

BIDS **RESEARCH** 2011-2012

**Major Findings and Policy Implications
of Completed Studies**



Bangladesh Institute of Development Studies

BIDS Research

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www.bids.org.bd

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Publisher

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Cover design
Hiranmoy Chanda

Layout
Ahshan Ullah Bahar

Printed at: Qalam Printing Press
81/1 Naya Paltan, Dhaka 1000

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Foreword

This publication, *BIDS Research 2011-2012: Major Findings and Policy Implications of Completed Studies* of the Bangladesh Institute of Development Studies (BIDS) provides the highlights of major findings and policy implications of the research studies that the Institute completed during the period July 2011 to December 2012. It covers a total of 13 research studies, of which one study was funded by the BIDS Research Endowment Fund (REF), while the remaining 12 studies were sponsored by government departments/agencies and national and international institutions. It may be noted that the Board of Trustees of the BIDS in one of its recent meetings suggested that BIDS should publish such highlights for sharing its research results with a wider audience.

The completed studies focus on a number of major themes, such as *Poverty and Vulnerability, Macroeconomic Policy Analysis, Agriculture and Food Security, Governance Issues, Social Protection, Population Issues and Climate Change Impacts*. This shows the multi-dimensionality of research agenda and the wide spectrum of research activities that BIDS needs to undertake in order to meet its mandate.

This is the first issue of the publication that BIDS intends to publish regularly as a part of its commitment to establishing transparency and accountability to its stakeholders including fellow researchers and policy makers who are working toward promoting evidence based policies in Bangladesh. I would like to express my deep appreciation to all my colleagues in BIDS who have cooperated and contributed to the preparation and publication of this annual research publication. I would also like to express my deep gratitude to the Hon'ble Minister of Planning and Chairman of BIDS Board of Trustees and its distinguished members who advised BIDS to publish such a volume.

March 2013

Mustafa K. Mujeri
Director General

Introduction

The Bangladesh Institute of Development Studies (BIDS) is an autonomous public multi-disciplinary organisation which conducts policy oriented research on development issues facing Bangladesh and other developing countries. The mission of the Institute is to facilitate learning in development solutions by conducting credible research, fostering policy dialogue, disseminating policy options, and developing coalitions to promote informed policy making.

In its mission of building research capacity and conducting in-depth and policy relevant research, BIDS undertakes a wide spectrum of activities covering the Institute's mandate of enriching the country's policy environment, creating awareness on improving the policy responses, enhancing policy analysis and dissemination capacities, and influencing policies.

The BIDS *Research 2011-2012: Major Findings and Policy Implications of Completed Studies* provides the summary information on major findings and policy implications of the research studies that the Institute completed during the period, July 2011 to December 2012. The research agenda of the period covered priority issues in different aspects of the Bangladesh economy which have been grouped under various thematic areas, such as *Poverty and Vulnerability, Macroeconomic Policy Analysis, Agriculture and Food Security, Governance Issues, Social Protection, Population Issues and Climate Change Impacts*.

In addition to studies sponsored by the government ministries and agencies as well as other national and international organisations, the agenda included studies undertaken under the BIDS Research

Endowment Fund (REF) which reflected the institutional policy oriented research of the Institute identified through interactions with policy makers and civil society and other partners.

BIDS will further strengthen its present efforts of concretising its long term vision for being part of a process to play a more pro-active role in shaping the future agenda in the coming days not just for the government but for everyone concerned with the theory and practice of development in general and of Bangladesh in particular. The BIDS research will continue to serve the cause of sustainable and inclusive development in Bangladesh and elsewhere in the developing world.

Completed Research Studies

Broad Theme: *Poverty and Vulnerability*

Regional Knowledge Network for Poverty Reduction and Inclusive Growth

This Asian Development Bank (ADB) supported technical assistance project aimed at linking existing knowledge work in Asia on poverty reduction and inclusive growth through (i) linking existing and new knowledge work in the Asian countries through a regional website on poverty and inclusive growth; and (ii) facilitating exchange of new ideas through studies and conferences focusing on three major topics e.g. impact of current economic recession, the environments of the poors and the inclusive growth agenda of emerging middle-income countries. For South Asia, the National Council of Applied Economic Research (NCAER) in New Delhi acted as the sub-regional hub while BIDS was the national focal point. The following study was conducted during the year.

The Implications of the Inclusive Growth and Development Aid Agenda of the People's Republic of China for Poorer Countries in Asia: The Case of Bangladesh

Study Team:

Mustafa K. Mujeri
Zulfiqar Ali
Siban Shahana

Sponsor: Asian Development Bank (ADB)

Time Frame: July 2011-September 2012

Introduction

The People's Republic of China (PRC) is widely regarded as a global 'success story' both in terms of high and sustained aggregate

and per capita income growth as well as substantial reduction of income poverty. The PRC has achieved an impressive record in reducing absolute poverty over the last five decades through sustaining high economic growth and raising the standards of education, health and nutrition for all. Perhaps the most significant indicator of the success in improving the well-being of the Chinese people is the rise in the expectation of life at birth, which more than doubled from 34 years in the early 1950s to 73 years in 2007. Poverty reduction in PRC was more due to a strong area-based government policy that emphasised infrastructure and agricultural reforms ('Go West Strategy') paired with clear government structures responsible for poverty reduction including high and clearly determined funds for poverty reduction.

In the aftermath of the global recession 2008-2009, PRC also started rebalancing its growth paradigm toward satisfying more the internal markets, which has major employment implications. At the same time, PRC as an emerging middle-income country is changing its social policy with greater emphasis on social protection for all and improving the living conditions of the urban poor and lower income groups. Furthermore, the role of the "Leading Group of Poverty" and other institutions engaged in poverty reduction and raising living standards is changing toward new directions and sustained outcomes.

Bangladesh, on the other hand, had very different starting conditions. While globalisation is important for Bangladesh, the readymade garments (RMG) sector, which has emerged as the most dynamic sector over the years, is not likely to be a sufficient driver of change for reducing poverty in the coming decades. At the same time, rural development achievements, social policy, institutions for poverty reduction, and the living standards in the cities are different in Bangladesh than in

PRC. However, PRC may offer many lessons that Bangladesh can adapt to address rural and urban poverty. This study therefore will go beyond a discussion on the benefits of globalisation to draw lessons from PRC's success in order to identify how globalisation can be tailored to bring benefits for the poor and accelerate poverty reduction in Bangladesh.

As a new middle income country, PRC is rapidly emerging as a donor for development cooperation and aid. The study also discusses PRC's economic cooperation and development assistance to Bangladesh and how this can contribute more effectively to poverty reduction in the country.

Data and Methodology

The analysis has been based mostly on the review of the existing literature along with data from published sources. The study discusses the socio-economic similarities and differences between Bangladesh and PRC along with their major implications for growth performance. The analysis is focused on how poverty reduction implications differed between Bangladesh and PRC, especially in terms of rural development policy, globalisation, social policy, and the characteristics of urban poor and migrants. It also analyses the underlying factors contributing to the differential performance in poverty reduction of Bangladesh and PRC. For the purpose, it highlights the trends in income poverty in the two countries along with changes in social and environmental dimensions of poverty. The discussion also covers the role of differences in institutional setup for poverty reduction in the two countries and lessons for Bangladesh from the PRC's experience.

The study also deals with the poverty impact of PRC's economic cooperation and development assistance to Bangladesh. While

the study does not conduct any rigorous analysis of poverty impact of PRC's economic cooperation with Bangladesh, a case study approach has been used to draw the conclusions. Finally, the study summarises the differing stories of poverty reduction in Bangladesh and PRC in order to specify important lessons. This also uses the experience of PRC to identify the inadequacies of the recent growth and poverty reduction process of Bangladesh and suggest policies in the light of the lessons learned from PRC's experience. In this context, the focus has been placed on several specific issues, such as lessons from PRC to address rural poverty, limitations of the PRC example to address urban poverty in Bangladesh, the feasibility of replicating PRC's experience of committed institutional framework for poverty reduction in Bangladesh, and possible implications for a more pro-poor sub-regional cooperation with China.

Key Findings

The differing stories of poverty reduction of Bangladesh and PRC can be used to draw important lessons. More specifically, the experience of PRC can be used to identify the inadequacies of the recent growth and poverty reduction process of Bangladesh and suggest policies in the light of the lessons learned from PRC's experience.

