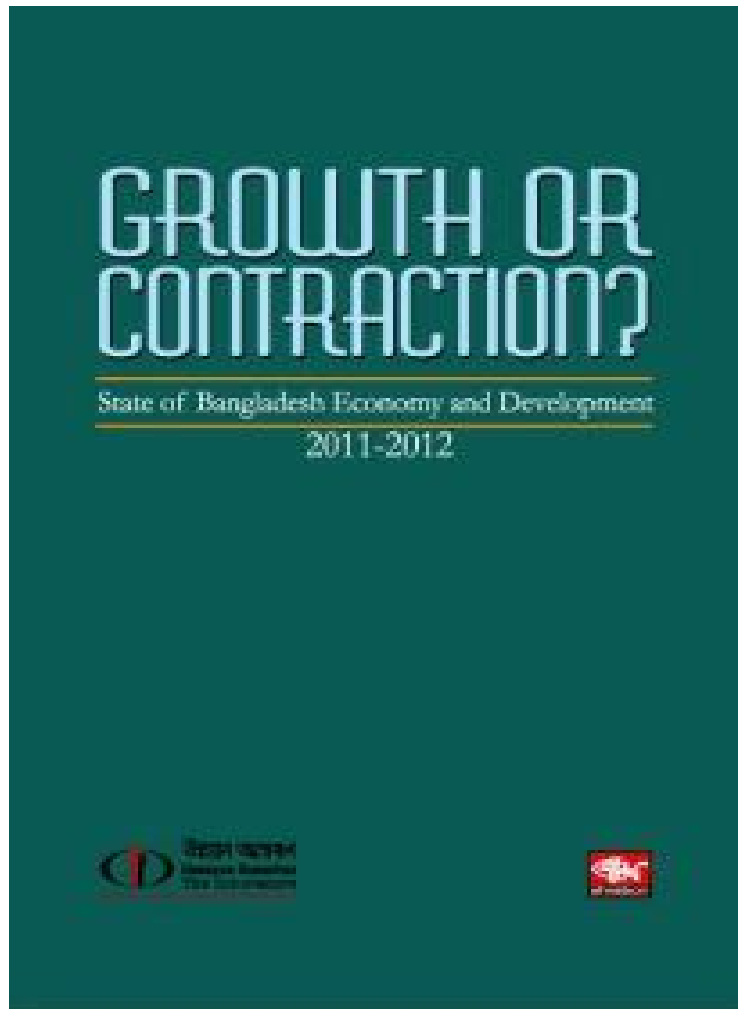


# SOCIAL SECURITY

**Md. Aslam Hossain**



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# **SOCIAL SECURITY**

**Md. Aslam Hossain**

## **1 INTRODUCTION**

The MEFP designed by the Government of Bangladesh sets out the Government's reform program for the period 2012-2015. In that regard, Bangladesh is requesting access to the International Monetary Fund (IMF) resources under an Extended Credit Facility (ECF) amounting to SDR 639.96 million over a three year period to meet in part the Balance of Payment (BoP) financing needs and provide a buffer against shocks until the policy adjustments and reforms take hold.

In general, most of the policies that the IMF recommends to several countries regardless of their circumstances are more or less same. These policies are targeting low inflation, reduction of Government spending, free flow of exchange rates, free capital account convertibility, phasing out of subsidies and unemployment situations. This paper shows how these policies make the economy more vulnerable through reduced purchasing power, increased unemployment and an overall negative impact on the economy and in turn, reduces the overall social security of Bangladesh.

The present Government's election manifesto clearly mentions that the number of poor people will be reduced to 45 million from 65 million by 2013 and will further come down to 22 million in 2021. In order to implement the vision 2021, a comprehensive social security system will have to be adopted which could lead to lower poverty level and proportion of ultra-poor to 25 percent and 15 per cent respectively by 2013. There are strong premonitions that the present policies in favour of IMF might not make the vision successful.

The main tool that the Government of Bangladesh focuses on for a social security purpose is social safety net programmes. These Social Safety-Net Programmes (SSNPs) are mainly based on ad-hoc basis to cope with sudden vulnerabilities. As the benefits of these programs are short term in nature and from long run development perspectives these seem to be ineffective. It is observed that reasonable growth rates have led to declines in percentage of poor but the number of poor has not declined but at the same time expenditures on safety nets have fallen. Though the safety net programmes are important components of the Government's social protection strategy, expenditure on the programs are fairly low and declining – and lower than what other countries at similar levels of development spend on these programs. There is always a mismatch between the budgetary allocation and the nature of SSNPs. Although the nominal allocation of SSNPs were increasing at a tiny rate over the time but real allocation were decreasing over the time, indicating overall inverse impacts on SSNPs.

## **2 IMF: POLICIES AND SOCIAL SECURITY IN BANGLADESH**

The main aim of social security<sup>1</sup> is to guard members from a fall in living standards and an approach that presupposes certain level of living of populations (Dev et al, 2000). To create a better understanding, the social security is assured through regular participation in work and population leaving only specific contingencies to be taken care of by public policy. Social security can be classified into two perspectives such as social risk management and human wellbeing and security.

An important study by Roy and Ramos (2012) on the IMF policy recommendations for 26 developing countries in 2010 (where their important findings was not fundamental reformulations) had been incorporated within the recommendations to the developing countries and has not been considered important to rethinking of inflation policies.

One of the important suggestions of the IMF is to tighten the fiscal policy and rearrange the tax system. The GDP growth of this country is fully consumption based; hence increasing tax burden without proper modernization of tax system will hamper the consumption and therefore have a negative impact on GDP growth. These short term events will happen due to increasing tax which arises from the misleading definition of the fiscal space itself. According to the IMF and the World Bank's definition fiscal space is that gap between the current and the maximum level of expenditures which can be undertaken by the Government beyond impairing its solvency (Development Committee, 2006:14). According to the IMF, taxes should be increased to accelerate the remittance- and consumption-led economies. As some of these economies are still experiencing a fragile recovery, this policy does not seem to be appropriate, as it could be an additional burden. Hence, the IMF policy recommendations regarding fiscal policies are indeed focused on short-term aspects. Another important fiscal issue is that the IMF recommended that developing countries use external funding. This advice was given even to countries where domestic funding was available and not expensive. This attitude represented a clear lack of consideration of the importance of the sustainability of the funding and to the risks related to exchange rates. As a result, there is a greater chance to depreciate the domestic currency and hence, increase pressures on the BOP. On the other hand, reducing the subsidy on various sectors will create the cost push inflation which is already seen in this economy.

To control the inflationary situation the IMF suggestion applied by the central bank is to apply contractionary monetary policy, even if they cannot identify the reason behind the present inflation - demand pull or cost push. The Bank is able to change the policy interest rate; and only demand inflation will be affected, as supply-side inflation will not

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<sup>1</sup> According to International Labour Organization (ILO), Social Security may be conceptualized as: "the protection which society provides for its members through a series of public measures against the economic and social distress which otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death; the provision of medical care; and the provision of subsidies for families with children" (ILO, 1999).

respond to monetary policy. By this mechanism of lowering investment, growth of GDP will fall and hence and also increase the unemployment rate.

