be criticised on a couple of grounds. *First*, the definition of poverty reducing spending is too broad. *Second*, some activities, considered to fall under this category, may not always reach the ultra poor.

**Figure 7: Poverty Reducing Expenditure as Percentage of Total Expenditure and GDP**



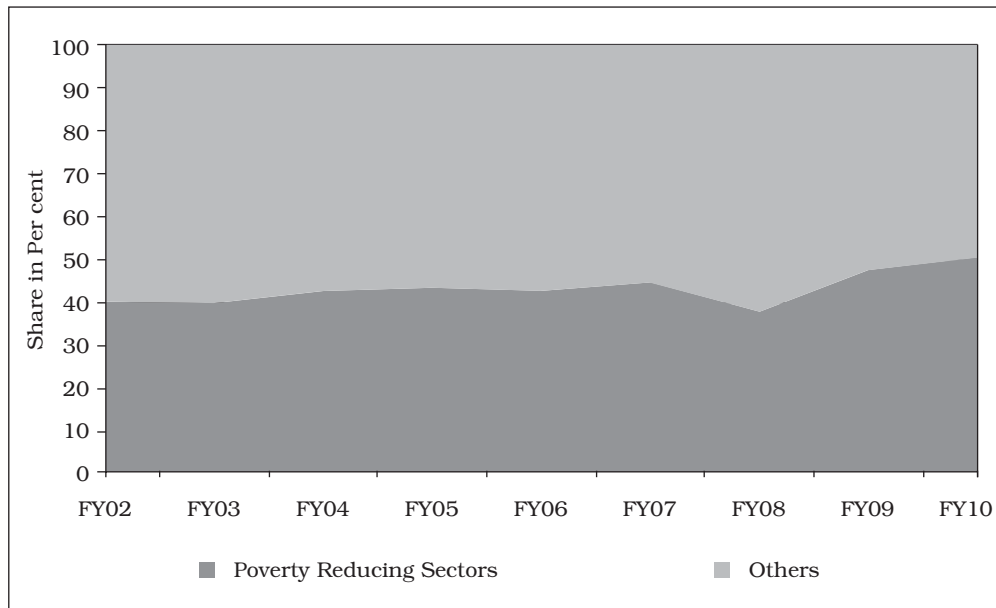
Source: Ministry of Finance (MoF) data.

### Expenditure in Poverty Reducing Sectors

As mentioned above, not all public expenditure may be helpful for the ultra poor. Sectors which are beneficial to the ultra poor were identified through Social Accounting Matrix (SAM) analysis (CIRDAP 1997). The top five sectors among 11 include: education, health, social services, food and agriculture. Public expenditure on these five sectors<sup>9</sup> experienced gradual rise in their share in total expenditure. The share of these sectors in total public expenditure increased from 39.4 per cent in FY2001-02 to 49.7 per cent in FY2009-10 (Figure 8). The share of these sectors in the total development expenditure is even higher and rising, from 57.1 per cent in FY2001-02 to 66.3 per cent in FY2009-10 (Figure 9).

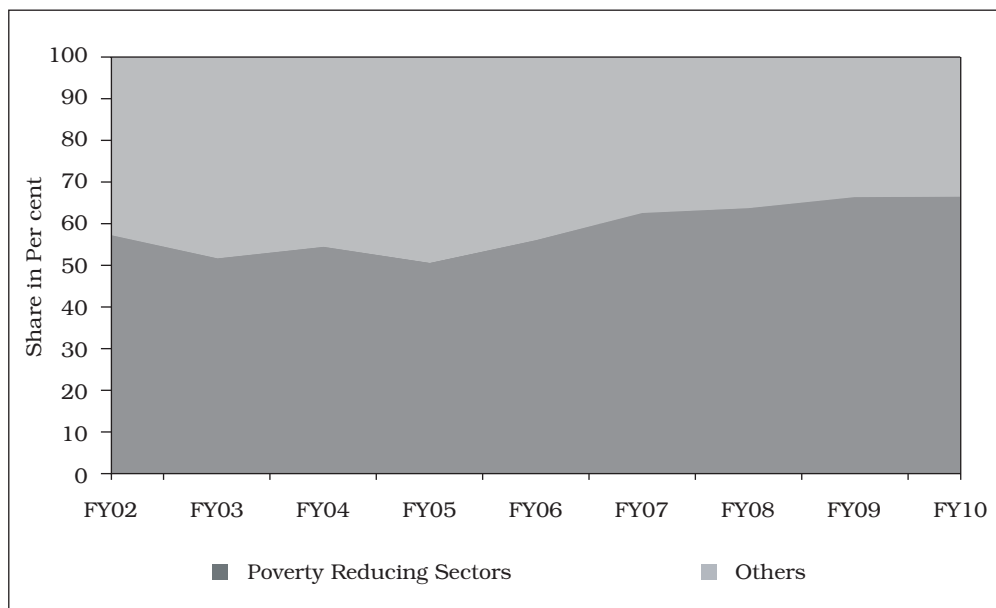
<sup>9</sup>Education sector includes Ministries of Education & Primary and Mass Education. Health Sector covers Ministry of Health and Family Welfare. Social sector includes Ministries of Social Welfare, Women and Children Affairs, Liberation Affairs & Food and Disaster Management. Agriculture sector covers Ministries of Agriculture, Fisheries and Livestocks, Environment and Forests, Land, Water Resources, Local Government Division, Rural Development Division and Ministry of Chittagong Hill Tracts.

**Figure 8: Share of Poverty Reducing Sectors in Total Expenditure**



Source: Ministry of Finance (MoF) data.

**Figure 9: Share of Poverty Reducing Sectors in Total Development Expenditure**



Source: Ministry of Finance (MoF) data.

However, these numbers should be interpreted more cautiously. One has to consider the fact that all expenditures in these sectors may not reach to the poorest section of

society. Narayan and Zaman (2009) estimated that in Bangladesh only 34 per cent of the public expenditure in education sector benefited the poor. The study also showed that the extreme poor received only 8 per cent from the public expenditure for curative healthcare, while the richest 20 per cent could access 49 per cent of publicly funded curative healthcare. In the case of out-patient care, the numbers are 11 per cent and 32 per cent for the extreme poor and richest 20 per cent respectively. However, Sobhan (2010) argued that a larger proportion of the beneficiaries from these public services may be from the lower income groups if not the lowest. He explained that pressure from a broad segment of 'the middle class, below the ranks of the elite' tend to skew the distribution of public expenditure from social sectors. He further argued that high administrative costs including leakages are a more substantive source of unequal distribution of public resources. It is nevertheless recognised that the poorest sections of society face considerable structural barriers to access public services. In this context, Rahman and Kabir (2010) emphasised on ensuring that the poorest people receive their due share in addition to allocating more resources to the priority sectors.