PRC's key factors of success

PRC's poverty reduction plans benefited from continuing macroeconomic and political stability, sustained economic growth and unfading government effort to seek effective institutional and policy measures to reduce poverty. The central and local governments showed strong resource mobilising capacity; working on poverty programmes across government departments and with different enterprises, financial institutions, NGOs and international organisations. Institutional innovation allowed for enhancing the existing

government administrative system by emphasising the comparative advantage of each government department and for reducing administrative costs. Interest in learning and experimentation under the Plan permitted PRC to learn from its own and international experience and work toward improving the participation and effectiveness of a large number of projects at village and household levels. The implementation of the 8-7 Plan, for instance, revealed relatively weak poverty reduction effect of subsidised loans programme and the complexity of the needs of poor villages, prompting the Government to launch multi-sectoral rural development projects (such as South West Poverty Reduction Project, SWPRP).

Stable political environment and rapid economic growth established an important context for successful poverty reduction in PRC. Between 1978 and 2002, China's GDP per capita increased by 5.2 times, which itself contributed to poverty reduction. The elasticity of poverty reduction with respect to growth was about -0.8, implying that each 1 percentage point of GDP growth brought about 0.8 percentage point drop in the number of the poor.

Poverty reduction in PRC remained highly correlated with agricultural GDP growth. Empirical analysis on sectoral changes and poverty rates reveals that poverty in PRC is highly sensitive to trends in agriculture.

Poverty reduction in PRC benefited from the rapid development of the non-state economic sector. Private enterprises increased the employment of rural workers by 25 million during 1990-1997, which accounted for more than half of the new off-farm job opportunities in the rural areas. Encouraging rural-urban migration, jobs created in the non-state sector in the urban areas also benefited rural workers, with their remittances raising income levels in villages.

Government commitment to poverty reduction remained strong throughout the implementation of the Plans. The government placed emphasis on assisting the poor and has repeatedly proclaimed assistance to the poor and poverty reduction as its key responsibility. The strong resource mobilising capacity of the government was another critical factor. The central government not only expanded the scale of poverty reduction programmes, but also mobilised government agencies, social groups and other enterprises to undertake fixed-target poverty reduction programmes. It also prompted local governments to actively participate and encouraged NGOs and international organisations to join in poverty reduction.

The implementation of the poverty reduction plans was supported by the established administrative system at all levels. Adopting the existing administrative system to manage poverty reduction programmes and implement the projects allowed saving costs.

Institutional innovations

China turned its poverty reduction strategy from relief dependence to poverty reduction emphasizing development. Before the mid-1980s, the main poverty reduction method in PRC was relief, from which the effect on the poor was immediate but not sustainable. China adjusted its poverty reduction strategy to focus on promoting regional and rural development to raise income and self-help capacity of the poor. The targeting of the poor counties was complemented by targeting of poor villages and households. More innovative programmes were launched involving, for example, microcredit, labour migration and resettlement.

PRC moved from a government-led to a broadly based poverty reduction effort. With growth in income of both rural and urban residents and the rising size of the non-state sector including NGOs, poverty reduction in

PRC began to involve multiple players and wider range of activities.

China set up a multi-departmental coordination mechanism. The establishment of the LGPR and its Office at the central level was followed by similar structures at lower levels of government all over the country. In addition, government ministries and agencies participating in the fixed-target poverty reduction initiative set up their own poverty reduction offices. One important function of the LGPR is to coordinate multi-departmental poverty reduction efforts and activities and utilise resources and specialised skills of different government departments to jointly promote the development of poor regions while maintaining normal operation and functions of these departments.

Learning and experimentation

PRC's poverty reduction has been a process of constant learning and experimentation. Over the decades, China's poverty reduction strategy and its management have been continuously improved based on experiments and learning. The LGPR conducts analysis, collects feedback from central and local levels, draws lessons and influences nation-wide poverty reduction policies and adjusts poverty reduction programmes. For sharing and disseminating knowledge, agencies involved in poverty reduction organise annual workshops to learn lessons and benefit from outside expertise.

Policy Implications: Lessons from PRC's Success

Economic growth is critical

PRC's experience indicates that economic growth can benefit all population, while poverty reduction investments can assist those localities and households that, for various reasons, are constrained from benefiting fully from economic growth. China's

growth was pro-poor particularly in the early stages of the post-1979 reform period, when reforms were implemented for bringing fair land distribution and more efficient land utilisation in the rural areas, increasing agricultural procurement prices and promoting labour intensive off-farm activities through the expansion of township and village (rural) enterprises.

Sustained and rapid economic growth enables the economy to generate more government revenues to finance poverty reduction programmes, create new off-farm job opportunities and promote rural-urban migration as most productive jobs will emerge in urban rather than in rural areas. Rising returns to farm labour through out-migration, farm land consolidation and agricultural growth would enable the rural poor households to overcome poverty. Without poverty reduction, low effective demand and low productivity would constrain economic growth. Without equitable sharing of the benefits of growth, the widening rich-poor gap (which, in most cases, is primarily the urban-rural gap) would undermine social cohesion and thus economic growth as well.

Targeting and participation of the poor matter

PRC's experience shows that geographical (area) targeting needs to be carefully designed and complemented by household targeting. Unless the poor (especially poor women) actively participate in the process of fund allocation, programme identification and impact evaluation, their needs would be poorly understood leading to their continued marginality.

Success needs supplementing area-based poverty reduction efforts with a household-oriented approach

The traditional area-based poverty reduction efforts require supplementary household-

oriented approaches and interventions. Such a focus on household-oriented approaches has a broader cross-cutting relevance for the poverty reduction agenda. This will also sharpen suitable household targeting mechanisms to reach the poor and help improve the overall targeting effectiveness of different programmes.

Basic insurance acts as complement to poverty reduction effort

Basic insurance programmes can significantly reduce the vulnerability of the poor households to move into deeper poverty and non-poor households to poverty. Rural households in PRC as elsewhere are susceptible to risks that make them extremely vulnerable to poverty. For example, illness and disability are one of the main causes of poverty in the rural areas. In addition to development-oriented poverty reduction programmes, basic social security network, especially minimum living standard subsidies (a minimum income maintenance scheme) and basic health insurance are particularly needed in the rural areas. PRC's experience with rural medical cooperatives and other measures to enhance the households' ability to cope with risks can provide useful lessons in this regard.

Setting clear objectives is important

Poverty reduction efforts need to involve clear goals and objectives in order to be efficient and effective. Similarly, clear focus on poverty reduction makes poverty reduction programmes successful.¹

¹ For example, under the 8-7 Plan, a conflict seemed to have existed between development goals and poverty reduction objectives (fuxian and fumin). As a result, poverty reduction objectives were often sacrificed by the local governments in favour of economic growth and fiscal revenue generation. On the other hand, participatory village planning and integrated community development experiments in Gansu created positive results in

Human development deserves special emphasis

PRC's experience shows that human development is very effective in poverty reduction, especially in the longer term. Initial emphasis in PRC's poverty reduction strategy (e.g. in the 8-7 Plan) was put on investment in physical facilities as the time needed for such investment to contribute to raising income generating capacity of the poor was short and the infrastructure needs in the rural areas were enormous. This led to improved production conditions, e.g. farm land and irrigation, and living conditions (including drinking water and electricity) in the rural communities.²

Empirical analysis suggests that public investments in rural education and public health have been very effective in reducing poverty, especially in the longer term (Fang, Zhang and Zhang 2002). The poor farmers need to possess health and skills to enable them to improve crop selection, production efficiency and market access and avail off-farm employment opportunities to supplement farm income. As such, human development needs special attention for which poverty reduction programs can complement but not

mobilising the poor to actively engage in community development and in ensuring better targeting of poverty funds.

² Another reason for providing relatively low attention to human development under the 8-7 Plan and preceding poverty reduction efforts related to the low return on education in China especially due to serious distortions in the labour market until the late 1990s. Empirical analysis shows that the private rate of return to education in China was about 4 per cent in the early 1990s and 8 per cent in 1999. This was below the estimated rate of return to physical capital in industry, estimated at 20 per cent. Returns to secondary (senior high school) and tertiary education, however, increased sharply in the late 1990s. On the other hand, the social rate of return to education was estimated to be as high as 30-40 per cent in the late 1990s, which is more important for poverty reduction.

act as a substitute for adequate funding and programmes within respective sectors.