In area of international trade, the common suggestion of the IMF is to make flexibility in exchange rate. A common problem with fully flexible exchange rates in developing economies is the high pass-through of the exchange rate to inflation in these countries.

Ethiopia which has managed flexible exchange rate system according to IMF recommendation in which the liberalizing of exchange rate would benefit the economy through improving the access for the private sector, increasing confidence in the rate and reducing the economic losses from an active dual exchange market. But it had not considered the importance of a stable exchange rate system in deducing the country's existing extreme susceptibility to outer shocks. However, in Ethiopia the risk of exogenous shocks was so high for last decades and hence it has experienced negative outer shocks in every 5 to 7 years which stem from droughts, terms of trade reversals and most recently the global recession (IMF, 2010j).

The greater exchange rate flexibility was recommended to Egypt regardless of the report which recognized the emphasis of the exchange rate on the development and on future inflation expectations. The authorities were more concerned with the maintaining stability and disagreed with these policies and stimulated the concern with "protecting the economy from excessive volatility" (IMF, 2010b). Exchange rate flexibility and fighting inflation according to policy, the Fund's economic counselor recognized that these policies were only the 'words' but the actual 'deeds' were that many countries cared about the exchange rate due to reasons even beyond its effect on inflation. Surprisingly, Blanchard stated a positive outlook from the central bankers who cared about the exchange rate and at the same time, he posited that the deeds were right, not the word (Blanchard, 2011).

By summarizing the above events, it is clear that the policies of IMF negatively affect the economy of Bangladesh and hence, it also affects the social security as these policies make for a more vulnerable economic situation.

The IMF's analysis of social protection reveals the value of the policy both in preventing social problems and in stabilizing the phases of economic growth. To stabilize the economic growth, it has advocated the use of automatic stabilizers, such as transfers to low-income households.

The report written for El Salvador cites the General Anti-Crisis Plan, which allocates 1 percent of GDP to social programs and concludes that this "has helped mitigate the effects of the economic slowdown on the most vulnerable populations" (IMF, 2010i).

It indicates the core objectives of social programs which focus on poverty reduction. It will require making efforts on several fronts such as improving access to basic services such as health, education and developing agriculture sector. Furthermore, one of the conditions imposed by the IMF as part of its lending facility is paying attention to social programs: a four-fold increase in "social and priority spending" (IMF, 2010k).

Hence, these policies make economic condition in Bangladesh more vulnerable and expose the susceptible groups of society to a loss in purchase power, increasing

unemployment and overall negative impact on the economy. As an upfront measure, the Government wants to ensure that open market sales of food staples, a self-targeted program mostly for the urban poor, are done in a timely and judicious way in 2012 to mitigate the impact of rising fuel and food prices on their purchasing power. It is anything but symbolic.

### **3 SOCIAL SECURITY SYSTEM IN BANGLADESH**

Social security is generally referred to the society related programs which provide social protection against the socially vulnerable conditions such as poverty, old age, disability, unemployment and others. Social protection arises from a set of benefits that are available or may be available from the state, market mechanism, households and civil society or through a combination of these parties to reduce the multi-dimensional deprivation. This multi-dimensional deprivation varies for different social classes.

The constitution of Bangladesh in its Article 15(d) clearly announces "the right to social security that is to say, to public assistance in cases of undeserved want arising from unemployment, illness or disablement, or suffered by widows or orphans or in old age or in other such cases." However, Government itself denotes social safety nets programmes (SSNP) are generally devoted to the hardcore poor. The programs listed as safety nets are sometimes subject to further scrutiny as some of them are generally poverty reduction oriented and cover both hardcore poor and general poor, and even sometimes simply growth oriented. Those (SSNP) are generally targeted to the poor. According to the HIES 2010 ,Cost of Basic Needs (CBN) estimates that 31.5 percent of the population are poor using the upper poverty line and 17.6 percent of the people are extreme poor who live below the lower poverty line.

Safety net programmes in Bangladesh are administered through numerous agencies, including many arms of Government, non-Governmental organisations, and international bi-lateral and multi-lateral partners. While the involvement of a number of agencies in social protection provides a high visibility for this sector, it can also prove a hurdle when there is a need to coordinate and navigate through many different agencies to achieve an objective or undertake a task. The SSNP module was first introduced in HIES 2005 in which 11 programs were included. In HIES 2010, its scope has been widened to include 30 programs.

Most of the extreme poor in Bangladesh suffer from chronic poverty and multiple deprivations. Most of them are jobless, landless or asset less. Many of these households do not have any adult working earning member or own any productive assets to support their families. Most of them live on charity or below the subsistence level. The Government operates SSNPs to provide support to such families in cash or kind to help overcome extreme hunger and create productive assets for earning livelihoods.

**Table 1: Distribution (percent) of households receiving benefits from SSNs**

Year	National	Rural	Urban
2010	24.57	30.12	9.42
2005	13.06	15.64	5.45

Source: Household Income and Expenditure Survey (HIES)-2010, Bangladesh Bureau of Statistics (BBS)

In 2010, 24.57 percent households at national level received benefits during the last 12 months from at least one type of program. In contrast, 13.06 percent households received benefit from SSNs in 2005. In the rural area, 30.12 percent of the households received benefits from SSNs as against 15.64 percent of the households in 2005. Similar result was also found for the urban area. Survey findings indicate that the SSNs have been widened substantially both in coverage and amount distributed during the period 2005 to 2010.

**Table 2: Distribution of households receiving SSNP benefits by division, 2010**

Division	Percentage of Household Receiving Benefit		
	National	Rural	Urban
<b>National</b>	24.57	30.12	9.42
<b>Barisal</b>	34.43	37.20	20.66
<b>Chittagong</b>	19.99	24.50	7.44
<b>Dhaka</b>	18.87	27.80	5.99
<b>Khulna</b>	37.30	43.27	16.66
<b>Rajshahi</b>	20.66	22.85	10.17
<b>Rangpur</b>	33.65	35.11	23.68
<b>Sylet</b>	23.51	26.06	10.50

Source: Household Income and Expenditure Survey (HIES)-2010, Bangladesh Bureau of Statistics (BBS)

Division wise distribution of households receiving benefits from SSNs shows that the highest percentage of households receiving benefits from Khulna division is 37.30, followed by Barisal division (34.43) and Rangpur division (33.65). The proportion of households receiving benefit in Dhaka division is the lowest at 18.87 percent preceded by Chittagong division (19.99 percent). The share in the rural area is much higher than that in the urban areas in all divisions.

#### **4 POVERTY SITUATION IN BANGLADESH**

Poverty is considered as one of the biggest challenges for Bangladesh. In five-year plans, poverty alleviation has been considered a top priority. Despite considerable thrust on poverty alleviation in all plan documents since the independence of Bangladesh, a significant number of people still live below the poverty line. In its election manifesto, the present Government has therefore, laid special emphasis on poverty alleviation and pledged to reduce poverty. The threats to social security in the context of Bangladesh come from both internal and external sources. The internal insecurity in the economic domain comes mainly from massive poverty.