### **3.3 Social Safety Net Programmes (SSNPs)**

It is widely recognised that the ultra poor are difficult to reach through standard development programmes. Therefore, poverty reduction must be supplemented by SSNPs. While safety nets can provide immediate relief during emergencies, by ensuring employment, education and nutritional intake for the poor, these programmes can also play a leading role in addressing poverty and inequality in the long-run. A number of studies concluded that, in the context of Bangladesh, transfer income from SSNPs is one of the rare equalising sources of income (Bhattacharya and Khan 2008; Khan and Sen 2001; Khan 2006). Iqbal *et al.* (2008) estimated that SSNPs had a positive, though minute, impact on poverty reduction.

#### **Categories of SSNPs**

At present, the government operates as many as 84 different SSNPs in Bangladesh under four categories: (i) Cash Transfer (Allowances) Programmes; (ii) Food Security Programmes; (iii) Microcredit Programmes and Miscellaneous Funds; and (iv) Development Sector Programmes.

Khatun *et al.* (2010) classified SSNPs into four broad categories considering their nature, design and objectives: (i) Employment Generation (both self-employment and wage employment); (ii) Conditional Transfers; (iii) Transfers; and (iv) Emergency Relief (Table 5). SSNPs such as Employment Generation for the Hardcore Poor (EGHP), Food for Work (FFW), Vulnerable Group Development (VGD), Test Relief (TR), Rural Employment Opportunities for Public Asset (REOPA), and Rural Employment and Rural Maintenance Programme (RMP) provide wage employment, whereas self-employment programmes in Bangladesh are generally dictated by microcredit schemes. The conditional transfers are made to the targeted households with an aim to generate income in the short-run, and improve human development

(e.g. education and nutrition) in the medium and long-run. Programmes such as Old Age Allowance, Allowances for the Widow, Deserted and Destitute Women, Honorarium for Insolvent Freedom Fighters, Assistance to the Fully Retarded, and Maternity Allowance for the Poor Lactating Mothers are among the programmes which transfer cash or in-kind support to the targeted section of the society. The poorest segment of Bangladesh is the worst victim of natural calamities. The objective of emergency relief programmes, such as Vulnerable Group Feeding (VGF), Gratuitous Relief (GR) is to help victims of sudden shocks or disasters and to prevent a steep fall in their consumption. This calls for action in the form of direct support after the shock or disaster.

**Table 5: Major Safety Net Programmes in Bangladesh by Category**

Category	Programme Examples
Employment Generation	<ul style="list-style-type: none"> <li>• Employment Generation for the Hardcore Poor (EGHP)</li> <li>• National Service</li> <li>• Rural Employment and Rural Maintenance Programme (RMP)</li> <li>• Food for Work (FFW)</li> <li>• Vulnerable Group Development (VGD)</li> <li>• Test Relief (TR)</li> </ul>
Conditional Transfers	<ul style="list-style-type: none"> <li>• Primary Education Stipend Programme (PESP)</li> <li>• School Feeding Programme</li> </ul>
Transfers	<ul style="list-style-type: none"> <li>• Old Age Allowance</li> <li>• Honorarium for Insolvent Freedom Fighters</li> <li>• Allowances for the Financially Insolvent Disabled</li> </ul>
Emergency Relief	<ul style="list-style-type: none"> <li>• Vulnerable Group Feeding (VGF)</li> <li>• Open Market Sales (OMS)</li> </ul>

**Source:** Khatun *et al.* (2010).

Designs of many of these programmes are inadequate to prioritise the poorest section. In fact a number of programmes hardly recognise the ultra poor as a special class among the poor section of society. At the same time, operating a large number of programmes makes it cumbersome for the public administration. Some of these programmes are very similar in nature. For example, the programme titled Maternity Allowance for the Poor Lactating Mothers and the Allowances for Urban Low-Income Lactating Mothers – both aim to provide support to poor lactating mothers. Similarly, a number of wage employment generating programmes, e.g. EGHP, RMP and Employment for Ultra Poor in Northern Region are very similar in nature. These programmes can be consolidated under one umbrella programme, which can help reduce administrative hassles and costs.

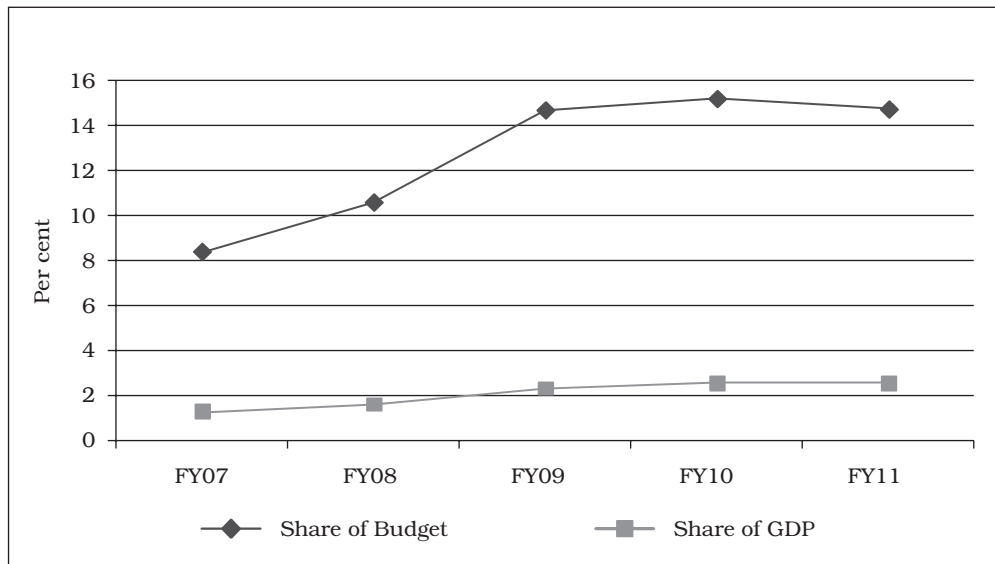
### **Allocation for SSNPs**

The absence of comprehensive data makes it difficult to track the expenditure on SSNPs. Sobhan (2010) reported that expenditure on account of SSNPs remained stable around 4 per cent of total budget until a recent rise. World Bank (2006)

estimated that during the period FY1996-97 to FY2004-05, on an average the government expenditure on SSNPs was to the tune of 0.8 per cent of the GDP and 5.7 per cent of the total public expenditure. In fact, the definition of SSNP is undergoing several changes. For example, Pension for Retired Government Employees and their Families was being operated but was not recognised when a more comprehensive data on SSNP budget was presented in FY2006-07. In FY2010-11, this programme accounted for 20 per cent of the total safety net budget.