Adequate allocation of resources for the local governments is critical

Local governments are at the frontlines of service delivery, social protection and poverty reduction. But the local governments, in most cases, have very low revenue-raising capacity and this is only partly mitigated by transfers from higher levels of government. Implementing the poverty reduction agenda requires that the local governments all over the country have the resources to provide adequate quantity and quality of the basic services and protection to the population under their jurisdictions.

Effective coordinated approach is the key

PRC's experience brings out the fact that a strong institutional coordinating capacity is needed for bringing out the synergies of various programmes of different government and non-government actors to create an integrated approach to poverty reduction. In this context, the strategy of integrated poverty reduction through participatory village planning can be a big step forward as the recent Chinese approach indicates. However, in order to be effective this needs to be complemented by strengthening coordination mechanisms at the upper levels.

Rural-urban segmentation obstructs poverty reduction

The long established rural-urban segmentation, which exists in various degrees in different countries, constrains the rural population from accessing the benefits more fully of increasing opportunities of the growing economy. Although reducing rural-urban

segmentation and integrating rural and urban populations remained high on the agenda of institutional reform in PRC since the early 1980s, several constraints including obstacles to rural-urban migration and segmented social security, public service delivery and public finance management significantly restricted the rural poor population from benefiting from the growing economy. In turn, this makes achieving the poverty reduction goals more difficult. Thus, measures to reduce the obstacles to rural-urban migration, introduce basic social security schemes and strengthen education and health services in the rural areas and reform rural financing institutions, and similar measures to reduce the disadvantages of the rural poor are important for poverty reduction.

Success in poverty reduction, as the experience of PRC shows, requires adoption of balanced economic and social development goals through constantly adapting development strategies to changing economic and social traits, adjusting patterns of economic and social development to emerging realities and improving development environment and capabilities of poor rural areas and disadvantaged groups. More importantly, sustained efforts are needed to (i) intensify institutional reforms to provide momentum for poverty reduction through enhancing productivity, raising effectiveness of resource allocation and ensuring stable growth of income of rural and urban residents; (ii) promote sound development in key social and economic areas to lay a solid foundation of poverty reduction; (iii) speed up balanced development of rural and urban areas and between different regions to create a favourable climate for poverty reduction; and (iv) adopt specialised programmes of rural

poverty reduction to forge integrated development of human, natural and economic resources.

Realising the potential of migration needs more explicit recognition

Migration and remittances play an important role in poverty reduction in the rural areas. However, migration's effects on poverty are limited by the inability to migrate by many of the poor. The relationship between migration probability and per capita income usually shows an inverted-U shape, showing that both the poorest and the richest are less likely to migrate though for different reasons. On the other hand, although migration is an important means of raising incomes of the poor rural households, it has also some adverse consequences in the source areas, e.g. negative effects on education of the rural youth, greater vulnerability of the left-behind households and erosion of village cohesion and community participation. In view of the significant positive contribution of migration to poverty reduction, several policy initiatives may be considered to better realise its potential.³

Adapting to climate change is important for the poor

Aggregate growth originating in agriculture is more effective in reducing poverty than growth outside agriculture. China's rapid growth in agriculture—mainly due to the household responsibility system, liberalisation of markets

and rapid technological change—has largely been responsible for remarkable decline in rural poverty. For further strengthening the role of agriculture in the economy, both Bangladesh and PRC need to review the growth of agriculture taking explicit consideration of climatic factors. In both countries, people especially the poor, have weaker adaptability to climate change risks and thus are more likely to become the victims of livelihood insecurity and deeper poverty.

Facing with the threat of climate change on agricultural production and food security, there are both long term challenges for improving agricultural adaptability and defending capacity to climate disasters as well as adapting to climate change induced situations to sustain livelihoods. The strategies and policies relating to integration of poverty reduction with mitigation and adaptation to climate change adopted by PRC can provide important lessons for Bangladesh. In ensuring success, it becomes important to recognise the poor's own strategies of adaptation to climate change through agricultural production adjustment, production development options, and other alternative livelihood activities. In such efforts, external support is necessary in view of the low level of assets and insurance available to the rural poor. In addition, the options for adopting climate change sensitive poverty reduction strategies and mitigation policies and setting up of compensation mechanisms for the poor population highly exposed to climate change risks are relevant considerations for enhancing the poor's autonomous capacity to adapt to climate change risks and reducing livelihood vulnerability.

³ In PRC, several initiatives are underway in different areas, such as Opinions of the State Council on Issues Concerning Rural Migrant Workers (SC Document No. 5, March 2006); MOLSS Circular on the Implementation of SC Document No. 5; and action plans of the inter-ministerial Joint Conference on Rural Migrant Issues established in 2006.

Measurement of Livelihoods Vulnerability Index

Study Team:

Kazi Ali Toufique
 Mohammad Yunus

Sponsor: BIDS Research Endowment Fund

Time Frame: January 2012– October 2012

Introduction/Rationale

Bangladesh is widely recognised to be one of the most climate vulnerable countries in the world. It experiences frequent natural disasters, which cause loss of life, damage to infrastructure and economic assets, and adversely impacts on lives and livelihoods, especially of poor and marginal households.

Climate change will continue to exacerbate many of the current problems and natural hazards the country faces. The crucial issue is how climate change affects livelihoods? Vulnerability assessment is required to understand the complex set of factors that contribute to adaptive capacity of the households. The Livelihoods Vulnerability Index (LVI) has been developed as a tool for vulnerability assessment. This study has used and extended this index to measure the vulnerability of the households living in the coastal regions of Bangladesh.

Brief Methodology

A total of 532 households with an average of 15 households from each union parishad/paurashava were selected from 18 upazilas in 12 coastal districts of Bangladesh. The upazilas were selected on the basis of their proximity to the coast of the Bay of Bengal. A household questionnaire was designed to extract information on socioeconomic characteristics of the households, level of exposure to risks and the experience they had on the catastrophic

impact of disasters on their lives and livelihoods and how they coped with them.

Major Results/Outcomes

The study compared vulnerability of the households living in the coastal and interior regions as well as between those living in urban and rural areas. The study also compared vulnerabilities from flood and cyclones.

Coastal and interior vulnerability

LVI estimates showed that the households living more close to the coast are more vulnerable than those living away from the coast. The crucial issue here is the health factors. It is the lack of access to sanitary latrines that makes the households more vulnerable in the coastal areas. The households in the coastal areas also have weaker social networks. These are reflected in the number of amenities such as the number of primary, junior and high schools, primary health care facilities, doctor's chambers, cyclone shelters, general hospitals, bazaars, fire services, etc. available to the households. The coastal households also received less assistance from government organisations, NGOs or the banks.

Urban and rural vulnerability

Household living in the rural areas are found to be more vulnerable than households living in urban areas. The key factor here is the health services available to urban and rural households. The rural households are more vulnerable than the urban households due to higher prevalence of unhygienic toilets. Also, the members of rural households have more injuries to natural disasters. The rural households are also vulnerable because of adverse social and demographic profile. The rural households have more female members in the households; dependency ratio is also higher. The rural households have been found

to have a weaker social network. This may be explained by relative remoteness in the rural areas of the coastal regions of Bangladesh. Rural households are also more vulnerable in terms of better source of drinking water. A larger percentage of households in the rural areas reported that they depend on unsafe source of drinking water such as ponds or river.

Vulnerability from floods and cyclones

LVI calculated for the natural disaster cyclones is found to be higher than the LVI calculated for floods. Social networks do not work well during cyclones as compared to floods. Vulnerabilities from all the sub-components of the major component social network are found to be higher for cyclones as compared to floods. Water is also a crucial factor. Safe source of drinking water becomes more problematic during cyclones as compared to floods. Besides, there is more scarcity of drinking water during cyclones. More households have to pay for water during cyclones as compared to during floods.

Policy implications

Social networks play an important role in determining vulnerabilities in the coastal districts in Bangladesh. In order to improve the social networks of people living in the coastal regions more amenities have to be made available there. Such assistance include cyclone shelters markets, fire services, health care, schools, cyclone shelters and so on. On the other hand, the government should increase various assistance given to the coastal households and the NGOs should be requested to increase their support. Improving these amenities will reduce vulnerability amongst the households living in the coastal regions, particularly those living in the rural areas.