In Bangladesh, the official poverty rates are produced at the national and division levels only using Household Income and Expenditure Survey (HIES) data. Poverty is measured both in income and human terms. The official Bangladesh poverty measurement includes

two types of poverty line: upper poverty line and lower poverty line. An upper poverty line represents a higher level of per capita household expenditure than lower poverty line. The rate of income poverty, measured by Cost of Basic Need (CBN) method, of the upper poverty line has declined from 58.8 percent to 48.9 percent during the period from 1991 to 2000.

Based on the upper poverty line, in Household Income Expenditure Survey (HIES)-2010, the incidence of poverty is estimated at 31.5 percent at the national level, 35.2 percent in rural area and 21.3 percent in urban area. In contrast to 2005, these rates were 40.0 percent at the national level, 43.8 percent in rural area and 28.4 percent in urban area. Poverty has declined by 8.5 percent that is on average approximately 1.7 percent per annum at national level, 8.6 percent in rural area and 7.1 percent in urban area from 2005 to 2010.

Based on the lower poverty line, in 2010 the incidence of poverty is estimated at 17.6 percent at national level, 21.1 percent in rural area and 7.7 percent in urban area. In contrast to 2005, these rates were 25.1 percent at national level, 28.6 percent in rural area and 14.6 percent in urban area. Hard core poverty declined by 7.5 percent at national level as well as in rural area and 6.9 percent points in urban area from 2005 to 2010. The depth and severity of poverty has also declined. Poverty gap, that is the depth of the poverty, has declined from 4.6 percent in 2005 to 3.1 percent in 2010 and the squared poverty gap, that is the severity of the poverty, has declined from 1.3 percent in 2005 to 0.8 percent in 2010.

**Table 3: The trend of change of poverty**

	2000	2005	2010	Annual change (percent) [2000-2005]	Annual change (percent) [2005-2010]	Annual change (percent) [2000-2010]
<b>Head Count Index</b>						
<b>National</b>	48.9	40	31.5	-3.64	-4.25	-3.55
<b>Urban</b>	35.2	28.4	21.3	-3.86	-5.00	-3.94
<b>Rural</b>	52.3	43.8	35.2	-3.31	-3.93	-3.27
<b>Poverty Gap</b>						
<b>National</b>	12.8	9	6.5	-5.93	-5.55	-4.92
<b>Urban</b>	9.1	6.5	4.3	-5.71	-6.77	-5.27
<b>Rural</b>	13.7	9.8	7.4	-5.69	-4.89	-4.59
<b>Squared Poverty Gap</b>						
<b>National</b>	4.6	2.9	2	-7.39	-6.20	-5.65
<b>Urban</b>	3.3	2.1	1.3	-7.27	-7.61	-6.06
<b>Rural</b>	4.9	3.1	2.2	-7.35	-5.80	-5.51

Source: Author's calculation based on Household Income and Expenditure Survey (HIES)-2010, Bangladesh Bureau of Statistics (BBS)



The rate of change of poverty measured by different criteria- head count index, poverty gap and squared poverty gap with three categories- national, urban and rural over different time horizons are shown here (Table 5.1.3).

The per capita calorie intake in a day has increased by 3.6 percent to 2,318.3 kilocalories in 2010 from 2,238.50 kilocalories in 2005. It went up by 4.1 percent in rural and 2.3 percent in urban areas.

**Table 4: Per capita per day calorie (K. Cal) intake by residence HIES 1991-92 to 2010**

Survey	Residence		
	National	Rural	Urban
<b>Years</b>			
<b>2010</b>	2318.3	2344.6	2244.5
<b>2005</b>	2238.5	2253.2	2193.8
<b>2000</b>	2240.3	2263.2	2150.0
<b>1995-96</b>	2244	2251.1	2209.1
<b>1991-92</b>	2266.6	2267.8	2258.1

Source: Household Income and Expenditure Survey (HIES)-2010, Bangladesh Bureau of Statistics (BBS)

However, the country did not perform well in redressing inequality during the period as wealth remained concentrated in the hands of a few people, says the Household Income and Expenditure Survey (HIES) 2010. Inequality (Gini) of per capita income stood at 0.458 in 2010, which was 0.467 in 2005.

## **5 SOCIAL SAFETY NET PROGRAMMES**

Social safety net is a measure which is taken by the Government in order to prevent the vulnerable section of its population to fall beyond a certain level of poverty. The Social safety nets play both a redistributive and a productive role supporting moral philosophy as well as managing risks.

They do not reduce poverty directly, rather, these programs tend to reduce transitional poverty through ensuring proper nutritional intake, education, health care etc. . In other words, the safety net programmes are the methods through which poverty is expected to fall through investment in human capital.

### **5.1 Cash Transfer (CT)**

Cash transfer (CT) is often supported for ensuring complete consumer sovereignty. While in kind transfers leave the consumers with limited choice, cash transfers let the household choose what they want to consume. (Gentilini 2007). There are two kinds of cash transfer programs- Conditional Cash Transfer (CCT) and Unconditional Cash Transfer.

Children receive transfers to enroll in school and the working age population has access to a variety of work-based, cash transfer programs. A cash-transfer program is in place to support the elderly poor, though civil servants also have access to formal pension system. Smaller programs provide cash assistance to other marginalized groups

### ***5.1.1 Conditional Cash Transfer (CCT)***

One very popular form of direct transfer recently has been the Conditional Cash Transfer (CCT) programs. The CCTs provide families an opportunity for developing their skills. It provides them an opportunity to decide where they want to spend ensuring better allocation of resources. It also helps to overcome problems of information asymmetries and addresses gender related problems. Through CCTs the poor are better reached compared to the subsidy programs as they are less prone to error in inclusion. CCTs are often responsible for creating multiple effects on the communities where the programs are conducted (World Bank 2003). CCT programs can influence the income level of the poor in the short run and improve on human capabilities in the medium and long run.

BIDS shows that the Female Secondary School Assistance Programmes (FSSAP) and the Food for Education (FFE) programmes have had an impact on long-term development which is fostering human capital formation through increasing the primary enrolment rate, promoting school attendance, and reducing drop-out rates (BIDS, 2003).

There is also some evidence that dropout rates for girls are lower than that for boys, even though boys seem to perform better on average than girls (Ahmed, 2004a). In the case of the FFE programmes, the overall enrolment rate following the introduction of the program rose by 34 percent that is 27 percent for boys and 41 percent for girls, compared to a rise of only 2.5 percent for non FFE schools (Ahmed and del Ninno 2002). They also find that attendance rates for FFE schools were 10 percentage points higher than for non-FFE schools, and drop-out rates were just about 6 percent compared to 15 percent for non-beneficiaries in FFE schools, and 11 percent in non-FFE schools.

### ***5.1.2 Unconditional Cash Transfer (UCT)***

The unconditional transfers are required for emergency periods such as flood, drought, cyclone etc. The unconditional cash transfer programmes can also be useful in influencing the income level of the poor. The various studies show when direct transfers are made particularly to women, their choices for consumption vary which affect the children of the poor families. The Child Support Grant (CSG) programmes in South Africa is an example of such program. The grant is provided to the primary care giver usually, the mother of the child in order to ensure that the benefit is enjoyed by the child.