However, efforts towards widening the safety net in recent years are evident in Bangladesh. In FY2010-11, eight new programmes were introduced under SSNP. Budgetary allocations for SSNPs as a share of total budget increased from 8.4 per cent in FY2006-07 to 14.8 per cent in FY2010-11 (Figure 10). As a share of GDP, allocation for SSNPs also doubled in last five years, reaching 2.5 per cent in FY2010-11. The SFYP document has proposed to increase public expenditures on SSNPs to 3 per cent of GDP in FY2014-15 (GED 2011).

**Figure 10: Social Safety Net Expenditure as Percentage of Total Budget and GDP**



Source: Ministry of Finance (MoF) data.

Despite the recent rise, Bangladesh seems to be spending far less on SSNP than other regions. World Bank (2006) showed that on an average South Asian economies spent 4 per cent of GDP on SSNPs, whereas the expenditure of East Asia and Pacific was about 8 per cent of GDP. European economies maintained an expenditure equivalent to 20 per cent of their GDP on social protection. Based on the Social Protection Index (SPI), Baulch *et al.* (2006) found that Bangladesh lagged behind other regional countries in terms of social protection performance.



### Coverage and Regional Disparities

A meager proportion of extreme poor are covered by the SSNPs in Bangladesh. In 2005, only 13.1 per cent of total households were covered under the SSNPs (Table 6). Due to different natures of the programmes, it is difficult to estimate the coverage of SSNPs in Bangladesh in terms of number of persons or person-month criteria. It is also almost impossible to determine the coverage of ultra poor from the current structure of data. However, it can be concluded that even though the aggregate coverage of SSNPs is very low, it is increasing with rising allocations and introduction of new programmes. Given the scarcity of resources, geographical targeting can be one approach which can improve the targeting of SSNPs, but there is little evidence of this regional approach considered in the overall design of SSNPs. Rather, it is evident that more poverty stricken divisions received lower coverage of SSNPs.

**Table 6: Regional Poverty and Beneficiaries of SSNPs**

Division	Per cent of Recipient Household	Per cent of Extreme Poor
National	13.1	25.1
Barisal	13.3	35.6
Rajshahi	12.4	34.5
Khulna	9.5	31.6
Sylhet	22.4	20.8
Dhaka	14.3	19.9
Chittagong	11.1	16.1

**Source:** BBS (2007).

From a humanitarian and equity perspective, it is highly desirable that Bangladesh would go for a universal social protection system along the lines of some developed and developing countries. The constraint stems from resource availability, which in turn depends on benefits and coverage. A more disturbing feature of SSNPs in Bangladesh is the considerable extent of leakage. Mistargeting significantly undermines the distribution of SSNPs. Therefore, the targeting criteria should narrow the eligible population to a point where more than half of the target beneficiaries originate from the poorest section of the population (Rahman and Kabir 2010). World Bank (2006) showed that 27 per cent of VGD beneficiaries and almost 47 per cent of PESP beneficiaries were non-poor and incorrectly included in the programme. It is found that while identifying the poorest, the policymakers' perception is limited to the landless criteria only. Given the changing dynamics of the Bangladesh economy, policymakers will have to look beyond the traditional approach for a successful programme outcome. These observations imply that not only the allocation and coverage, but also the design and implementation of SSNPs require a serious reassessment by policymakers.

# 4

## Field Observation

### 4.1 Design of the Field Investigation

Analytical approach of the study, as was mentioned earlier, is qualitative, drawing information from both primary and secondary sources. Primary data, collected through field investigation in December 2010, was mainly generated through FGDs with beneficiaries of three selected SSNPs from two sample districts, Kurigram and Sirajganj. These two districts possess unique socio-economic characteristics – Kurigram is seriously prone to *monga* and river erosion, while the latter is prone to river erosion, though Sirajganj is better connected to the capital via roads and rails. Total six FGDs were conducted with randomly selected beneficiaries of the selected programmes (see Table 7 for details of the field survey) using a semi-structured questionnaire. Moreover, a number of relevant stakeholders were interviewed to understand their perception about the prospects of the programmes as well as the constraints of programme implementation.

**Table 7: Focus Group Discussions with Programme Beneficiaries**

District	Upazila	Union	No. of Beneficiaries		
			Male	Female	Total
<i>Employment Generation Programme for the Poorest</i>					
Kurigram	Sadar	Jatrapur	8	6	14
Sirajganj	Sadar	Baghbati	26	12	38
<i>Primary Education Stipend Programme</i>					
Kurigram	Sadar	Jatrapur	0	7	7
Sirajganj	Sadar	Baghbati	0	11	11
<i>Maternity Allowance for the Poor Lactating Mothers</i>					
Kurigram	Sadar	Jatrapur	0	3	3
Sirajganj	Sadar	Baghbati	0	1	1
<b>Total</b>			<b>34</b>	<b>40</b>	<b>74</b>

**Source:** Authors' compilation.

## 4.2 Employment Generation Programme for the Poorest (EGPP)

Poverty reduction through employment generation has a long history in Bangladesh, starting in the mid-1970s. The 100-Days Employment Generation Programme (100-DEGP) initiated in FY2008-09 and its continuation in the following year under the Employment Generation for the Hardcore Poor (EGHP) programme are the latest milestones in this endeavour. These flagship SSNPs are steps towards reducing poverty by providing employment to the poorest section of the society that is vulnerable to high inflationary pressure and seasonal unemployment. In the budget for the current year, the EGHP has been continued under the Employment Generation Programme for the Poorest (EGPP) with some major changes in implementation design and mode of finance. A number of programmes can be found in other countries<sup>10</sup> having similar philosophy and objectives to the aforementioned poverty reduction schemes. The following discussion assesses EGPP and highlights lessons from similar programmes abroad.

### Assessment of Design and Planning of EGPP

#### Goals of the EGPP

The key objective of EGPP is to enhance the income of the poorest section of the society through short-term employment generation during the lean periods and by developing small-scale rural infrastructure. To keep up with the aim to assist the poorest, the programme specifically targets unemployed, seasonally unemployed and marginal farmers. By helping to employ the ultra poor, EGPP also aims to develop and maintain small-scale rural infrastructure and local public assets. Indian Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) operates with the same objective. Along with providing short-term employment to the poorest households, several other successful public workfare programmes<sup>11</sup> have included capacity building, child education and healthcare facility components. Besides employing the beneficiaries in development and/or maintenance of infrastructure, projects undertaken in these programmes also include social and community services, environmental conservation and management, and administrative works (Kostzer 2008; Department of Public Works, Republic of South Africa 2011; Lindert *et al.* 2007; Lal *et al.* 2010). This approach not only enhances positive impacts of the programmes, but also sustains poverty reduction through inclusive development (Lal *et al.* 2010).

