

Policy Recommendations for the Members of Parliament from

National Budget Analysis for the Ultra Poor

Fahmida Khatun

Towfiqul Islam Khan

Ashiqun Nabi

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CENTRE FOR POLICY DIALOGUE (CPD)
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National Budget Analysis for the Ultra Poor

Sustainable poverty reduction requires employment generating economic growth with an emphasis on the development of human capital to empower the poor to participate in the growth process. Mobilising resources for poverty reduction programmes may not bring expected results unless policymaking and implementation processes ensure empowerment of the poor through a participatory approach. Bringing the poorest sections of society into mainstream economic activities is challenging due to a number of factors which marginalize them. These include lack of skills, lack of community involvement and networks, disabilities, minority status, homeless status, and other such marginalizing factors. Generally, these people are confined to informal, insecure, low-wage occupations.

Policymakers need to address the needs of the poorest by recognising the factors that have led to their extreme marginalisation and chronic poverty. As such, the poorest section of the people need a different set of approaches and fiscal provisions, separate from what is set aside for the poor in general. A disaggregated analysis of poverty is also required to better understand the complexities of the problem. Government policies may take more proactive and pragmatic steps to design a pro-poorest approach in the fiscal policy.

Members of Parliament (MPs) are the representatives of the people and are involved in policymaking and finalising the national budget. Thus the MPs can contribute to a great extent in ensuring that the budget addresses more effectively the needs of ultra poor citizens of Bangladesh.

Summary of Findings

- Poverty as a concept could not break-off the narrow approach as the existing conceptualisation of poverty based on income/consumption is inadequate. The use of a poverty line approach to define poverty overlooks the multi-faceted nature of poverty. Policymakers need to engage with poor community leaders and others working with these groups to recognise the various dimensions of poverty.
- The current government statistics based on Cost of Basic Needs (CBN) criteria, and hence the government policies, do not recognise the “ultra poor” concept.
- Designs of the fiscal programmes provide very limited scope to differentiate between the poor and the poorest. For example, most of the designated poverty programmes set the criteria of “landless” while targeting their programme participants.
- Poverty reduction has gained some momentum in recent times. But this stream of poverty reduction does not cover all sections of people particularly the hardcore poor.
- The achievement in poverty reduction so far, has not been equally apparent across all the popular indicators of poverty incidence. These findings clearly raise the question as to whether the prevailing economic trend is good enough to reach the poorest.

- Rapid urbanisation and rising migration of the poor to urban areas raise the concern about the outline of poverty reduction. Fiscal policies may also take cognisance of the changes in poverty dynamics in Bangladesh.
- Deepening regional disparity emerges as the new challenge in development paradigm. A number of poverty pockets may slow down the future progress of poverty alleviation. Spatial dimensions include rural-urban poverty, regional disparity (an emerging East-West Divide), and extreme poverty pockets such as *monga*-prone areas, *haor-baor*, *char* areas.
- The tax structure of Bangladesh had little impact on equalising income between the richest and the poorest section of the society. The current budget formulation process has very limited scope to ensure participation of the poorest section of the society.
- Following the definition by the Finance Division, poverty reducing expenditure as percentage of total expenditure and gross domestic product (GDP) remained more or less stagnant. However, this measure of national budget's pro-poorness can be criticized on a couple of grounds. *First*, the definition of the poverty reducing spending is too broad. *Second*, some activities, considered under this category, may not always reach the ultra poor.
- The poorest section of society faces considerable structural barriers to access public services.
- Designs of social safety net programmes (SSNPs) are inadequate to prioritise the poorest section. In fact, a number of programmes hardly recognize the ultra poor as a special class among the poor section of the society.
- A small proportion of the ultra poor are covered by the SSNPs in Bangladesh. Even with the recent rise, Bangladesh seems to be spending far less on them than other countries.
- Given the scarcity of resources, geographical targeting can be one approach which can improve the targeting of SSNPs. However, little evidence on effective addressing of regional issues is found in the overall SSNPs design.
- Currently practiced poverty reducing strategies and programmes do not effectively empower the poorest section. As a result, they fail to participate at the higher end of the market channels. This, in turn, makes it difficult to lead their way out of poverty.