Another important program is food or in-kind transfer program. Food or in-kind transfer programs are typically aimed at the poor and are often combined with microcredit programmes designed to enable individuals to start up small businesses. Various rapid response food programs help different groups to cope up with the aftermaths of natural disasters.

Now, the question arises which kind of transfer is better for the people. It is often argued that the kind transfers do not succeeded in bringing back the missing entitlements and on the other hands, cash transfer can restore the people's dignity. It also provides greater

choice to households on their consumption decision. Witteveen (2006) shows that the cash transfer help people to exploit local markets and meet a variety of needs and leave an option for investment in order to earn a livelihood. Cash also empowers women as well as marginalized groups in the society.

A recent survey shows that the cost of delivering cash is cheaper than the cost of delivering food to the beneficiary. A field survey by Ahmed et al. (2007) finds that the cost of delivering Taka 1.00 worth of food is, on an average, Taka 0.20. The cost of delivering Taka 1.00 in cash benefit, however, is virtually zero.

## **5.2 Current Focus of Social Safety Net Programmes (SSNPs)**

The main focus on SSNPs based on short run mechanism and hence, to mitigate the vulnerability situation. It mainly focuses on socially vulnerable conditions such as poverty, old age, disability, unemployment and others. Some specific areas are discussed below.

### ***5.2.1 Natural Disasters***

Bangladesh is at constant risk of natural disasters. It is regularly facing natural disasters such as, floods, cyclones and droughts. These events can have devastating effects on the lives and livelihoods of the population all over the country, both directly through loss of life, and indirectly through reducing food stocks, higher market prices, etc. In the 1990s, four major cyclones hit Bangladesh causing widespread damages. There have been two major floods during the past five years between 1998 and 2004. These regularly occurring events have a significant adverse impact on the economy and the livelihood of the poor through impacting on agricultural production and, hence, agricultural incomes. Many schools and health centers in rural and urban areas are also affected, with an adverse impact on access to schooling and basic health services. On the other hand, Climate change has already reduced crop production in some parts of the country. Monga and Char areas are vulnerable to floods. In the coastal areas, where poverty rates are high, are bearing a risk of severe tidal surges and cyclones. In May 27, 2009, 330 people were killed by Ail and at least 8,208 more went missing, while about 1 million people were homeless. An estimated 20 million people were at risk of post-disaster diseases due to Aila. Total damage was USD 552.6 million (2009 USD)

**Figure 1: Aila affected area**



More than 400,000 people were reportedly isolated by severe flooding in coastal regions of Bangladesh. Numerous villages were either completely submerged in floodwaters or destroyed. Due to climate change water-logging and salinity rises in the south-western region several hectares of cultivable land remained under water. For many landless and marginal land holders, agricultural labour is the dominant source of income. However, such income is unstable due to seasonality and is vulnerable to natural disasters.

### ***5.2.2 Tribal Groups***

A tribal group constitutes the people who are mainly living in the Chittagong Hill Tracts. They are counted as marginalized group and they are also economically deprived. Therefore, they have limited access to resources and their social indicators are dismal. Language and cultural practices create barriers to public services.

### ***5.2.3 People with Disabilities***

A recent major study of disability in Bangladesh (Danish Bilharziasis Laboratory, 2004) shows widely quoted figures that 10 percent of the population is disabled. Among those aged less than 18 years, it is estimated to be about 6 percent; about 3.4 million children and youth. Among those aged 18 years or above, disability is estimated to be 14 percent, or 10 million adults. Visual and hearing or speech defects are said to account for 70 to 80 percent of the disabilities. These disabled individuals clearly have limited access to education, health, employment, income and basic services.

### ***5.2.4 Disadvantaged Women and Widows***

Due to data unavailability, the exact number the disadvantaged women and widows is not clear but many women, especially those residing in rural areas in Bangladesh would fall in this group. It includes women who are functionally landless, have extremely low farm income, are widowed and have little means of support except working as day laborers, and have few productive assets.

### **5.3 Structure of Safety Net Programmes in Bangladesh**

Programs under the safety net of Bangladesh can be classified into different categories that are based on considering different criteria. The study in this section categorizes the safety net programmes of Bangladesh into some broad dimensions like education, health, vulnerability reduction, employment creation, risk reduction etc.

#### ***5.3.1 Special Risk Reduction***

The objective of such programs is to help the households withstand sudden shocks or disasters and avoid steep falls in consumption. This calls for action in different phases; direct support is provided after the shock or disaster; preventive support is provided before the occurrence of such shocks. Support may also be provided by allowing them to take on “riskier,” but higher return activities in the rehabilitation phase.

Bangladesh bears serious consequences from natural calamities, the poorest segment being the worst victims. In 2007, the country faced two floods and a devastating cyclone. Major programs include VGF, Test Relief, immediate disaster fund and GR (Gratuitous relief) programs are targeted to provide direct and immediate support to disaster victims.

#### ***5.3.2 Food Security***

Generally food security means ensuring supply and thus keeping the price within the reach of the people. It has to be always in stress for the necessity of boosting local food production which is the only way to face threats by the global climate change to the food security of the country. Disaster Management and Relief Division implement various programs with a view to ensuring food security and social safety nets for the poor. Among all, the safety net programmes Food for work (FFW) and Test Relief (TR) are the most important programs whose prime objective is to construct and maintain rural infrastructure by creating employment opportunities for the poorest in lean periods of the year. These programs also aim to reduce the poverty and vulnerability of the people.

#### ***5.3.3 Food for Work (FFW)***

Food for Work (sometimes cash for work) is a traditional safety net programmes in the country. It is one of the best options for targeted workforce because the intervention minimizes the tradeoff between investment in growth and safety nets through infrastructure building. FFW programme is specially targeted for the employment of the poor and day laborers of the country and for rural infrastructure development that includes construction of rural roads, digging and re-digging ponds or canals or drains for removing stagnant water and filling the grounds of different social organizations, particularly the religious and educational institutions. The main objectives of FFW programme include employment generation for the poor labourers in rural areas and raising their income in lean periods, mobilization of food grains in every corner of the country to ensure food security for the poor and development & maintenance of rural infrastructure.

Disaster Management and Relief Division allocate resources in the form of food grains and cash to implement FFW programmes at Upazilla and constituency level. A total of 1.95 lack MT rice and 1.5 lack MT wheat have been allocated for the current FY 2011-12 out of which 1,75,445 MT rice and 1,46,020 MT wheat have been issued for implementing different projects under this program at Upazilla level and constituency level.

### ***5.3.4 Test Relief (TR)***

TR programmes is specially targeted for maintenance of rural infrastructure in small projects including repairing and maintenance of religious, social and educational institutions. The main objectives of TR programmes are including development and maintenance of the religious, social and educational institution and rural infrastructures and stabilizing of food security in every corner of the country and ensuring food grains availability in the rural markets.

In FY 2011-12 a total of 3,00,000 MT wheat and 1,00,000 MT rice have been allocated in the budget out of which 65,000 MT wheat have been allotted for implementing different projects in Upazilla and Pourashava level and 97,750 MT rice have been allocated at constituency level.