<sup>10</sup>For example, African countries such as Ghana, Kenya, Lesotho, Malawi, Mozambique, Tanzania, Zimbabwe, Cape Verde and Botswana, and Latin American countries like Argentina, Bolivia, Chile and Peru have similar programmes. In terms of effective design and implementation of such employment schemes, the Indian National Rural Employment Guarantee Act is recognised globally as one of the most successful schemes.

<sup>11</sup>For example, Expanded Public Works Programme Phase 2 (EPWP 2) of South Africa, Plan Jefes y Jefas de Hogar Desocupados of Argentina, Bolsa Familia Program of Brazil, and Productive Safety Net Programme (PSNP) of Ethiopia.

FGDs with EGPP beneficiaries under the present study revealed that with a guaranteed source of income during the lean period, the poorest households were able to better cope with social and economic vulnerability. At the same time, small-scale social infrastructures such as small roads, embankments, ponds and school grounds, have been developed and/or repaired through the programme. However, the projects undertaken were small and discrete, and often failed to finish on time. Hence, there is room to improve the impact of the programme and especially the quality of the projects through increased support from the authority.

### **Groundwork and Guidelines**

The EGPP is a massive effort with a goal to accommodate almost 8 lakh hardcore poor and seasonally unemployed poor under the government's social safety net. For the success of such a mammoth task of designing and planning, a comprehensive guiding framework, supported by an appropriate and timely groundwork, is extremely crucial. Lessons from similar programmes (100-DEGP and EGHP) over the last couple of years have helped implementation agencies to deliver more competently from both top and grassroots levels. The current round of EGPP has been comprehensively designed and documented in the *Implementation Guideline and Social Management Framework for the Employment Generation Programme for the Poorest* by the Ministry of Food and Disaster Management (MoFDM) and the World Bank. Despite detailed planning, EGPP took a substantial time to take off. Field investigation revealed that the time between the official start of preparation and field implementation of the programme is often inadequate for the implementation agencies (upazila committee). Interviews with officials involved in programme delivery at the grassroots levels revealed that even a month's preparation time is insufficient to finish selection of beneficiary, designing of projects, and get approval for those.

### **Targeting in EGPP**

Strength of conditional cash transfer projects such as EGPP lies in their focused criteria. The programmes are very specific about the target group as well as the timing and design of the projects under the programme. Since reaching the poorest is the most crucial criteria, EGPP targets both the poorest areas and the poorest households.

### **Target Area**

The spatial dimension of poverty has been addressed through geographical targeting and distribution of resources (Table 8). For the first time, EGPP has used a recently-formulated poverty map (published in 2009) to ensure that the allocated resources are reaching the poorest parts of the country, especially the *char*, *haor-baor*, coastal areas and areas that are extremely vulnerable to *monga*, river erosion and natural disasters.

**Table 8: Geographical Targeting and Distribution of Resources in EGPP**

Poverty Rate	No. of Upazilas	Allocation (% of Total Budget of EGPP)
35% and above	133	50
21-34%	201	40
Less than 20%	146	10

**Source:** Authors' estimation.

### **Target Beneficiaries**

The programme targets the poorest section of the rural areas who are landless, asset-less, unemployed and unskilled. To maximise coverage of the programme and avoid duplication, one person per household who is excluded from all other SSNPs gets selected. There are in-built mechanisms to ensure exclusion of non-target groups. Furthermore, the programme specifies that the daily wage (Tk. 150 per day) of beneficiaries must be below the average market wage. It was expected that in areas with a higher number of potential beneficiaries, the selection process would be more equitable, participatory and transparent. Field investigation revealed that selection of beneficiaries was satisfactory, although inclusion of non-target group was evident at minimal levels.

The programme has a provision for gender sensitivity where the guideline stipulates that 33 per cent of the employed labour needs to be female. However, in practice, the number of female workers was found to be much less.

### **Target Timeframe**

The programme aims to provide employment to the poorest twice a year, when beneficiaries experience agricultural lean periods. The first phase spans from September to November and the second phase from March to April, generating a total of 100 days of employment (60 days in phase 1 and 40 days in phase 2). However, this timeframe does not exactly match the crop cycle for all regions of the country. In fact, the targeted timeframe was found to be suitable for *monga*-prone northern areas, but not necessarily for regions with different agro-economic conditions, as in the case of Sirajganj. For example, the September-November phase overlaps with the rainy season, making earthworks difficult to perform in the flooded areas. Likewise, coincidence of the March-April phase with the crop growing period in some areas makes it quite difficult to collect soil for construction.

There is a provision for adjustment period based on local situation and demand, but no such incidence was found during field visits. In fact, in some cases due to late start, harvesting season arrived before the completion of the projects, making it difficult to retain labourers as the market wage is higher during harvesting.

## **Implementation Process**

### ***Beneficiary Selection***

According to the EGPP selection criteria, a beneficiary must be within the age limit of 18-60 years, lacking assets (landless or devoid of any other assets, e.g. pond and livestock), and excluded from any other SSNP. Only one person per family can be selected. Based on these criteria, a union committee prepares a preliminary list of beneficiaries, which is then finalised and approved by the upazila committee. The guideline strongly suggests that the selection process be participatory and transparent in nature. However, it is evident from the field investigation that the selection procedure is still primarily top-down in nature. In fact, members of the union committee, who are amongst the grassroots level local administration, are best positioned to contribute to the selection of the target group, but not included at the final stage. The involvement of NGOs (as consultants) in the selection process was also absent though a directive is given in the guideline regarding NGO involvement.

### ***Project Selection***

Earthworks undertaken by EGPP encompass construction and reconstruction of roads and dams, ground filling of various public properties or organisations, and canal/pond excavation or re-excavation. Similar to beneficiary selection process, project selection and designing procedures remain a top-down exercise having limited local consultation and minimal coordination with the Local Government Engineering Department (LGED) or similar local planning authorities.

According to the directions provided in the guideline, three to five projects can be undertaken in each union based on the number of labourers. Size of projects ranged from Tk. 2.5-3 lakh, employing 35-60 labourers. In some cases, multiple projects were combined to derive greater welfare to the community.

### ***Wage and Payment***

Wage rate for EGPP has been increased to Tk. 150 per day, which was Tk. 100 and Tk. 120 per day for 100-DEGP and EGHP respectively. Globally, target wage for similar programmes are usually set at a rate less than the market wage, which actually acts as a filter to exclude non-target groups. Under the EGPP scheme, beneficiaries have to work seven hours daily for 5 days-a-week and receive payment on the sixth day. Previously, daily payment was mandatory under 100-DEGP, but earlier study by the Centre for Policy Dialogue (CPD) found this to be difficult to manage by the providers, and hence it recommended introducing a weekly payment system (Khatun *et al.* 2009).