Access to safe drinking water, particularly during natural disasters, plays a key role in reducing vulnerabilities. Improving the quality of drinking water will reduce rural vulnerability. The government can install more tub-wells in the rural areas or distribute water purifying tablets during natural disasters.

The issue of sanitary services has also been identified in this study. The government should improve the sanitary conditions in the coastal regions. Also, more clinics and hospitals should be built in the coastal regions, particularly in the rural areas, so that days lost in injuries can be reduced.

The government should also invest in disaster preparedness, early warning and increase the number of cyclone shelters in the coastal region. Investment in education in the rural areas in the coastal regions will also reduce vulnerability. We have also found that stronger houses reduce vulnerability. The government should make stronger houses during rehabilitation or provide incentive to the rural households for making stronger houses.

Broad Theme: *Macroeconomic Policy Analysis*

Global Commodity Price Volatility and Domestic Inflation: Impact on the Performance of the Financial Sector in Bangladesh

Study Team:

Monzur Hossain
Farhana Rafiq

Sponsor: SANEI

Time Frame: 2011-2012

Introduction

Bangladesh has been experiencing persistent price increases, especially of food items, in the backdrop of rising global commodity prices

for the last few years. Inflation in Bangladesh was 6.66 per cent in 2009 and 7.31 per cent in 2010. In the backdrop of rising inflation worldwide, the study examines the pass-through elasticity of some selected commodities. The import pass-through elasticity for non-energy commodities is estimated to be 0.47, while a high elasticity is found for edible oil (0.77). As higher inflation might have detrimental impact on different sectors, this study assesses the impact of inflation on the performance of the financial sector in Bangladesh.

Rising trend of inflation not only affects household welfare, it also affects the performance of the financial sector. Inflation affects the financial sector through several channels. For example, high inflation rate reduces the rate of return (interest), thereby exacerbates credit market frictions, which lead to credit rationing. If inflation is high enough, it reduces returns on savings, which also limits the supply of loanable funds. Thus, high inflation rate leads to an increase in interest rate that may create credit market frictions. Several cross-country studies suggest that high inflation hampers financial development. These issues are examined in this study to assess the inflation-finance relationship in Bangladesh.

Data and Methodology

First, the paper examines the extent to which increase of international food prices during the past few years has transmitted to domestic prices in Bangladesh. The pass-through elasticity has been estimated for some selected food items using the vector error correction models (VECM). *Second*, the paper analyses the impact of inflation on the performance of the financial sector in Bangladesh, particularly on the banking sector and the capital market. The effects were

analysed by using both aggregate and panel data (only for banks). The threshold ARCH (Auto-regressive Conditional Heteroscedasticity) model has been applied to the aggregate data as it is assumed that inflation-finance relationship is non-linear and a threshold effect of inflation might exist. On the other hand, the Arellano-Bover/Blundell-Bond dynamic panel GMM estimator has been applied to a panel of 43 banks to assess the impact of inflation on banking performance. The data spans over the period between 1990 and 2010.

Key Findings

Descriptive analysis suggests that moderate inflation (for example, 6% to 7%) is favourable for the development of the financial sector, while very low or high inflation has detrimental effect on the financial sector performance. The analysis also suggests that the impact of inflation on the financial sector might be non-linear and there exists threshold effect of inflation. Therefore, the non-linear Threshold ARCH model has been applied to the aggregate time series (monthly) data of banks' performance indicators (assets, deposits and private credit) as well as capital market indicators (market capitalisation, issued capital and turnover) for the period 1990-2010. The results suggest that inflation has long-term negative effect on the performance of the financial sector in Bangladesh.

In addition, we conduct a panel estimation to exploit the time-series dimension of the data and control for possible endogeneity and omitted variable bias associated with the financial sector analysis. The Arellano-Bover/Blundell-Bond GMM estimator has been applied to assess the variations in the performance of different types of banks for different time-periods during 1990-2010. The results suggest that inflation contributes positively to assets and deposits of banks,

particularly after 1999 when the financial sector became liberalised. However, when inflation threshold dummy is included, positive effects turn into negative. This implies that while low-to-moderate inflation has positive impact, higher inflation has negative impact on the development of the financial sector.

Policy Implication

The analysis broadly suggests that increasing management and operational efficiency and prudent regulatory and institutional framework might help the financial sector to overcome the negative effect of rising inflation on the performance of the financial sector.

Delinking of Local and International Prices: Exploring Competition in the Bangladesh Rice Market

Study Team:

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Syed Naimul Wadood

Sponsor: South Asian Network of Economic Research Institute (SANEI)

Time Frame: January 2011 – February 2012

Introduction/Rationale

This study takes a broader perspective on the issue of recent price divergence between national and international markets in the recent years by looking into local rice markets, its segments, various agents, their incentives as well as their interactions. We also investigate the relationship between local and international prices by employing standard econometric methodology. The study posits that recent price divergences could be explained through local market dynamics better as in the recent years private import of rice were not virtually happening in Bangladesh.

Brief Methodology

Firstly, primary data were collected using comprehensive enterprise level questionnaires at different segments of markets as well as key-informant interviews from major supply points (Dinajpur, Naogan, Bogra, Kustia and Jessore) and major urban destinations (Chittagong and Dhaka). The survey focused on overall supply chain by studying Growers (the very first node of supply chain), Millers, rice Aratdars (brokers, also known as commission agents), rice Wholesalers and Retailers (the last point of the supply chain from whom customers buy rice). The survey instrument focused on various firm and market specific information, particularly detail of pricing decisions, bargaining issues, by employing open ended questions to a greater extent. We employ both descriptive and regression techniques to analyse survey data. Secondly, monthly price data of various rice varieties were collected from secondary sources to examine trends and volatility of rice prices as well as examining the relationships between local and international prices by employing time series estimation techniques such as co-integration analysis.

Major Results/Outcomes

The rice market has become heavily interconnected except for the case of the farmers, who may have limited number of contacts and limited options other than selling produce at the price offered by a miller. It has been observed that large and medium-sized enterprises enjoy greater economies of scale in their operations compared to smaller ones. Within the rice market value chain, there are two points where major bargaining takes place: one is between the farmer and the Bepari or Faria (often as agents of the miller) over the price and quantity of paddy, and the other is between the rice market wholesaler or

commission agent (as agent of the miller) and the end-point wholesale or retail wholesaler over the price, quantity and quality combination of rice. The presence of rice miller, in both of these bargaining processes, is observed, who, by taking advantage of storage capacity, is able to postpone sale at least for some period. This implies that millers or miller-cum-wholesalers have potentials to enjoy large leverage over the entire rice market value chain and thus potentially engage in opportunistic behaviour within the market. Price determination process within the rice market value chain depends on relative bargaining power of the concerned parties. Large and medium enterprises enjoy the advantage of setting prices in the market, and the rest small ones follow them. We therefore find prices of a variety of rice offered by all the enterprises to move together, whereas small enterprises sell the same at a slightly lower price. Additionally, within the rice wholesale market, the enterprises are free to sell any amount at any price they can obtain, whereas each of them is concerned about prices of neighbouring enterprises.

We also examined price trends of local and international varieties of rice. Both nominal and real prices show upward and downward movements during 1997 to 2007 period with persistently upward trend in the last periods of investigation. In the case of international varieties, similar trends were observed, suggesting integration in an open economy context. The first segment of the rice market, one that involves primary growers, can be considered as to a large extent competitive, although the benefits of competition do not reach small and marginal farmers. The reason is that the small and marginal farmers often suffer from credit and cash constraints, and lack sufficient storage capacities, making them vulnerable to the opportunistic behaviour of rather powerful intermediaries. As we proceed

to the second segment of the market, which is of the rice millers and the wholesalers, we find that the issue of competition is rather interesting. Given that an entrepreneur has to have large financial resources as well as business connections to be able to survive in the rice wholesaler market, entry into this market (segment) is rather difficult. Also, default risks of financial transactions or delays in payments often serve as an entry deterrent for new potential entrants.