### ***5.3.5 VGD and VGF***

The Vulnerable Group Feeding (VGF) programmes provides food to low income and other vulnerable groups who cannot meet basic needs for survival due to natural disasters or socioeconomic circumstances, such as age, illness or disease. On the other hand, the Vulnerable Group Development (VGD) programmes enable the poorest rural women and their family members to overcome food insecurity and their low social and economic status. VGD includes sustained longer-term activities such as risk management for natural disasters, HIV/AIDS prevention, maternal and child health and livelihood skills.

### ***5.3.6 Vulnerability Reduction***

There is justification to support programs targeting the vulnerable groups like aged, widowed and others and there is also scope for targeted cash transfers within the specific groups. These groups are generally accepted, even demanded, by the society as deserving candidates of support with recognition of correlation between poverty and their vulnerability. Safety net programmes in Bangladesh give special consideration for the vulnerable groups within the poor. These groups include aged poor people, widowed or deserted women, disabled persons and others. Bangladesh safety net programmes also provide support to the insolvent or wounded freedom fighters.

### 5.3.7 Old Age Allowance

The Old Age Allowance has increased more than four times in ten years. The value for such programs however, has not increased much in real terms. But the size of allowances for these programs is small, for example. The allocation, per head allocation and number of beneficiaries are shown here (Table 5.1.5).

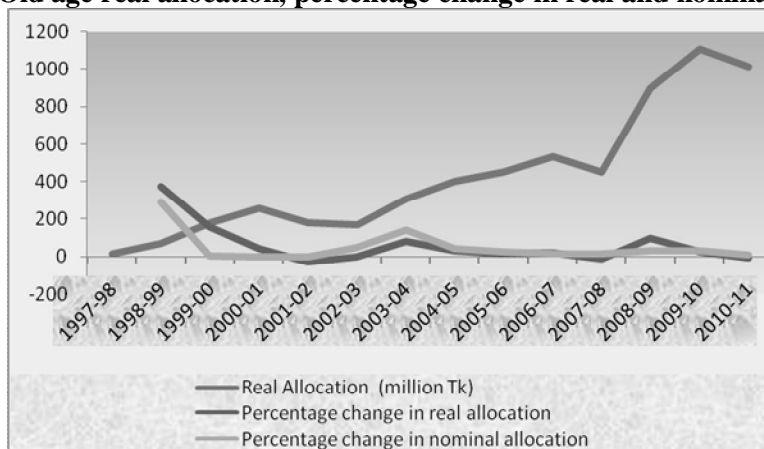
**Table 5: Old age allocation, per head allocation and number of beneficiaries**

Fiscal Year	Allocation (million Tk.)	Per head allocation (Tk.)	Number of beneficiaries(million)
1997-98	125	100	0.4
1998-99	485	100	0.4
1999-00	500	100	0.41
2000-01	500	100	0.41
2001-02	500	100	0.41
2002-03	750	125	0.5
2003-04	1800	150	1
2004-05	2603.7	165	1.31
2005-06	3240	180	1.5
2006-07	3840	200	1.6
2007-08	4488	220	1.7
2008-09	6000	250	2
2009-10	8100	300	2.25
2010-11	8910	300	2.475

Source: Ministry of Social Welfare, Government of Bangladesh

This allowance does not reflect the required minimum cost of living. The real allocation which is calculated by using price level is not increasing smoothly. The percentage change in real allocation always stays below the nominal allocation. The detailed pictures are given in appendix A. It indicates that the allocation is increasing at a tiny rate but the purchasing power is decreasing due to high inflation.

**Figure 2: Old age real allocation, percentage change in real and nominal allocation**



Source: Author's calculation based on Ministry of Social Welfare and Bangladesh Bureau of Statistics, Bangladesh

### **5.3.8 People with Disabilities**

The disabilities allocation, per head allocation and number of beneficiaries are shown here (Table 5.1.6). The per head allocation and number of beneficiaries are stagnant over the time.

**Table 6: Disabilities allocation, per head allocation and number of beneficiaries**

<b>Fiscal Year</b>	<b>Allocation (million Tk.)</b>	<b>Per head allocation (Tk.)</b>	<b>Number of beneficiaries(lac)</b>
<b>2005-06</b>	250	200	1.042
<b>2006-07</b>	400	200	1.67
<b>2007-08</b>	528	220	2
<b>2008-09</b>	600	250	2
<b>2009-10</b>	936	300	2.6
<b>2010-11</b>	1029.6	300	2.86

Source: Ministry of Social Welfare, Government of Bangladesh

In 2005-06 total allocation in this area was Tk.250 million and per head allocation was Tk.200 where as in 2010-11 total allocation in this area was Tk.1029.6 million and per head allocation was Tk.300.

### **5.3.9 Employment Creation**

While there are programs to bring the extreme poor under the production process through employment, programs are there as well to create employment opportunities for those who suffer from seasonal unemployment due to geographic and environmental concerns. “Monga” affected areas in northern Bangladesh have been given special attention in this regard. These areas yield only one or sometimes two annual harvests, in contrast to three crops per year in more fertile areas of the country.

#### **5.3.10 Subsidy**

Food subsidy is considered as direct support to the vulnerable groups justified by the shortfall of food production of the country and associated price hike in food items. The energy and fuel subsidy on the other hand is growth oriented, providing inputs towards future production and long-term food price support with expectations to ensure poor farmers have access to production inputs.

#### **5.3.11 Education**

Bangladesh has discontinued food assistance in education programs and gone for cash support as feeding programs usually suffer from large inclusion errors, because of the difficulties in feeding only the poor in a given class, as well as leakages.



### 5.3.12 Health

There are three programs in the safety nets to provide health support to the poor. Major program in health includes Health, Nutrition and Population Sector Programme (2003-2010). The program is the modified version of Health and Population Sector Programme (1998-2003).

### 5.3.13 Freedom Fighters

The allocation, per head allocation and total number of beneficiaries over the time are shown here (Table 5.1.7). In 2000-01, total allocation was Taka 150 million while in 2010-11 it was increasing rapidly and reached Tk. 3,600 million. Per head allocation was stagnant over the five years in between 2000-01 to 2006-07 and finally in 2011-12, it reached Tk. 2000.

**Table 7: Freedom fighters allocation, per head allocation and number of beneficiaries**

Fiscal Year	Allocation (million Tk.)	Per head allocation (Tk.)	Number of beneficiaries(million)
2000-01	150	300	41666
2001-02	288	300	41666
2002-03	300	500	50000
2003-04	300	500	50000
2004-05	360	500	60000
2005-06	420	500	70000
2006-07	600	500	100000
2007-08	720	600	100000
2008-09	1080	900	100000
2009-10	2250	1500	125000
2010-11	3600	2000	125000

Source: Ministry of Social Welfare, Government of Bangladesh

## 5.4 Budgetary Allocation of SSNPs

The Government of Bangladesh has increased budgetary allocation and identified various types of vulnerability in striving to improve social safety nets during the current fiscal year.

Each year, safety net allocations are made in the national budget, mostly indicating carryover of programs from the previous year with few adjustments or inclusions.

Historically, expenditure for social safety net has been less than 1 percent of GDP till the late 1990s. However, this spending has been increasing in recent years, taking advantage of an annual economic growth of about 5 percent. Social safety net expenditure was 2.64 percent of GDP during 2010-11 and about 2.51percent of GDP for the 2011-12 fiscal years.