In order to make the payment system more transparent and accountable, Khatun *et al.* (2009) also suggested for payment through bank accounts. Starting in 2012, EGPP will disburse the payment through bank accounts. Every enlisted worker is

provided with a bank account at a selected local bank against their 'job card'. With 'internal voucher', the 5-days wages are paid to every worker. Despite being effective in reducing leakage and manipulation of master rolls, the banking system has proven to be inadequate in managing such a huge workload with the existing manpower. In remote areas, the nearest bank branch is generally too far to access frequently. This calls for an upgradation of the banks' manpower and resources for smoother wage disbursement. On the other hand, authorities in charge of implementation have complained that assurance of receiving wages from the bank has reduced labour output. According to the guideline, every labourer has to cut 45 cubic feet of soil per day, but project monitors perceive that a major portion of labourers do not keep up to that mark.

#### ***Non-Wage and Administrative Costs***

There is almost no practice of allocating non-wage or administrative costs in these public work programmes. Predecessors of the EGPP had a very negligible amount of administrative costs. Moreover, absence of non-wage costs, associated with purchase of construction materials and hardware, render the constructed infrastructure unsustainable and often fragile. CPD has long been calling for allocation of dedicated resources for non-wage and administrative costs. Starting in FY2011-12, EGPP will allocate 10 per cent of the total programme budget for non-wage cost, while the rest 90 per cent will be used for wage payment of the workers. However, this step may raise concerns about compromising wage cost for the allocation of non-wage costs.

#### **4.3 Stipend Programme for Primary School Students**

In alignment with the government's pledge to attain MDG in primary education (Goal 2: Achieve Universal Primary Education), the government initiated the second phase of the Primary Education Stipend Programme (PESP II) from FY2008-09. It needs to be mentioned here that the first phase of the programme was implemented from 2002 to 2008, replacing the previous Food for Education (FFE) programme. According to an estimation by the Ministry of Primary and Mass Education, approximately 5.5 million children received stipend under the PESP I. Total expenditure under the programme was about Tk. 282 crore (USD 45 million).

The PESP II, spanning FY2008-09 to FY2012-13, aims to increase the enrolment rate, attendance rate of all primary level school age children of poor families while reducing the trend of drop-out rate. In a broader aspect, the programme seeks to enhance the quality of primary education along with establishing equity in the financial assistance accessibility for all primary school age children. In view of this, a total of Tk. 4,035 crore has been allocated for this programme. As of November 2010, Tk. 1,267 crore (31.4 per cent of the total allocation) has been disbursed.

#### ***Targeting and Coverage of PESP II***

The programme targets all the government primary schools, registered private primary schools, community primary schools, government approved *madrastas* and

primary level of secondary schools of the country. However, institutions under municipalities and city corporations are excluded. Field investigation and interviews with members of School Management Committee (SMC) of PESP receivers revealed that based on proximity of the town centre, 60-90 per cent students at the primary levels are covered under the programme.

Under the project, students are enlisted in Class One and receive stipend for the next five years. To continue eligibility for receiving stipend, a student has to get at least 33 per cent marks in all subjects of the annual examination, and has to attend at least 85 per cent of the annual number of classes. This was, however, found to be a problematic issue for students from poor families. Experiences from the field visit suggest that 85 per cent attendance is often difficult for poor students – absence due to sickness is among the most common causes. During periods of crop harvesting or planting, many school going children from poor families help their parents at work. As a result, they lose their eligibility for the stipend. Parents also argued that in most cases students from poor families cannot afford private tutors. They cannot compete with other students who get better educational facilities from the family, and often get poor marks in the examination which, in worst cases, make them ineligible for the stipend. The beneficiaries suggested during the FGDs that such stringent provisions need to be amended to facilitate better education for students from the poorest families. For example, the Bolivian Bono Juancito Pinto programme, a successful programme with a similar objective and implementation design<sup>12</sup>, requires a beneficiary student to have annual attendance of at least 75 per cent (UNDP 2010).

### ***Monthly Stipend and Payment Mode***

Each student receives Tk. 100 per month through a bank account opened on behalf of his/her parent. For the case of two students from the same family, the amount is Tk. 125. Payment is disbursed every three months while the date of payment is notified by the associated bank via school. The disbursement mechanism was found to be well appreciated with negligible reports of leakage. However, the maintaining of such large number of accounts and disbursing stipend in time was found to be a difficult task to manage for the local banks, which lack human resources.

### ***Implementation Procedure***

SMC is the grassroots level implementation body of PESP II. The committee prepares a preliminary list of eligible students according to the selection criteria. The

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<sup>12</sup>The objectives of the programme are to promote and develop human capital with a view to terminate intergenerational reproduction of poverty, to encourage school attendance and ensure completion of primary education, and to support households covering the costs of school supplies, transportation, food and other related expenses. All students registered in a public school are eligible for the voucher which is equivalent to USD 26 per year covering almost 100 per cent of all educational expenses of a beneficiary family in rural Bolivia. With 75 per cent of its beneficiaries being poor, the programme is highly successful in terms of reducing drop-out rates (UNDP 2010; Barrientos *et al.* 2010).



assistant upazila education officer evaluates the list and the upazila education officer approves it. The district primary education officer ensures the proper distribution of stipend and implementation of the programme, while the stipend monitoring officer is responsible for overseeing and monitoring implementation processes on the field. FGDs with parents of beneficiaries and interviews with members of SMC revealed that there is a serious lack of awareness about the programme among the parents. They seem to have an inadequate understanding of the selection criteria, duration of funding, criteria for continuation of eligibility and similar provisions.

#### **4.4 Maternity Allowance for the Poor Lactating Mothers**

Maternal health services in Bangladesh are provided by both the private and public sectors, often in collaboration with international development partners. However, progress in maternal health services and antenatal and postnatal care is still low.<sup>13</sup> Despite wide availability of community-based and facility-based maternal health services, access to those services is still limited among the poor (Mridha *et al.* 2009). In view of this, the government initiated the Maternity Allowance for the Poor Lactating Mothers programme through the Ministry of Women and Children Affairs. The goal of the programme is to assist the poor mothers during pregnancy and to provide care for the newborn child. Due to their socio-economic vulnerability, poor pregnant mothers often fail to seek proper maternal healthcare and nourishment. Therefore, the programme aims to assist the poor mothers by providing them with cash, so that they can get proper maternal healthcare during their pregnancy, and ensure adequate nourishment and medical assistance for the newborn child.

Successful programmes similar to the Maternity Allowance for the Poor Lactating Mothers can be found in a number of countries. The Janani Suraksha Yojana (former National Maternity Benefit Scheme) of India, Bono Madre Niño and Bono Juana Azurduy de Padilla of Bolivia and Red Solidaria of El Salvador are examples of such programmes designed to assist poor mothers during pregnancy and postnatal care. All these programmes use poverty maps to identify the poorest regions and target those areas. Purposive household survey method was employed to select eligible households.