Policy Implications

Our study findings have implications for public policy. As observed, price bargaining depends on relative economic power and/or business connections of the two agents whereby the more informed and connected agent gains from the bargaining process. With regard to price movements of wholesaler firms within the rice wholesaler markets, we found that large farms' price quotations are often considered as the indicative prices and small and medium sized firms often simply follow this price. Overall, in the second segment of the rice market, that of the wholesale markets, competition is, to a large extent, restricted. In the case of the third segment (of the retailer firms), this mostly acts as a channel for prices set in the second segment (of the rice wholesalers). We cannot, however, conclude on how the competition (or lack of it) affects the end consumers. As this study concentrated mostly on the price bargaining and negotiations within the primary growers' segments, wholesalers' segment and retailers' segments, we specifically did not follow the issue of burden of any opportunistic behaviours on the consumers directly. This could be an extension of the present study.

Broad Theme: *Agriculture and Food Security*

Estimation of the Parameters Needed for Integrated and Effective PFDS Planning in Bangladesh

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Sponsor: The Ministry of Food, Government of the People's Republic of Bangladesh

Time Frame: 31 December 2012

Rationale and Objectives

An unresolved paradox exists in the Bangladesh food economy: the country runs a 'surplus' in terms of the availability of food grains if the current estimates of domestic production along with provisions for seed, feed, wastages and other uses are considered and estimated consumption based on the country's population is taken into account. However, Bangladesh imports large amount of food grains each year. This shows that there exist some limitations in the estimates of the underlying components based on which the food gap analysis is conducted.

In the above context, the study sets the following objectives:

- Streamline the supply-side as well as the demand side estimates and analyse the food gap in Bangladesh;
- Assist the policy makers in early decision making for domestic and international procurement of food grain; and

- Assist the government in determining the Public Food Distribution System (PFDS) size and desirable stock of food grains over the months of a year for operating an integrated and effective PFDS.

Brief Methodology

For the study, a two-stage cluster sampling design was considered. For six clusters of rice producing districts, a sample of 2,000 households was selected, and another 500 households have been surveyed from the urban areas in order to cover non-rice or less-rice producing areas. In addition to the household survey, a survey at traders' level was also conducted. The study applied different econometric techniques and statistical tools to estimates its different components.

Key Findings

It is generally argued that the estimates of per capita consumption of food grains in Bangladesh are grossly underestimated due to failures to comprehensively take into account of consumption of food items made of rice and wheat. To give some insights into this paradox, this study revisited the per capita consumption of food grains through conducting a primary survey of a nationally representative population. Daily per capita consumption of rice and wheat has been estimated at nearly 509 grams, with consumption of rice and wheat at 463 grams and 46 grams respectively. As may be expected, per capita consumption of rice is relatively higher in rural areas than in urban areas, while that of wheat intake is substantially higher in urban areas. The price elasticity and income elasticity for rice and wheat are estimated from the BIDS survey in order to make a projection of daily consumption of rice and wheat for the next few years.

In analysing the issues related to domestic output, comparisons have been made between various estimates made by BBS, DAE, SPARRSO and the survey conducted by BIDS. An attempt has been made to reconcile BBS' own figures from three sources of estimation: the Agricultural Census 2008, the Sample Survey 2008 accompanying the Agricultural Census and the estimates based on Annual Estimates made by the BBS. The comparisons indicate that there are apparently little differences regarding the yields of rice estimated by different organisations; the main difference lies in the estimate of area. The assessments finally boil down to the fact that the full-count census is the one which needs to be taken as the benchmark subject to the proviso that this has an underestimate of 0.13 per cent of area due to the BBS practice of considering only farm households. The Agricultural Census has also another underestimation of 8.5 per cent as indicated in the Post-Enumeration Check of the Agricultural Census 2008. The routine estimate of area based on Annual Estimates each year by the BBS contains an over estimate of around 7.4 per cent which translates into overestimates of production. Further, there is on average an overestimate of slightly more than 2 per cent between farmers' reported area and actually measured area. The issue of supply also looks into current changes in trade and global prices.

It is found that, in the case of rice, total seed, feed and wastages (SFW) is 11.55 per cent of gross production and the recommended ratio is 12 per cent. In the case of wheat, total SFW is estimated at 14.82 per cent of total production and the recommended ratio is 15 per cent (as wheat grains).

An independent population projection is done in the study as the BBS projections have an inherent upward bias with a rising trend over

the years. The present BIDS projections are more likely to better approximate the actual population during the period until 2021 than the BBS projections made nearly 20 years ago.

Stock is mainly held by the growers, which varies from 16 to 43 per cent of gross production in different months of the year. Among the private traders, millers in the case of rice and the retailers in the case of wheat dominate in maintaining stock. Estimation of stock for the year 2011 reveals that 6 million ton of rice and 1 million ton of wheat remained with the private sector at the end of 2011.

The present study reveal that the country is marginally surplus in rice in recent years, which varies between 0.72 MMT in 2008 and about one MMT in other years. As the private sector agents holds about 2-3 MMT of rice during lean months of the years, the thin surplus may remain with these agents as "idle stock." In contrast, the country is in deficit of wheat by 2-3 MMT per year.

Apart from reviewing current situation and existing practices, the study gives PFDS distribution, stock and procurement needs for the next three years, 2012-13, 2013-14 and 2014-15.

Policy implications

The study provides estimates of the parameters which are needed for integrated and effective PFDS planning in Bangladesh. The use of these parameters in making historical simulation of the country's food gap gives a more realistic and convincing picture of the food economy which is capable of providing useful inputs to policy making.

Broad Theme: Governance Issues

Study on the Assessment of Performance of Union Facilitation Team (UFT) In LGSP-LIC UPs

Study Team:

Monzur Hossain
Binayak Sen

Sponsor: UNDP

Time Frame: September 2011-December 2011

Introduction

The Union Facilitation Team (UFT) has been formed in each of the Union Parishad (UPs) under the LGSP-LIC (Local Government Strengthening Project—Learning and Innovation Component) project in order to make a supply driven provision of basic training and technical assistance to Ward Development Committees (WDCs: consisting of 7 members) and Scheme Supervision Committees (SSCs: consisting of 5 members) in a cost effective way. It is neither possible for UPs from its own fund nor from the project to train WDCs and SSCs consisting of about 82 persons in one UP. Moreover, UPs are not equipped with enough manpower to monitor, coordinate and manage block grants projects in an equitable and transparent manner. This gap has been filled in by the innovative effort of creating UFT in each UP consisting of 9 members taking one from each of the wards on “no work no pay” basis. UFT members were provided with 6-day orientation training at district level. DC (Deputy Commissioner), DDLG (Deputy Director, Local Government), DF (District Facilitator, UNDP), UCO (Upazila Cooperative Officer) and UNO (Upazila Nirbahi Officer) were the trainers. This is an LIC innovation as it has reduced the cost of external support by providing training to only 9 persons in an UP instead of 82 persons from WDC and SSC. It is expected that UFT role

has been instrumental to improve performance of UPs.

The study aims to make a general assessment of different aspects of basic service delivery of UPs as well as citizen’s perception, current trend and the performance of UP Facilitation Team (UFT). This assessment is expected to create a benchmark to assess the possible scope of improving capacity of UPs.

Data and Methodology

We collected information from a representative sample of 360 respondents of UFT. Five UFT members were interviewed from randomly selected 72 LGSP UPs of six LGSP-LIC districts using Stratified Random Sampling Procedure. First, LGSP-LIC districts were categorised into 4 strata according to UPs year of enrolment in LGSP-LIC. From each stratum, 18 UPs were selected randomly and then 5 UFT members from each of the selected UPs were selected randomly (see the Diagram below) for interview. In addition, a total of 24 FGDs with UP chairman/members, different committees (e.g., WDC and SSC) were conducted. Some case stories were chosen to highlight significant achievements, success and failures of UFT from the selected UPs as per the guidelines provided by UNDP/UNCDF. The consultants interviewed some specific personnel including DF, DDLG, UCO, and UNO as per the instruction of UNDP through semi-structured questionnaire during their field visits.

Profile of UFT Members

About 67 per cent UFT members are male and 33 per cent are female. Average age of UFT members is 28 years; however, age between male and female UFT members does not vary significantly. The educational qualification of UFT members is on average more than H.S.C., which is higher than the required level (while educational requirement

for male UFT is 12 years (i.e. H.S.C.), it is 10 years or S.S.C for female UFT members). About 75 per cent UFT members belong to the middle class, while 22.4 per cent belong to poor class. About 30 per cent UFT members reported that they have some kinds of relationship with UP chairman and members.