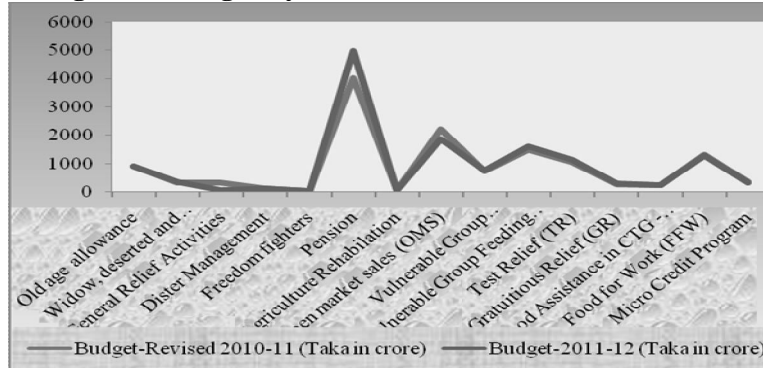
**Table 8: Budgetary allocation of SSNPs**

	Budget (Taka in crore)(2010-11)	Revised budget (Taka in crore) (2010-11)	Budget (Taka in crore) (2011-12)
<b>Social Protection and Empowerment</b>	19496.99	20893.52	22556.05
<b>Total Budget</b>	132170	130011	163589
<b>Percentage of Budget</b>	14.75 Percent	16.07 Percent	13.79 Percent
<b>GDP</b>	780290	790366	899670
<b>Percentage of GDP</b>	2.50 Percent	2.64 Percent	2.51 Percent

Source: Ministry of Finance, Government of Bangladesh

There were only a few programs until the mid-1990s, and these were designed only for income support, but from the second half of the 1990s, new program types were initiated almost every year. Selected SSNPs show that in FY2010-11 and FY2011-12, there is approximately no change in allocation (Figure 5.1.3)

**Figure 3: Budgetary allocation of some selected SSNPs.**



Source: Ministry of Finance, Government of Bangladesh

Note: The details of allocation are shown in Appendix-B.

## 5.5 Poverty Reduction Strategy Paper (PRSP) and SSNPs

The main objective of the PRSP is to reduce poverty and the areas of the spending may be grouped in a way that should be more focused on the benefit of the poor. The PRSP is identified as one of the pillars of poverty reduction and includes ensuring macroeconomic stability to ensure pro-poor growth and improving governance for sustaining growth. As a result, implementation of social protection programs is needed to reduce vulnerabilities and improve income-generating opportunities. The running programs are based on two kinds- direct and indirect.

### 5.5.1 Direct Services

Direct Services address income-poverty and include the social safety net programs, income and employment generating programs that are targeted directly at the poor, i.e. the services that benefit the poor for the most part. However, some activities in this category, though targeted at the poor may not always reach the 'hard-core' poor. Micro-

credit programs are examples. The other types of direct services help human development, and hence mitigate human-poverty. Programs for development of education such as primary, secondary, technical or vocational, health, nutrition, and water and sanitation are the good examples of direct services addressing human poverty.

**Direct Services (addressing income poverty)**

- Old-Age Allowance Scheme (OAAP)
- Allowance Scheme for Widowed and Distressed women
- Rural Maintenance Program (RMP)
- Rural Infrastructure Development Program (RIDP)
- Food/cash for works, Test Relief (TR), Gratuitous Relief (GR), Vulnerable Group Feeding (VGF), Vulnerable Group Development (VGD) programs for the hard core poor
- Food Security Enhancement Initiative (FSEI)
- Rural Social Service (RSS): micro-credit and training program
- Urban Social Service: small credit and training program
- Rural Mother Centre (RMC): micro credit and training program
- Programs for Acid Burnt Women and the Physically Handicapped
- Funds to assist victims of natural disasters
- Honorarium scheme for insolvent freedom fighters
- Funds for retraining/reemployment of voluntarily retired or retrenched workers
- Funds for programs to generate employment for people in extreme poverty
- Salaries and benefits paid out to Grade IV employees
- All micro-credit programs
- Spending on programs to generate employment for unemployed youths
- All programs/activities providing cash assistance, housing for the homeless, etc.
- All programs/activities targeted at poor women and children
- Direct Services (addressing human poverty):
- Primary Education Stipend Program (PESP)
- Female Secondary Stipend: i) Female School Stipend Project (FSSNP); ii) Female Secondary School Assistance Project (FSSAP); iii) Secondary School Development Project (SSDP); and iv) Female Secondary School Education Stipend Project (FSSESP)
- Targeted Social Investment Spending
- Programs promoting primary and mass formal/informal education
- Programs promoting vocational/technical training/education
- Spending for sanitation and safe water supply including arsenic mitigation

**5.5.2 Indirect (growth-oriented)**

Services will include spending on overall infrastructure development including roads or highways, electrification, modern agriculture etc. These services are not directly pro-poor in appearance but, rather pro-growth in nature. Some of these services, however, contribute to the alleviation of poverty more than the others. An irrigation project, or waiver of interests on agricultural loan may help marginal farmers as well, and landless farmers may benefit to a degree from additional agricultural activity.

**Indirect Services (addressing income poverty)**

- Building on roads/highways/bridges/structures for public use, including link roads
- Allocation to local Governments for development programs
- Construction/expansion of building facilities for schools
- Developing/building/maintenance of rural infrastructure
- Spending on rail roads/ bridges/ culverts
- Flood rehabilitation programs
- Development of rural/cottage industries
- All agricultural development expenditures including in agro-forestry, flood protection, high-yield varieties of food grain, char development and horticulture expansion programs, etc.
- Allocations as development assistance to Upazilas, and Zila-Parishads
- Construction/repair/rehabilitation of river ports/terminals/ferry ghats
- Development of ICT infrastructure
- Construction/expansion of building facilities for schools
- Construction and repair of water and sanitation facilities, etc.
- Indirect Services (addressing human poverty):
- Spending on construction, repair/renovation of primary/secondary schools
- Flood rehabilitation programs
- Programs to combat not-communicable diseases
- Programs to enhance administrative/institutional efficiency and capacity
- Allocations as development assistance to Upazilas, and Zila Parishads
- Spending on disease control activities.

**5.6 Qualitative Judgments of SSNPs**

As Smith and Subbarao (2003) identifies, the problem in very low income countries is often not so much deciding what is desirable in terms of safety nets, but rather determining what is feasible. Three factors that generally constrain the feasibility of safety net programmes are the availability of information for identifying potential recipients, administrative capacity to deliver the services, and fiscal affordability of the programs needed. Unfortunately for Bangladesh, all three are obligatory. Due to lack of accountability, transparency and nepotism of the local Government authority it is difficult to properly implement these programs and also to reduce the effectiveness of the programs. Leakages from programs show a strong correlation with the number of intermediaries in the transfer process: the most important issue would be to manage leakages in transferring resources to the poor.

Bangladesh relies on a range of informal and formal instruments to mitigate the risk of falling into poverty, and to cope up with poverty. The Government has initiated numerous safety net programmes that have had some beneficial impacts. However, with the consistency in Bangladesh's level of income, the programs are limited in scale and coverage. This, together with inefficiencies within programs, means that these programs are not adequate for addressing poverty or for mitigating vulnerability to poverty.