Besides these programmes which are specifically designed to improve maternal and postnatal services, several other programmes can be found, which target the poorest households and provide them with employment, primary education and maternal care in a comprehensive and integrated manner. Such comprehensive programmes, e.g. Mi Familia Progresá in Guatemala, Oportunidades in Mexico (former Progressá), Programa Juntos in Peru, not only raise the income level of the poor households, but also contribute to long-term effects in poverty reduction efforts by improving health and education.

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<sup>13</sup>According to Koblinsky *et al.* (2008), to attain the MDG 5 (Improve Maternal Health) target of reducing maternal mortality ratio (MMR), Bangladesh needs to accelerate her current reduction rate by three-folds over rest of the years.

### ***Selection Criteria***

According to the instruction of the programme implementation guideline, a pregnant mother aged 20 years or above will be eligible for the allowance for her first and/or second time pregnancy. As the programme aims to provide assistance to poor mothers, the household of the beneficiary should have a monthly income of less than Tk. 1,500, be landless, and/or be headed by a woman. The upazila maternity allowance committee along with the union committee implements the programme at the local level. Field investigation revealed that selection of beneficiaries is conducted only once in a fiscal year. As a result, only those who are pregnant during the selection process are selected. It was claimed that a latest available poverty map based on the Household Income and Expenditure Survey (HIES) 2005 data has been used to identify the spatial distribution of poverty and to ensure that the poorest regions receive the highest coverage. Nevertheless, officials associated with implementation of the programme indicated that low coverage in some areas has made it difficult to select the small number of participants from a large number of potential candidates.

### ***Implementation and Monitoring Process***

As instructed by the programme guideline, the union committee prepares a list of potential beneficiaries based on age, marital status, number of children, household income and possession of assets. FGDs with beneficiary and non-beneficiary groups revealed that the survey was not comprehensive enough for finding the most eligible beneficiaries. Objections were also raised regarding the delay and inefficiency of the upazila family planning office or upazila health officer in issuing certificates for confirming pregnancy. After being selected by the union committee, a potential beneficiary has to apply to the upazila committee for final selection. The upazila committee monitors implementation of the programme. The National Steering Committee, if required, can select specific NGOs to assist the implementation process in certain areas. No such NGO involvement could be observed in the study areas; however, similar maternity schemes were run by Care Bangladesh in Kurigram. It is worth noting that the programme is at a nascent stage, and through assessment of past experiences of implementation and monitoring, the programme can be modified and improved.

### ***Amount of Allowance***

A selected beneficiary receives Tk. 300 per month for a span of two years. Discussions with beneficiaries and implementation officials revealed that the grand total of the allowance for a beneficiary (Tk. 300X24 months) is delivered in a single installment. However, the delivery process is found to be quite delayed. Field investigation showed that a potential beneficiary is certified by the authority after 3-6 months of pregnancy. Processing time for final selection, approval of beneficiary list and release of funds take another 6-8 months. Consequently, beneficiaries often receive the allowance after the birth of the child, hence defeating the core purpose of the programme, which is to support poor mothers during the pregnancy period.

***Public Awareness***

It is revealed from the field visits that awareness about the programme regarding selection criteria, timeframe and allowance disbursement mechanism are unclear amongst the beneficiaries. Generally, the relevant implementation officials inform the selected beneficiaries, and provide guidance to them as regards further steps necessary for enrolling. When allowance is ready for disbursement, the beneficiaries are informed. However, the beneficiaries were found to be ill-informed and lacked awareness regarding issues such as official guidelines, criteria and schedule of disbursement. On the other hand, the non-beneficiary communities were also devoid of information about the programme, including reasons for their ineligibility to get selected under the scheme. It should be the responsibility of the implementation agency to inform all the potential candidates explaining selection criteria, implementation processes, timeframe and purpose of the allowance to maximise the output of the allowance.

# 5

## Concluding Remarks

Eradication of poverty, a key strategic goal of any planning process of Bangladesh, requires empowerment of the poor both economically and socially. Hence, poverty alleviation in a sustainable manner must be underpinned by employment generating economic growth along with development of human capital. Current strategies and programmes in poverty reduction do not effectively empower the poorest section of the society, which faces considerable structural barriers to public services. As a result, they fail to participate at the higher end of market channels, making it difficult to lead their way out of poverty.

While effectively crafted fiscal policy and/or government budget certainly could reduce poverty, regrettably Bangladesh's fiscal policies emphasise more on fiscal stability than on empowering the poor. As a matter of fact, these fiscal policies have often failed to keep enough space for the poorest section. In addition to this, lack of skills, disabilities, minority status and other factors have marginalised the poorest people from mainstream economic activities. The fiscal programmes hardly differentiate between the poor and the poorest. For example, most of the poverty programmes require target beneficiaries to be 'landless', which is a very broad category. Moreover, the definition of poverty reducing expenditure followed by the Finance Division is too broad and occasionally overlooks the ultra poor. The recent tax structure of Bangladesh had little impact on equalising income between the richest and the poorest section of the society. The current process of budget formulation has very limited scope to ensure participation of the poorest section of society. Nevertheless, the recent effort of collecting incremental tax revenue in the form of direct tax (income tax) at an accelerated rate compared to indirect tax can be considered as a positive trend.

Fiscal policies may also take cognisance of the changes in poverty dynamics in Bangladesh. Rapid urbanisation, rising migration of the poor to urban areas and deepening regional disparity emerged as the new challenges in development. The discovery of poverty pockets such as *monga*-prone areas, *haor-baor* and *char* areas, have added another dimension to poverty alleviation.

Social safety net programmes have proven inadequate in addressing the needs of the poorest section. A number of these programmes hardly recognise or cover the ultra poor specifically. Even with the recent increase in budgetary allocation, Bangladesh seems to be spending far less on them relative to other countries. Given the scarcity of resources, SSNPs can adopt geographical targeting for better coverage, though their handling of regional issues has not been compelling.

Given the above context and field observations, the present study puts forward a number of recommendations to make fiscal policy work for the poor. The recommendations are prepared in two sets. The first set compiles recommendations at a broad level, while the second set places recommendations for the three specific programmes observed during the field visit.

## **5.1 General Recommendations**

### **5.1.1 Skill Development and Participation in the Market**

The root cause of poverty can be attributed to the barriers that prevent the poorest from participating in the market and making their way out of poverty. It is important to design programmes, which have offered only temporary solutions so far, that empower the poorest in the long-term through skill development, so that they can take an active role in the market. At the same time often low level of skill becomes an inherent impediment on the way of raising living standard of the poorest section sustainably. In view of this, facilitating access of the poor's primary products to the market value chain, and supporting them to build productive assets and skill development ought to be seen as key policy interventions.