Policy Recommendations

Development strategies of Bangladesh have, all along, been focusing on poverty reduction, which is reflected in almost all the planning documents of the country. Despite such efforts, Bangladesh is still known to be the home of a large number of poor people. Programme based assistance does not address the root cause of poverty – the structural injustice of society that disempowers the poor and prevents them from participating in the market. With this end in view, the following recommendations are made from two perspectives –

1. empowerment of the poor, and
2. effective delivery of the budget.

The following recommendations are placed before the honourable Members of Parliament (MPs) regarding issues on which they can directly contribute.

- **Participation of the MPs in budget making process.** The budget making process in Bangladesh is so far bureaucratic in nature. Public representatives, especially the MPs, need to participate actively in the budget making process. Through regional estimation of poverty and resource demand, MPs can then put forward the needs for their administrative areas during the budget preparation phase. Even for special programmes designed for poverty reduction (eg, SSNPs), they can place demand for their respective areas which would in turn help in doing estimation and making allocation of total resource under that programme.
- **Participatory budget making.** There is a need to involve all relevant stakeholders, including the ultra poor, in the budget making process for transparency and accountability of the National Budget. The government has begun a process of pre-budget consultation with the business community, professionals, civil society organisations, NGOs, academics and experts. However, the voice of the absentee – the poorest – is still to be heard by the policymakers. While the budget is known to be the most crucial instrument for pro-poor economic growth, it is of utmost importance that the poor, especially the ultra poor, participate in the preparatory process of the national budget. Involvement of the political parties in budget preparation is also important to make the process more participatory, which is currently not in practice. Several local NGOs have attempted to simulate a local government’s budget making process involving the wider community at the local levels. Such endeavours can be mainstreamed.
- **Resource Gaps.** To make growth sustainable, resource allocation for social protection is essential. On the other hand, a sustainable growth can increase the coverage of social protection. Due to the definitional ambiguity between poor and extreme/ ultra poor, it is difficult to come up with a number to indicate how much resource is exactly allocated for the poor and the ultra poor. Currently, only 2.5 per cent of the GDP and 14.8 per cent of the total budget is allocated for the SSNPs. However, it may be argued that the definition of SSNPs pursued by the government at present also includes ‘Pension for Retired Government Employees and their Families’ consisting more than 20 per cent of the total allocation for SSNPs. Without this programme the abovementioned figure will be only 2.0 per cent of the GDP and 11.7 per cent of the total budget. The allocation for SSNPs in FY2014-15 is planned to increase to 3.0 per cent of GDP. The inadequacy of resources is reflected in two ways. *First*, there is not enough money to reach all those who need it. *Second*, each person receiving support is not receiving. Such constraint in resource availability calls for an efficient targeting.
- **Targeting the poorest.** Targeting is a key factor in determining the efficiency of any SSNP. For effective targeting, target group needs to be clearly defined. Coverage needs to be designed carefully with latest poverty maps or Household Income and Expenditure Survey (HIES). Local NGOs often develop local resource maps and poverty maps with grassroots level information. Synchronisation with these NGOs, by involving them in design, implementation and monitoring process would enhance efficiency of the SSNPs. Design and implementation mechanism should be made participatory where voices of the poorest/ target group would be heard by the policymakers.
- **Partnership with NGOs.** The practice of GO-NGO collaboration in implementing SSNPs is not new in Bangladesh. Vulnerable Group Development (VGD), one of the most prominent SSNPs in Bangladesh is being implemented by private organisations like RDRS and BRAC. Many NGOs have identified that the poorest group of the

society are less benefited from government interventions (eg, SSNPs). Several development organisations have started programmes specifically targeting the ultra poor. BRAC's 'Challenging the Frontiers of Poverty Reduction: Targeting the Ultra Poor' is one of such programmes which covers 100,000 households from 15 districts in phase 1 (2002-2006) and 860,300 households from 41 districts in phase 2 (2006 and onwards). Shiree is another programme which works with 150,000 extremely poor households across the country. The government can build partnership with such organisations to implement and evaluate programmes for the ultra poor.