A study of Bangladesh Institute of Development Studies (BIDS) observed that 84 percent of beneficiaries do not own any land. At the same time 93 percent non-beneficiaries do not own any land. The proportion of beneficiaries having no land varies from 58 percent to 98 percent for Housing Fund and Vulnerable Group Development (VGD) respectively. (BIDS-2003)

There are leakages from programs showing a strong correlation with the number of intermediaries in the transfer process. While different data sources point to varied estimates of leakage, the prevalence of this problem cannot be ignored. VGD and other food transfer programs depend on the public food distribution system, with food being loaded and unloaded at a number of points before finally being delivered to beneficiaries.

Data indicates that 27 percent of VGD beneficiaries are not poor. Based on a sample survey, a recent study on transfer programs (Ahmed, 2004b) concluded that 11 percent of participants of the PESP meet none of the eligibility criteria for program participation while almost none of the beneficiaries meet at least three criteria. Another study (Ahmed, 2004a) finds that almost 47 percent of beneficiaries of the PESP are non-poor and incorrectly included in the program.

At a Government level, many ministries are involved but there is little coordination among them and a number of ministries and departments within them offer safety net programmes as a matter of their core business. Nodal ministries are those of Women's and Children's Affairs and the Ministry of Social Welfare. The use of small infrastructure development programs such as road maintenance, and to provide workfare programs also involves agencies whose core business is elsewhere, such as the Local Government Ministry and the Water Resources Ministry. The impact of natural disasters means that the Ministry of Food and Disaster Management becomes involved periodically, including through its own safety net programmes, which are triggered by disaster. The Ministry also has an on-going involvement through its FFW programmes. There is little coordination across ministries and programs - many of the programs are fairly similar and targeted at similar beneficiaries, leading to overlaps and households gaining access to more than one program. For example, both the Ministry of Social Welfare and Ministry of Food and Disaster Management run public work programs but have little knowledge of each other's programs.

One of the drawbacks of community based targeting, when there is inadequate administrative capacity, is the inability to verify properly whether individuals meet the selection criteria or not. There is evidence that programs are captured by elite members in the community who select beneficiaries and can crowd out voiceless members of the community, limiting the pro-poor capability of these interventions. Using the Food for Education programmes as an example, Galasso and Ravallion (2003) find considerable evidence of local capture – they show that benefits are less likely to reach those who come from female headed, widowed or landless families.

There is no integrated national policy for developing social safety net programmes. This may have resulted in programs that are unsustainable. Many of them are financed with donor assistance directly with individual ministries. Budgetary provisions are ad-hoc and given as block allocations.

## **6 POLICY RECOMMENDATIONS**

Avoiding participation of non-poor in the transfers requires a targeting mechanism along with community targeting to be in place as much as possible. The local Government bodies will need to be strengthened and work closely with potential beneficiaries to further enhance the targeting efficiency.

One of the oldest rural local Government institutions in Bangladesh is the Union Parishad. The parishad is elected by the local people from among the local people. There are about 4,500 unions throughout the country. Similarly, municipalities and city corporations elect ward commissioners. There are 6 city corporations and 225 municipalities in the country. Elected officials intimately know their respective locality and tend to be more innovative. These local representatives can better identify poor local people, assess their needs to help them overcome their poverty, and closely monitor the execution of programs. Therefore, a development in the administration of social protection programs to local Government is welcomed to improve service delivery and social accountability.

Strengthening open market sales of food grains, with wider coverage is needed to ensure food security of targeted poor and vulnerable people. Expanded coverage and improved efficiency under open market sales will mitigate the hardship of those affected by higher food prices.

Enhanced food entitlements for the poor and vulnerable to survive short-term food deficits should be managed. Job opportunities for the poor and vulnerable, disadvantaged groups, and functionally landless and low-income earners will help improve rural infrastructure development through the participation of low-income communities. Improved purchasing power of the poor and vulnerable by generating rural employment should be ensured.

The same group of poor and vulnerable persons is targeted by different programs causing a repetition of programs for similar risk types. This complicates the task of targeting and implementing such programs. Instead of spreading allocation among various independent risk dimensions, a cohesive universal targeting mechanism can be implemented. This will reduce the operating cost and improve the efficient distribution of social protection programmes.

The safety net programmes of Bangladesh should give more emphasis on urbanization, globalization and structural change. A well-designed policy for social protection programs should address various gaps including safety nets for urban areas and link programs to human development.

There is no special social safety net response mechanism with respect to protect the natural calamities. At present, Bangladesh bears massive risk of natural disasters like earth quake, flood, and cyclone and so on. So, a robust safety net programme to reduce the vulnerable conditions is needed from the Government.

It is evidenced that the cost of transferring food is higher than transferring cash benefits and the beneficiaries mostly prefer cash to kind. The poor people are mostly benefited by receiving food transfer rather than cash transfer and it's also beneficial in social point of view. Because, direct cash transfers directly influence the inflation of the country.

This is especially important with respect to coordination among ministries, consolidation of various programs over time, improving delivery mechanisms by transferring directly to the beneficiaries, and strengthening local Government.

Special categories include the disabled, widowed women, and hill tribes, and other minorities and groups that are among the poorest and most marginalized in Bangladesh. Hill tribes, for example, constitute only about one percent of the population, but their needs are extreme.

Safety net programmes should be used to finance investments that lift longer run impediments to growth. Infrastructural support would be necessary for both rural and urban areas. This includes not only the traditional infrastructures such as road but also electricity, port and other new forms for infrastructures such as access to Information and Communication Technology (ICT), adequate urban services for the growing number of the urban chronically poor, risks management system in the ecologically vulnerable areas also under-developed requiring critical attention. The SSNPs should be based on long run basis.

Given fiscal constraints, safety net expenditures should focus on investments that lift longer-run impediments to growth and contribute to human capital development. Examples include public works programs that construct roads or irrigation works or fee waiver programs that increase school enrollments and hence, the investment in education.

In a study on the delivery of safety net programmes, BIDS (2003) found that cash transfer programmes had less leakage than food transfer programmes.

**Changing Accountability Relationships**

Conditional cash transfer programs allow Governments to have a one on one relationship with the target population. They foster "co-responsibility" between Government and families by requiring families to assume responsibility for schooling, health and the appropriate use of the cash grants.

**Targeting the Poor**

Targeting mechanisms ensure that programmes reach the poor. In many countries, CCT programme designers have opted strongly in favor of targeting.

**Providing Cash**

Cash has many advantages over in-kind transfers such as food stamps, vouchers or the use of generalized subsidies. It gives households discretion over how to allocate the assistance received, be it on food, health care, housing or other needed expenditures. It avoids creating secondary markets and price distortions that can arise when goods and services are provided. Cash transfers facilitate targeting since it results in fewer errors of inclusion than the use of,

Examples include child nutrition programs that alleviate long-run debilitation resulting from acute childhood nutrition, or fee waiver programs that not only provide an immediate transfer to the poor but also increase the stock of trained personnel in the long run.