### **5.1.2 Design of Poverty Alleviation Programmes**

When designing any policy or programme regarding poverty reduction, it needs to be taken into consideration that impact of these programmes will not benefit all the poor equally. Therefore, indices for defining and distinguishing the 'poor', 'extreme poor', 'hardcore poor', and 'ultra poor' can help in making budgetary allocations for the respective groups. For any region, factors such as seasonal variation, geographical features and local needs should be taken into account while designing poverty alleviation programmes. Access to SSNPs should be identified as the 'right' of the poor rather than as 'relief', which suggests goodwill. The idea of 'relief' still prevails in EGPP, but the philosophy behind SSNPs should rather be to offset the imbalances in the socio-economic structure through employment generation for the poorest.

For broad-based sustainable reduction of poverty, investment in agriculture and technological advancement should be increased. Education is the key factor in empowering the poor and helping to make sustainable changes in their lives. Vocational and rural area-oriented job creation needs to be emphasised in the Education Policy so that human resources can be trained in a manner that

enhances productivity. More resources should be used for building infrastructure that is conducive to employment generation and increased income for the poor.

### **5.1.3 Design and Implementation of SSNPs**

#### ***Mainstreaming of the Programmes***

SSNPs should be part of the mainstream development plans. Therefore, emphasis should be given to increase the implementation of ADP, which will generate more employment for the poor.

#### ***Preparation and Groundwork***

For better and more efficient implementation, adequate time needs to be allocated for designing and planning, and pre-implementation groundwork. It is useful to draw lessons from similar programmes which are being operated in other countries. Officials involved in mid-level and field level implementation, monitoring and record keeping also need to receive adequate training for better delivery of the programmes.

#### ***Participatory Process***

Global experience indicates that any poverty alleviation programme, be it a public workfare or an unconditional transfer programme, derives more benefit if it is operated under a participatory process involving the relevant stakeholders. Ensuring their participation in the programme design, implementation, monitoring, and even in the national budget making process is vital for transparency and accountability. However, creating space for citizen's participation directly or indirectly is a challenge, especially in gaining access to marginal voices. The field observations of this study suggested that a number of grassroots NGOs formulate local resource and poverty maps to identify their programme participants, and to make best use of their limited programme fund. It was found that these 'maps' are often prepared with the help of local civil society and prospective programme participants, and are validated in community meetings. In this regard, SSNP implementation agents can reach out to locally operating NGOs and utilise their local resource and poverty maps.

#### ***Targeting***

In any poverty alleviating programme, the output depends largely on accurate targeting schemes. An institutional mechanism involving the local people needs to be developed for participatory targeting and for validating the existing list of beneficiaries.

#### ***Implementation***

Delivery mechanism needs to be decentralised to ensure accountability in the implementation of SSNPs. Appropriate funds need to be allocated for this purpose to

meet the administrative requirements, particularly in the extreme poverty pocket zones of the country.

### ***Progress Monitoring***

The implementation process of any SSNP must incorporate a monitoring system, which will both improve effectiveness and maintain accountability. This monitoring system should also consider 'best practices' from other sources, including local implementation authorities, so that the programme is aligned with local conditions and requirements.

### ***Redress of Grievances***

A system to receive and redress grievances is highly recommended. This can be achieved through regular consultation and discussion sessions between participants and delivery/implementation authorities.

### ***Harmonisation of the SSNPs***

Given the number of SSNPs currently operating in the country, redundant programmes are highly probable. These programmes should be consolidated to reduce administrative leakages, duplication, pilferage and spillover transfers (monetary or non-monetary) to the beneficiaries. A centralised database for SSNPs and their beneficiaries will also help to eliminate mistargeting, reduce duplication, and maximise utilisation of resources. This will enhance the efficacy of the implementation and monitoring process of these programmes.

### ***Public-Private Partnership (PPP) for SSNPs***

Many NGOs have identified that the poorest segment of society benefit little from government interventions (e.g. SSNPs). Therefore, several NGOs have started special programmes specifically for the ultra poor. One example is the BRAC programme titled *Challenging the Frontiers of Poverty Reduction: Targeting the Ultra Poor*, which covered 100,000 households from 15 districts in phase 1 (2002-2006), and 860,300 households from 41 districts in phase 2 (2006 and onwards). Given the common objectives and collective experience of NGOs and the government, they can work jointly to implement programmes for the poor on the basis of a PPP model. Use of PPP to carry out SSNPs is not new in Bangladesh. VGD, one of the most prominent SSNPs in Bangladesh, has been implemented by private organisations like RDRS and BRAC.

### ***Addressing Urban Poverty***

Most of the SSNPs are designed for the rural poor, but given the increasing rate of urban poverty, programmes must also be designed to assist the urban extreme poor.

## **5.2 Programme-Specific Recommendations**

### **5.2.1 Employment Generation Programme for the Poorest (EGPP)**

#### ***Legal Basis***

Legal backing of employment schemes can have powerful implications for their financing modalities, accountability, participatory engagement, and long-term sustainability. Following MGNRGEA in India, the EGPP could be made effective and sustainable if it were enacted through any legal instrument.

#### ***Timeframe***

The programme operates during the two lean seasons of the year when the rural ultra poor, most of whom are agricultural day labourers, cannot find a job. However, lean periods across the country are not in sync since crop cycles vary by region. Therefore, rather than following a stringent timeframe, the programme should cluster districts according to agro-ecological zones, and design the timeframes accordingly. It must also take into account local crop-cycle, seasonal variability and cropping patterns. When determining the timeframe, participatory decision making involving local experts, implementation authorities and target individuals will ensure a better understanding of ground realities. For example, the project design and budget of the Ethiopian PSNP programme is formulated at the district level, thus taking into consideration local needs and conditions (Koochi-Kamali 2010).

#### ***Selection Process***

Two successful public work programmes, namely MGNREGA of India and Trabajar of Argentina, operate in a flexible and demand-driven manner, where potential beneficiaries come to the implementation authority to apply for employment. In Bangladesh it is difficult to operate a demand-driven approach due to the large population of potential beneficiaries, but this approach can be tested in selected districts at a more manageable scale. Furthermore, the selection process of projects needs to engage local community and civil society members, which will also generate more ideas for the projects.

#### ***Non-Wage Cost***

EGPP has made a provision to allocate only 10 per cent of its total budget for non-wage and material cost, but much of this expenditure derives from the savings made by cutting down the number of participants. Therefore, to widen coverage and avoid compromising the allocation for wage cost, separate and distinct resources need to be allocated for non-wage cost. The PSNP in Ethiopia allocates up to 20 per cent of the project budget on capital and administrative expenditure (Koochi-Kamali 2010). In the case of the Bosla Familia Program in Brazil, the non-transfer and administrative cost is on average 12 per cent of the programme budget, and is borne



by the implementing municipality due to the decentralised structure of implementation. The Ministry of Social Development, the central authority for the programme, subsidises the administrative cost of municipalities based on their performance (Lindert *et al.* 2007).