About 97 per cent UFT members have received a 6-day long ToT (training of trainers) provided at the district level. On an average, each UFT member has received three trainings including two refreshers' training. About 72 per cent UFT members said that UFT training was not useful for managing any other income generating activities. However, about 28 per cent said that they have utilised the skills and knowledge achieved through receiving training for UFT services to start a new business (4.36 per cent), new service (8.69 per cent), service at UP Information Service Centre (5.16 per cent), service at UP (2.9 per cent), service at NGO (5.35 per cent) and other jobs (3.17 per cent).

UFT members usually earn about Tk. 2,100 (average) yearly from their UFT activities. The male UFT members earn slightly higher than their female counterparts. About 35 per cent UFT respondents mentioned that their salary/remuneration is not enough. Other challenges they face include lack of coordination with UP members (16.74 per cent) and chairman (10.34 per cent). UFT members receive cooperation from different officials at different levels—they receive highest cooperation from the District Facilitator (DF) (95.02 per cent) followed by UCO (94.53 per cent) and UNO (94.03 per cent).

Performance of UFT Members

The performance of UFT members is assessed in three ways: (1) through UFT's own assessment, (2) through UP per-

formance, and (3) through the assessment of Key Informants.

We have employed different statistical techniques to assess the performance of UFT. The techniques include descriptive statistics, principal component analysis and regression analysis.

One of the main tasks of UFT members is to train two ward level committees—WDC and SSC in order to equip them with project management techniques (e.g. PRA analysis) and project supervision techniques. Results suggest that UFT members perform mostly in line with their mandated activities as about 80 per cent UFT members reportedly train WDC and SSC members, about 76 per cent UFT members had arranged open budget discussion (which usually held once in a year) and about 70 per cent reportedly arrange ward (para) level meeting of common people to aware them about the Block Grant Projects.

Who are the most beneficiaries of UFT services? According to responses, WDC is the most beneficiary of UFT services (69.27 per cent said it), followed by SSC (53.17 per cent). About one-third UFT members mentioned that UP chairman and members also get benefits of UFT services. The benefits include: training (74.63 per cent), increasing skills (65.37 per cent) and awareness building about public expenditure management (75.12 per cent).

Performance Assessment through UP Performance

One of our hypothesis is that the performance of UFT may be reflected indirectly in the performance of UP in revenue mobilisation, expenditure absorption, effectively scheme implementation, active WDC and SSC, etc. As we have interviewed UFT members, we sought their opinion on these issues from

respective UPs. It is assumed that variations in their perceptions regarding these UP outcomes may depend on individual characteristics of UFT members. For example, if an UFT member is selected based on his relationship with UP chairman or member, he might not be efficient that much. On the other hand, various personal characteristics of UFT members such as age, education, experience as well as cooperation of UP rendered to UFT, UP leadership quality, etc. may be reflected in the performance of UP.

The regression results suggest that UFT plays an important role in improving performance of UP in terms of scheme selection, effectiveness of WDC and SSC, enhancing expenditure absorption and revenue mobilisation capacity. However, negative performance is attributed to those UFT members who were selected on nepotism or political considerations. On top of this, as expected, this role of UP chairman/member has been found instrumental to improved performance of UFT.

UFT Members: How Important They Are?

Our findings from KIs and FGDs highlight both positive and negative aspects of UFT.

Some Positive aspects include: (i) UFT skills help get job, that is, employment generated, (ii) UFT members facilitate UP Chairman's day-to-day activities, and (iii) UFT services improve performance of UPs, particularly in utilising conditional block grants.

Some Negative aspects cover: (i) There is no scope for replacement or basic training (ToT) in case of withdrawal or drop out of a UFT member, (ii) No need of 9 UFT members in a Union, and (iii) Low level of engagement.

Recommendations on Sustainable Structure of UFT

The Union Facilitation Team in each UP has been found useful in providing training to WDC and SSC. However, variations in their performance are also noticed. Such variations mainly come from their selection and level of cooperation received from the UP chairman/member. The UFT member who was selected on the basis of nepotism and political considerations provided less satisfactory performance. Moreover, less incentive, that is, low level of engagement and salary was termed as one of the big obstacles to providing satisfactory services to UP. A sustainable structure of UFT may provide better outcome to fiscal decentralisation process. A sustainable structure of UFT is thus recommended based on suggestions given by different stakeholders:

- At best three UFT members in one UP should be sufficient. These three UFT members should be appointed on a competitive basis as regular employee of UP and their salary should be managed from the projects or joint appointment with a local NGO. A monthly salary of Tk. 2,000 may be acceptable to most of the UFT members as revealed from the assessment. The UFT members may also be engaged for revenue assessment and collection on a participatory mechanism. For example, an UFT may be engaged in revenue collection on a commission basis (15-20 per cent).
 - Under the current system, some UP Chairmen do not want to engage some of the UFT members from personal disliking or from political considerations. Once UFT is treated as regular employee of UP, this kind of problem may not arise.
 - The scope of work or level of engagement of UFT could be extended in a regular employment structure.
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Study on Results of Use Of Supplementary Block Grants (SBG) Provided to Union Parishads

Study Team:

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Sponsor: UNDP

Time Frame: September 2011-December 2011

Introduction

Local Government Strengthening Project (LGSP) is a programme being implemented by the local government division of the Ministry of Local Government Rural Development & Cooperatives. The goal of LGSP is to strengthen Union Parishad as an agency for effective, responsive local service delivery and accountable governance. LIC or Learning and Innovation component is a part of LGSP, which is currently being implemented in six districts: Barguna, Feni, Habiganj, Narsingdi, Satkhira and Sirajganj. LIC is the second generation pilot of Sirajganj Local Governance Development Fund Project (SLGDFP). It has the specific responsibility to learn from the innovations and replicate those in the broader LGSP as well as to provide input for policy revision towards decentralised local governance. LGSP was introduced in 2006 and LIC was introduced in 2007. Out of 388 UPs of 6 districts, 362 have already been covered by LIC; 26 UPs are yet to meet the minimum conditions for enrolment in LIC.

The study aims to make a general assessment of how Supplementary Block Grants (SBG) in the LGSP-LIC UPs has been managed including assessment of minimum conditions (MC), effectiveness, methods, disbursements, procurement and quality of expenditure. Therefore, a survey-based general assessment of socio-economic impact of use of SBG in LGSP-LIC is made.

Moreover, the study aims to assess the expenditure absorption and revenue mobilisation capacity of LGSP-LIC UPs. The study makes recommendations based on the assessment of SBG system whether SBG system should be continued and expanded and how the system can be improved.

This study addresses the following key research questions:

- Is there any improvement in expenditure absorption capacities among LGSP-LIC UPs compared to LGSP UPs? Is there any improvement in development outcomes in the LGSP-LIC UPs due to SBGs?
- Why some LGSP-LIC UPs perform better than others in terms of expenditure absorption capacity and development outcomes? Is this related to some factors like innovations, management, community participation, awareness, literacy status, population size, level of development, etc.?
- What policy lessons including the issue of closer interface between local communities and UP in expenditure absorption can be derived to improve the performance of the LGSP-LIC project?
- Does the LGSP-LIC project contribute to improved capacity for effective, efficient and accountable delivery of pro-poor infrastructure and services?

Methodology and Data

A total of 240 respondents from 12 LGSP-LIC UPs of six districts (Barguna, Feni, Habiganj, Narsingdi, Sirajganj and Satkhira) were interviewed on different aspects of SBG. Mainly respondents included the UP Chair, UP members, WDC and SSC members and representatives from elite group of the society. As non-LIC UPs do not receive SBGs, it is difficult to make a comparison through

perception of respondents. Therefore, we decided to collect basic UP-related information from 72 LGSP-LIC UPs and 12 LGSP UPs (non LIC) as control group on revenue collection, expenditure absorption and SBG/EBG use.

Methods of Analysis include frequency and descriptive statistics, trend analysis and regression analysis. Principal Component Analysis (PCA) has been done to generate composite index of “activeness of different committees” and “UP leadership quality,” which were factored in the regression model to assess the impact of SBG. Qualitative assessments are done through the results of FGDs and KIs.