As noted above, Bangladesh are prone to natural disasters and the country's disaster management strategy focuses on risk coping. While the strategy is fairly effective in dealing with short-term consequences, a longer-term strategy is needed to avoid adverse consequences when household and community-based risk coping mechanisms fail in the face of covariate shocks. This includes strategies of promotion of domestic markets, private imports, attempting to procure grains through local and international tenders, and targeting food and non-food interventions to food-insecure people.

Safety net programmes in Bangladesh are administered through numerous agencies, non-Governmental organizations, and international bi-lateral and multi-lateral partners. There is frequent overlap between programs and inadequate coordination across ministries. An integrated approach to social protection is needed.

Problems of leakage and misallocation may go undetected because of inadequate programme monitoring. A lack of programme evaluation and an inadequate understanding of the impact of programmes can lead to uninformed decision-making. Evaluations are needed to identify what is working and what is not and should be allow for reform and consolidation of programs where needed.

## **7 CONCLUSION**

The reason, for which some programmes have been implemented, makes it difficult to evaluate their impact against their stated objectives rigorously. The evidence that is collected from different sources tells a mixed story. Some studies have concluded that safety net programmes have had a positive role in alleviating poverty in Bangladesh; others question whether the programs really do provide a strategy for poverty alleviation or only for consumption and income smoothing. Therefore, it is also difficult to say whether programme participation has increased household consumption and income levels or has had a beneficial impact on human capital accumulation and longer-term income generation. Some studies point to a lack of long term asset creation and little impact on enhancing educational quality. They conclude that while the programmes are valuable in smoothing consumption, they do not aid in bringing about structural changes. The success of any program would solely depend on how factors like cost effectiveness and efficiency, administrative capacity, market assessment, and program objectives are suitable for the country where the program will take place. Impact of these programs solely depends on how well they can be implemented in the context of the relevant country. Success of the program will be measured by its success in alleviating poverty.



So, the main tool of social security that is used by the Government of Bangladesh needs some readjustment to fulfill its goal in the SSNPs.

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## APPENDIX-B

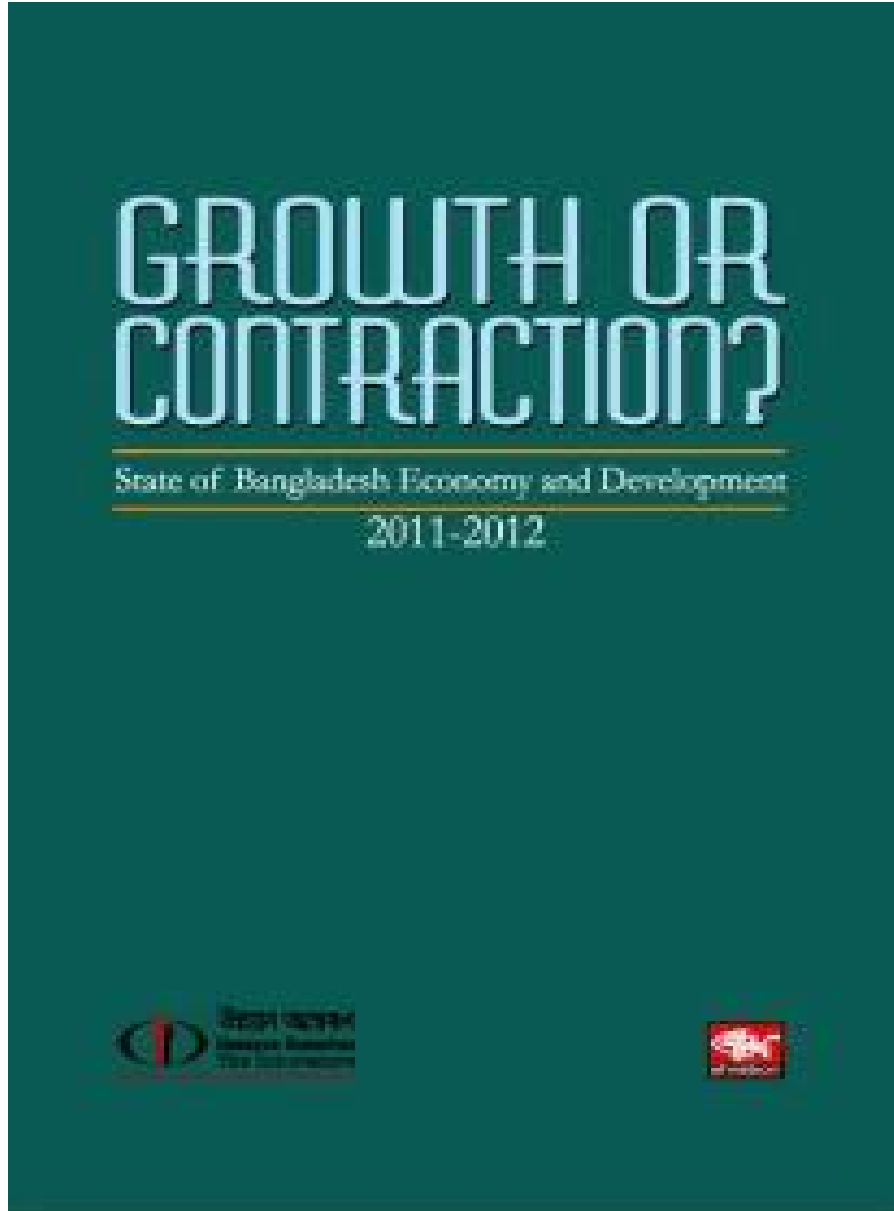
### A: Old Allowance

Fiscal Year	Real Allocation (million Tk.)	Percentage change in real allocation	Percentage change in nominal allocation
1997-98	14.43418014		
1998-99	68.69688385	376.02	288
1999-00	179.2114695	160.89	3
2000-01	257.7319588	43.81	0
2001-02	179.2114695	-30.46	0
2002-03	171.2328767	-4.45	50
2003-04	308.7478559	80.3	140
2004-05	401.8055556	30.14	44.61
2005-06	452.5139665	12.62	24.47
2006-07	533.3333333	17.86	18.51
2007-08	451.5090543	-15.34	16.87
2008-09	900.9009009	99.55	33.68
2009-10	1108.071135	23.11	35
2010-11	1012.5	-8.62	10

### B: Allocations of selected SSNPs

Programs	Budget-Revised 2010-11 (Taka in crore)	Budget-2011-12 (Taka in crore)
Old age allowance	891	891
Widow, deserted and destitute women	331.2	331.2
General Relief Activities	326.97	53.32
Disaster Management	100	100
Freedom fighters	27	25
Pension	4003.13	4970
Agriculture Rehabilitation	50	50
Open market sales (OMS)	2207.5	1848
Vulnerable Group Development (VGD)	729.92	754.64
Vulnerable Group Feeding (VGF)	1473.64	1607.15
Test Relief (TR)	1039.67	1117.32
Gratuitous Relief (GR)	263.76	273.56
Food Assistance in CTG -Hill Tracts Area	223.63	225.9
Food for Work (FFW)	1294	1276
Micro Credit Program	340.02	323.01

Source: Ministry of Finance, Government of Bangladesh



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