### ***Wage Rate***

The wage of EGPP is kept below market rate to filter non-target groups. The average market wage rate needs to be monitored regularly, and if that changes, EGPP wage rates should be adjusted (annually) so that they remain below the market rate.

### ***Payment Mode***

Past CPD studies have identified the benefits of payment through a banking system for pro-poor projects (Fahmida *et al.* 2009; Fahmida *et al.* 2010). EGPP has introduced wage payment through bank accounts, but the associated banks are facing problems in dealing with the huge workload. This load can be alleviated by increasing manpower in these banks. In remote areas, where access to bank is difficult, mobile branches/stations should be established. In light of all these, banking systems can be introduced in phases, starting with a pilot run, to explore and devise methods to deal with the above challenges.

### ***Use of Management Information System (MIS)***

In the case of MGNREGA, Bosla Familia Program and PSNP, all information regarding allocation, expenditure, participant selection process, status of projects, and other relevant information can be found on a website that is updated regularly. EGPP can also follow their example for better transparency and efficacy.

## **5.2.2 Primary Education Stipend Programme (PESP)**

### ***Revisiting Selection Criteria***

To continue receiving stipend for the next year, each student needs to secure at least 33 per cent mark in all subjects of the annual examination, and have at least 85 per cent attendance. For a student from a poor family, it is often difficult to maintain these criteria. As a result, the remaining blank places are filled by students with better results, in most cases with students from non-poor families who can afford supplementary educational expenses (e.g. private tutor, coaching, etc.). Hence, it is important to make the selection criteria flexible to ensure that students from poorer families reap the benefits of PESP.

### ***Targeting and Coverage***

The programme, aimed to deliver primary education to all children, currently covers an impressive 60-90 per cent of primary students in all the selected primary schools throughout the country. The programme can be tailored more towards the poorest

section of the society by prioritising poorest regions of the country, which can be located using up-to-date poverty maps and information from various HIES.

### ***Payment***

Currently the programme also covers few students from families with relatively tolerable economic conditions. Cutting down on the number of students falling under this category will allow to increase the monthly stipend for the remaining poorer students, and thereby lower their chances of dropping out due to financial pressures.

### ***Implementation Design and Monitoring***

The mechanisms for design and implementation need to be more participatory. Close and thorough monitoring by an independent body, involving education officers, members of civil society and NGOs, can prevent oversight and enhance the efficiency of implementation. The Indonesian Scholarship and Grant Program (SGP) and School Improvement Grant Program (SIGP) have successfully employed independent monitoring system along with a Central Independent Monitoring Unit (CIMU). Supervision of implementation and management authority by this comprehensive monitoring system has improved programme management and delivery (CIMU 2004).

## **5.2.3 Maternity Allowance for the Poor Lactating Mothers**

### ***Design***

The programme aims to assist poor mothers by ensuring nourishment and medical services during the critical periods of pregnancy and immediately after childbirth. However, it is possible to integrate the programme into other safety net programmes and expand its scope by helping poor mothers make their way out of poverty at the same time. For example, the Brazilian Bolsa Familia Program assists extreme poor families in a holistic fashion by providing support for income generation, education and healthcare simultaneously (ILO 2009).

Besides nourishment and healthcare, the programme can also include a component for building awareness among parents regarding food preparation, hygiene and child care, following the model of the Red Solidaria programme in El Salvador (Britto 2007).

### ***Preparation and Implementation***

As the field observation of this study shows, beneficiary selection, disbursement of funds and implementation are extremely slow. In many cases, mothers receive the allowance after the birth of the child. As a result, the programme does not yield expected outcomes, demonstrating the need for a faster delivery mechanism. The funds can also be disbursed in two phases, one installment during pregnancy period, and another after birth of the child. This will maximise the utilisation of funds, as proven in the Indian National Maternity Benefit Scheme.

***Selection Process***

Selection of programme participants is conducted only once a year (usually during September-October). Therefore, only those mothers who are pregnant at the time of selection can reap the benefits of the programme. The programme can be redesigned such that the selection process is conducted in multiple phases over the course of a year.

***Involvement of Relevant Agencies***

Local family planning and health services offices have the complete and regularly updated statistics on population demographics, the number of pregnant mothers and newborn children, as well as family planning activities and other health-related information. The merging of information from multiple agencies and sources allows for more timely and effective selection and programme implementation. Likewise, the SSNP for poor mothers can be synchronised with other agencies for better delivery.

***Awareness***

Awareness about the programme is extremely low among the target population. Relevant information regarding eligibility, selection process, disbursement of allowance, and duration and frequency of payment needs to be disclosed through workshops, public notices and the mass media.

***Monitoring***

Presently there is no effective system in place to monitor the implementation process. Monitoring the participants is also required to ensure that the allowance is utilised appropriately. There have been cases where the male head of the family has used the money for his own consumption. Therefore, proper monitoring and awareness building should also ensure that recipients have ownership over the allowance. Regular health check-ups for pregnant mothers and newborn children can also be incorporated into the programme.

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Poverty reduction is considered to be the underlying objective of all the development policies of the country. National budget is the most important economic policy document in Bangladesh which includes fiscal measures for the poor. Regrettably, fiscal policies largely failed to address special needs of the ultra poor as there is no clear distinction between the poor and the poorest in the prevailing economic policies. In reality, social safety net programmes (SSNPs) remain the only direct intervention within a national budget framework which addresses the poor.

Drawing information from both primary and secondary sources, the study assessed three prominent SSNPs, namely *Employment Generation Programme for the Poorest (EGPP)*, *Primary Education Stipend Programme (PESP)* and *Maternity Allowance for the Poor Lactating Mothers*. Field investigations revealed that preparatory time was insufficient for EGPP which often resulted in leakages and under-implementation. Uniform programme design was found unsuitable for many regions. Introduction of non-wage cost and payment through banking channel have improved the efficiency of the programme. Coverage of the PESP has been expanded gradually over the years. Despite some limitations regarding selection criteria, the overall impact of the programme was found to be positive; drop-out has reduced and enrollment rate has increased at the primary levels. *Maternity Allowance for the Poor Lactating Mothers* was found to have extremely low coverage and long processing time. Awareness about the programme was also very low. Drawing upon the above mentioned findings, the study puts forward a set of specific recommendations for improving effectiveness of these SSNPs.

In a resource constrained country such as Bangladesh, it is critical to increase the efficiency of existing poverty reducing programmes and maximising their effectiveness. It is hoped that this volume will be able to draw attention of policymakers, academics and practitioners to the urgent task of mainstreaming the need of the ultra poor in the budgetary process which is necessary for attaining poverty alleviation targets and enhancing socio-economic development.

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ISBN 978-984-8946-10-7



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