- **Include SSNPs in CSR List.** A number of corporate entities are involved in various corporate social responsibility (CSR) initiatives. MPs may pursue to add some selective SSNPs as the new sectors in the existing CSR list. This can reduce the fiscal burden of the government.
- **Conceptualisation of Ultra Poor.** 'Ultra Poor' is not a distinctly defined group in the government's policy documents. The closest nomenclature could be the 'extreme poor' or 'lower level poverty'. The draft SFYP uses 'extreme poor' and absolute poor to differentiate between various levels of poverty. Given the importance of targeting as a determinant of efficacy of any SSNPs, it is extremely crucial to define the target group clearly. With a clear definition of different poverty groups, MPs would be able to perform a need assessment for the ultra poor and place demand for resources. In this context, MPs may take proactive role to resolve this fundamental issue of defining and including ultra poor while finalising the SFYP.
- **Conceptualisation of SSNPs.** Globally, the philosophy of social protection/ social safety net is inclining towards conditional transfers. Access to SSNPs should be highlighted as the 'right' of the poor rather than 'relief'. For example, in case of Employment Generation Programme for the Poorest (EGPP), an essence of 'relief' still prevails in the programme. It is crucial that the resource is 'transferred' to the appropriate target group in a 'condition' that they earn it through labour. The philosophy should be 'enhance income and social development through employment generation'. It is now time to transform SSNPs into more demand-driven ventures instead of supply-driven.
- **Maintain a Database.** A centralised database of SSNPs and their participants has become essential to reduce overlapping of coverage and maximise utilisation of resources.
- **Impact assessment.** It is important to evaluate and assess the impact of the government's programmes to make SSNPs transparent and accountable. The government on its own and a third party institution can conduct the impact assessment of these programmes. This process is not only important for assessing efficacy of the programmes, but is also crucial to set a benchmark that determines graduation strategy and departure point of the participants.

Another set of recommendations is attached as an annexure to arm the honourable MPs with more knowledge so they may advocate for those to different stakeholders including the other government agencies.

ANNEXURE

A. General Recommendations

Participation in the market

- It is the structural injustice that has been resisting the poorest to participate in the market. Programmes designed to assist the poor/ extreme poor provides temporary solution. It is important to design programmes that empower the poorest through upgradation of skills so they can contribute to their own development through the market channel.

Design and Implementation

- *Mainstreaming of the Programmes:* SSNPs should be part of the mainstream development plans. Emphasis should then be given to increase the implementation of the Annual Development Plan (ADP). Higher implementation of ADP will mean more employment for the poor.
- *Preparation and groundwork:* Adequate time needs to be allocated for proper designing and planning, and pre-implementation groundwork. Similar programmes which are being operated in other countries need to be explored to draw lessons. Officials involved in mid-level and field level implementation, monitoring and record-keeping need to be trained up adequately.

Addressing urban poverty

- Most of the SSNPs are designed for the rural poor. However, given the increasing rate of urban poverty, specially designed SSNPs are of great need to assist the urban extreme poor.

Grievance Readdress

- A systemic method for grievance recording is highly recommended. Consultation and discussion sessions can regularly be held between participants and delivery/implementation authority on a regular basis.

B. Programme Specific Recommendations

I. Employment Generation Programme for the Poorest

Institutional issues

- *Legal basis:* The programme is still not enacted through any legal act. If the programme is to be made effective and sustainable, it needs to be enacted to guarantee employment for the poorest.

Revisiting the Programme's Status Quo

- *Time-frame:* The programme operates in two lean seasons of a year to assist the rural ultra poor, most of who are agricultural day labourers, at times when they

cannot find job. However, as crop cycles vary with different agro-ecoregions, the lean periods do not prevail uniformly across the country. In this backdrop, rather than following a stringent time-frame, the programme should cluster districts according to agro-ecological zone and design the time frame accordingly. Local crop-cycle, seasonal variability and cropping pattern need to be taken under consideration. In view of this, a bottom-up approach in decision making, where operational time-frame would be designed by local experts, implementation authority involving local people, is required.