Key Findings of the Study

Analysis of spending ability

The growth rate in total spending during 2007-11 is higher in LIC UPs than non-LIC UPs: 34.6 per cent vs. 29.3 per cent. LIC union has higher level of development spending ability than non-LIC and higher resource absorption capacity. What explains spending growth? What explains higher resource (expenditure) absorption capacity? It would depend on the incentives provided by LIC status (proxied by LIC dummy), initial affluence (proxied by initial level of spending which was already achieved at the start of LIC), and the quality of local leadership (proxied by level of literacy in the UP, as good leadership is assumed to be correlated with improved educational quality of the local electorate. The regression results show that: (a) LIC UPs (controlling for other relevant and available variables) have 9.3 per cent higher growth in spending than non-LIC UPs (the result is significant at 10% level); (b) poorer UPs registered higher spending growth (sign of convergence); and (c) expenditure growth has been higher in areas with better education, implying the possible presence of the factor of “good leadership.”

Analysis of local government revenue mobilisation

The LIC union has higher level of total revenue than non-LIC UPs. The growth rate in total revenue during 2007-11 is, however, higher in non- LIC UPs: 23.7% vs. 31%. One reason for this is that initial level of local government revenues was 52 per cent higher in LIC UPs than non-LIC UPs i.e. just an expression of convergence. On the other hand, LIC union has higher level of own revenue than non-LIC union, but the growth of own revenues has been very slow over time, suggesting the potentials for using grants conditional on mobilising own revenue targets.

Analysis of service delivery

A total of 22 local services were considered during the survey. In most cases, LIC UPs have reported better availability of services. However, only a few differences were found to be statistically significant at 5-10% level: these relate to maintenance of local markets (hats/bazaars), immunisation against infectious disease, number of business establishments, celebration of national festivals, and registration of births and deaths (only available in LIC). This implies that additional fiscal capacities have not, as yet, been translated in a robust manner into improved service delivery

Strengths and Weaknesses of the SBG Approach

Initial promise of building local government capacity has been addressed: expenditure level as well as expenditure growth has increased at a faster rate in LIC UPs than in non-LIC UPs. The component of expenditure which is classified under “development expenditure” has also increased at a higher rate in LIC UPs (both in level and growth of development spending). In fact, for LIC UPs, development expenditure grew (as estimated from regression model) by 21 per cent during

2007-10 compared with 9 per cent for overall spending. The question is: what do these development-spending buy? We find that majority works were on road/earth works (85 per cent). Over the time, number of road projects has increased. However, projects on education, water and sanitation got less priority.

Although a number of local services are present in greater numbers, only a few exhibited robust differences. These relate to maintenance of local market place, concentration of business establishments and vaccination against infectious diseases. Revenue level is higher in LIC UPs, but the revenue growth level in LIC UPs is not higher (as estimated from regression model). Own revenue growth in LIC grew at a slow pace, slower than the overall revenue growth. More policy emphasis needs to be placed on own revenue generation as part of conditional grants to local government.

Policy and Strategic Recommendations

While the innovative SBG/LIC approach has been successful in overcoming the negative image of the UPs in terms of demonstrating their greater potentials for spending and revenue generating abilities, some mid-course corrections may be needed. In particular, we would like to focus on seven areas.

First, greater spending ability in LIC unions means that they can be now entrusted with larger fiscal role and responsibility. The LIC experience, which is currently executed in 6 districts, may be replicated throughout the country albeit with some modifications (see below). The national budget can decentralise at least 10 per cent of the aggregate budget directly to the UPs conditional on performance. This means allocating taka 1-2 crore to each UP conditional on meeting the inclusion criteria based on fiscal performance and development outcome rating. Such rating

can originate from two sources, each having its own advantage: first, by the local populace through “citizen report card” and, second, by independent central agency carrying out periodic randomised check with provisions for incentives and penalty.

Second, within the SBG approach greater attention needs to be paid to translating the higher spending ability of LIC-UPs into greater social benefits in terms of higher coverage of beneficiaries by locally available services and more tangible development outcomes. After all, it is not the spending ability per se that matters. What makes difference ultimately is the quality of spending. The time-series fiscal data on UPs are currently not readily available in a user-friendly way; the reliability of such data is often questionable; computerisation of such data and independent verification of their end uses by local stakeholders are missing.

Third, the revenue mobilisation aspect did not get adequate attention so far in the LIC intervention. This aspect needs to be incentivised so that grant allocations are made conditional on fulfilling the pre-determined revenue targets (such as x-percentage growth in total revenues) set realistically in line with initial resource endowments of the unions.

Fourth, of particular importance is the neglected case of “own revenue” generation by the UPs. With new political governance structure in place following the recently concluded UP election, a stronger conditionality needs to be put on fulfilling the “own revenue” growth target as a precondition of receiving additional grants. Accelerated economic growth in the decade of 2000s also means greater potentials than before for local level revenue generation. This will require shifting from supplementary grant based approach to matching grant based approach, especially for UPs which have a few years of exposure to LIC. In short, what we are

contemplating is a transition mechanism of decentralised financing—SBG for the new comers, but matching grant for the old LIC-UPs conditional on generating own revenues. The indicator could be again formulated as x-percentage growth in own revenues.

Fifth, this new arrangement (i.e. transition to matching grant based approach) would also entail rethinking the entire issue of local and concurrent subjects of taxation, giving more emphasis on divesting spending and taxing powers to the lowest tier of the local governments in line with best practices in South Asia and elsewhere.

Sixth, there needs to be in place a mechanism for greater mandatory institutional interactions between local governments and CBOs/ NGOs available locally to ensure the quality of local projects, increased tax efforts to support local level needs and improved monitoring. The supporting UFT structure needs to be strengthened further with greater role and incentives. This implies greater emphasis on UP budget monitoring, perhaps also through periodic participatory rating, especially by the poor and other disadvantaged groups.

Seventh, the experience of SBG/ LIC needs to be extended to the urban local governments as well, focusing not just on the municipalities, but also on ward-level governance. Given the fast urbanising trends in Bangladesh, such measure is already an overdue action.

These seven measures would not only lead to better local governance of participatory development outcomes, but also raise the efforts of local level resource mobilisation. With one of the lowest tax-GDP ratios in the world, Bangladesh needs to harness better the advantage of strengthening local governance—fiscally, administratively, and politically.

Baseline Study on E-Upazila Initiatives

Study Team:

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Time Frame: September 2012

Sponsor: Katalyst

Introduction

E-upzilla, an ICT-based innovative programme of Social Development Foundation (SDF) under its Social Investment Program Project II (SIPP-II), focuses on providing ICT based social services to escalate the living standard of rural people, especially those from extremely low income groups. It is expected to have direct and positive effect on the economic development of the community by providing necessary information to the target groups (farmers, students, health system, public services, etc.) in a convenient and affordable manner. Since February 2011, SDF has started E-Upazila ICT Pilot Project in Jamalpur Sadar Upazila in Jamalpur district focusing to expansion of ICT platform in rural areas, particularly to the Poorest of poor in the society. Out of 209 villages in Jamalpur Sadar Upazila, SDF started implementation only in 89 villages and now SDF intends to expand ICT pilot project areas gradually. In view of the innovative features of the pilot project, baseline survey would be essential before starting the pilot project in full swing.

The baseline survey is necessary to develop an in-depth understanding of available ICT services with infrastructure that help the community for strengthening of education, health, agriculture, etc. services in rural areas. The baseline study has been conducted to document critical variables related to the present phenomena and lay the benchmark for undertaking impact evaluation at the end of project implementation. The overall objective of the baseline survey is, therefore, to assess

the pre-project conditions in the project area in regard to the ICT scenario of 89 SIPP villages in Jamalpur Sadar Upazila.

The specific objectives of the baseline survey are to:

- Assess the ICT knowledge, available services and exploit status especially to the hardcore poor and poor members of the community;
- Determine the access of ICT services and taking maximum benefits by using this platform;
- Examine the skill of the youth on ICT and diversify uses for their employment;
- Examine the available services that could accommodate and affordable to the hard corepoor members of the society;
- Examine the role of ICT for socioeconomic development;
- Determine the key indicators for monitoring and impact evaluation.