- *Selection processes:* NREGA of India and *Trabajar* of Argentina, two most successful public work programmes operate in a flexible and demand driven manner where worker groups come to the implementation authority to apply for employment at times when they fail to get jobs in the market. Despite the fact that for Bangladesh, it is difficult to operate in a demand driven approach where potential participant group is extremely large, such a participatory approach can be piloted in selected districts where potential participants will form a group and apply for work. The selection process of projects also needs to be conducted in a more participatory approach. Active participation of the local community and civil society members need to be involved in the consultation process. With the use of that resource, there remains a scope to diversify the type of projects by including social afforestation, waste management, and cleaning and maintenance of local public assets.
- *Non-wage cost:* Currently EGPP runs with the provision of 10% non-wage or material cost. This is commendable in view of durability of the projects. As a matter of fact, this non-wage cost is allocated from the wage cost by *cutting* down number of participants. To widen coverage, separate resource needs to be allocated for non-wage cost.
- *Wage rate:* Wage of EGPP is and should be 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 revisited *accordingly* (on annual basis).
- *Payment mode:* CPD has long been advocating for payment through banking system in these kinds of projects (CPD 2009; CPD 2010). EGPP has introduced wage payment through bank accounts, which is a commendable step. However, the associated banks are facing problems in dealing with such a huge workload. In view of this, manpower of the banks needs to be enhanced while in remote areas, where access to bank is difficult, mobile branches/stations should be established. CPD has also been suggesting to introduce banking system on a pilot basis to find and deal with associated constrains.
- *Use of Management Information System (MIS):* As can be observed for the case of NREGA, a flagship public work programme in India, all information regarding allocation, expenditure, participant selection process, approved and running projects, and relevant other information can be found in website which is updated regularly. EGPP can also follow the same example for better transparency and efficacy.

II. Stipend Project for Primary Schools Students

- *Revisiting selection criteria:* To continue receiving stipend for the next year, one student needs to secure at least 33 per cent mark in all subjects in the annual examination, and have to attend 85 per cent classes throughout the year. For a student from poor family, it is often difficult to maintain such 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 (eg. private tutor, coaching, etc.). Hence, it is important to make the selection criteria flexible to ensure that students from poorer families derive more benefits.

- *Targeting and Coverage:* The programme, targeting to deliver primary education to all children which demands notes of appreciation, currently covers 60-90 per cent of primary students of any approved primary school throughout the nation. To make the programme more directed towards the poorest section of the society, it needs to prioritise the poorest regions of the country. Latest poverty map and HIES can be used to locate the poorest regions while coverage can be different at different regions covering more students at the poorer regions.
- *Payment:* The *current* coverage not only covers the poor students, but also students from families with better economic condition. Raising the amount of monthly stipend while lowering number of participating students will benefit the poor students more.
- *Implementation Design and Monitoring:* Design and *implementation* mechanism need to be more participatory. Strong and close monitoring involving Education officers, members of civil society and NGOs can enhance efficiency of implementation.

Maternity Allowance for the Poor Mothers

- *Design and preparation:* Programme participant selection, fund release process and implementation mechanism are extremely slow. In cases, the mothers of student receive the allowance after birth of the child. As a result, expected impact of the programme is not up to the mark which calls for a faster delivery mechanism.
- *Selection process:* Selection of programme participant is conducted only once for a year (usually during September-October). As a result, only those mothers who are pregnant at the time of selection get enlisted. The programme can be redesigned in a way that participant selection process will be conducted in two phases over the year.
- *Involvement of relevant agencies:* Local Family Planning and Health Services Offices have complete and regularly updated lists of population (by age, sex and marital status), number of pregnant mothers, new born children, family planning activities, and health related information. To ensure better, timely and effective selection and implementation of the programme, it needs to be synchronised with those agencies.
- *Awareness:* Awareness level among the participants and potential participants is extremely low. Relevant information need to be disclosed through workshops, public notices and mass media to increase awareness regarding selection process, allowance disbursement mechanism, duration and frequency of payment and eligibility criteria.
- *Monitoring:* There is no effective monitoring system. The implementation process needs to be monitored closely. Monitoring the participants is also required to ensure that the allowance is appropriately utilized by the participants. Cases are found where male family-head has used the money. Ownership of a participant needs to be ensured through proper monitoring and awareness raising. A process of regular health check-up of pregnant mothers and new born child can be added up to the implementation process.