Methodology

Mainly sample survey is used for the baseline study in addition to conducting a good number of FGDs and KIIs. The required sample size, n_h , is estimated to be around 600. It was thus decided to collect information from 600 households of the treatment area. Considering time and resource constraints, only 150 households from control area were surveyed. As the target population who are either poor or hardcore poor, are the members of SDF, sample households consist of both hardcore poor and marginal poor with a ratio of 1:3.

The project area, Jamalpur Sadar Upazila, has a total of 209 villages. Of them, 89 villages got SIPP interventions where e-

Upazilla initiatives are underway. It was decided in consultation with SDF and Katalyst to conduct the survey in randomly selected 40 villages out of 89 SIPP villages in order to make it representative with equal number of households from each village. Thus, a total of 15 households were selected randomly from each village, of which roughly 5 were hardcore poor and 10 were marginally poor households. Similarly, 150 households from 10 SIPP villages from a neighbourhood upazila, namely Melandah Upazila, were randomly selected as control to compare the outcomes. Thus, a total of 750 households have been finally interviewed in the baseline survey.

FGDs and KIIs: A total of 9 FGDs were conducted in the E-village project area with having 8-10 people/stakeholders in each FGD. A total of 20 KIIs were conducted in the project area. The respondents included Gram Samity chairman/member, CIC operator, School/college teacher and student, personnel related to public service delivery such as agriculture (DAE official), health (Union/Upazila health complex), financial services (bank/post-office, NGO), etc.

Key Findings

Access to and awareness of ICTs

Though access to computer is very limited in both treatment and control areas, more than 40 per cent of the respondents are aware of computer. Only about 2 per cent of the respondents can operate computer by themselves; however, family members of more than 10 per cent households can operate computer. Perceived demand for computer training is very high as about 90 per cent respondents are willing to undertake computer training. Although currently there are some private computer training centres in the project area, only about 7 per cent of the respondents use those centres. Only 11 per cent respondents reported that there is a computer training centre in their own village,

while the rest reported that training centre is located more than 3km away from their own village. Similarly, only little more than 1 per cent respondents are aware of internet, while other members of households {7 per cent} can use internet.

About 68 per cent of the respondents, most of which are women, do have own mobile phone. All of them use mobile phone mainly for communicating with friends and family members, the other uses include listening songs, watching videos, capturing picture, etc. Majority of the respondents are neither aware of nor use other mobile phone value-added services, such as money transfer, mobile banking, bill pay, internet browsing, medical and agriculture services, etc. Monthly average expenditure for mobile phone was reportedly Tk. 155 in the treatment area and Tk. 172 in the control area. However, respondents unequivocally mentioned that this cost is not difficult to manage for them. Average distance to mobile repairing service centre is estimated to be 2 km.

Demand for e-Information services

Demand for various e-information services is assessed. It appears that almost 100% respondents need health/medical information, followed by employment (80%), education (68%) and agriculture (43%). Regarding health, respondents want doctor's advice from Dhaka (85%), information on hospital/clinic (80%) and disease and ambulance service (50%). For employment, respondents need information on potential areas of job, advertisement on job vacancies, wages for day labourer and wages in different parts of the country. For education, respondents reportedly need information mainly on admission, exam results, scholarships and different educational institutions.

For agriculture purpose, respondents mainly need information on price of commodities, inputs, weather and crop diseases. They need

weather forecasting on rain, flood and sunshine. About 40% respondents think that weather information is important for cropping and harvesting and they are willing to subscribe the information if available. Majority of the respondents want daily and monthly basis weather forecasts. Respondents also want information on different government policies including social safety-net programmes, citizen charter, khas land and water bodies, land record, government forms, etc. Thus the perceived demand for various e-information services is high among the respondents, which may be considered in designing telecentre service packages.

Conclusions and Recommendations

The baseline study on e-upazila initiatives was conducted during June-July 2012 to assess various indicators that are relevant to subsequent assessment of telecentre project. Four broad categories of indicators were measured in this study:

1. Households socio-economic Profile (Social Indicators)
2. Access to digital devices (Access indicators)
3. Awareness of e-services and digital devices indicators
4. Needs of e-information on various welfare indicators, such as health, education, agriculture, etc.

Some barriers reported by respondents include distance, lack of trainer, proper awareness and cost that may hinder the prospects of telecentres. Addressing these issues could turn a telecentre a social network for rural development and would derive network externalities.

Recommendations: Three issues have emerged in this study to run a successful telecentre to meet the demand for e-services of the rural poor people. These are:

1. **Building awareness:** Building awareness about digital services and their utilities is pertinent for effective utilisation of e-services. Most of the rural people are not aware of vast applications of mobile phone services, internet and computer applications. Without creating proper awareness of these services, it will be difficult to attract people to telecentres. Gram samity of SDF could be an effective forum to build awareness about various digital contents and their utility.
2. **Cost-effectiveness of services:** The second most important issue is cost-effectiveness of e-services, which includes optimal distance of telecentres from the locality, and pricing of services. It appears that telecentres within 1-2 kilometers may attract more people. Most of the people are satisfied with the current pricing of the lone CIC run by the SDF. The same pricing methods may be replicated for the extension of the project.
3. **Proper training facilities:** Most of the respondents are willing to take training of computers and internet use and they are also interested to train their children. For this purpose, availability of skilled trainers is important. It has been revealed that there are lack of trainers in the locality, which needs to be urgently met. Some trainer creation programme can be undertaken from the pool of trainees before starting the pilot project. Trainer and operators must be aware of the needs of stakeholders as well as the respected/dedicated websites or e-services available to meet the demands.

Impact Evaluation of the Department of Cooperatives

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Sponsor: Rural Development and Cooperatives Division, Ministry of LGRD and Cooperatives

Time Frame: July 2011 – June 2012

Introduction/Rationale

Bangladesh has a long history of cooperative movement in the country. Cooperative movement has an important role to play in mobilising people, particularly the poor and the women, and helping them to be engaged in productive activities collectively in order to help them to overcome poverty. The Department of Cooperatives (DOC) has been the principal government organisation responsible for facilitating economic growth and poverty reduction effort of the government. The Department of Cooperatives is committed to poverty reduction and socio economic development of Bangladesh through strategic management of human, agricultural, natural, technical, financial and other resources for the sustainable development of cooperatives as a business-oriented unit.

Given the fact that the cooperative movement has an important role to play in poverty reduction and bringing about positive changes in the lives of its members, and the Department of Cooperatives has been facilitating cooperative movement for several decades, it is important and also timely to have a comprehensive evaluation of the activities of the Department of Cooperatives in respect of poverty reduction and development

of the country. It is also important to review the organisational and management structure of DOC in order to suggest ways to improve the capacity of the Department in order to meet the needs of the time and address increasing challenges in these areas.

Brief Methodology

The study employed a range of methodological instruments including desk reviews, household surveys based on structured questionnaire, community focus group discussions (FGDs), semi-structured interviews (SSIs), review of organisational performances and case studies.

Data were collected from a variety of sources. Household surveys were carried out in 15 Upazilas of 10 districts of seven administrative divisions in the country. FGDs, SSIs and observations were also carried out in all selected Upazilas. Detailed information was also collected from 10 primary, 5 central and another 5 national cooperative societies. In addition, case studies were also carried out in three successful cooperative societies.

For organisational review, detailed information was collected from the Department of Cooperatives in several occasions. A series of interviews were also carried out with the officials of the Department of Cooperatives at various levels.

Major Results/Outcomes

Leadership development: accountability and transparency

It has been pointed out in the discussion above that for the success of any given cooperative society good leadership plays a primary role. While some of the cooperatives demanded that the leadership selection process should be democratic, others are functioning well under committees formed through selection. Therefore we may conclude

that if the leadership denomination procedure is fair and transparent and the general members of a cooperative are happy with it, then it becomes the main force for achieving dexterity and success in the functions of that cooperative.

Ownership and belongingness: why cooperative

The main reason for peoples' attraction towards cooperative instead of NGOs is that this is a body they can identify with. A feeling of ownership and belongingness works in the case of cooperative. While the NGOs are seen as 'outside body supported by foreign funding,' a cooperative is a group consisting friends family members and neighbours. The capital of the cooperative consists of one's own savings. Unlike the NGO officials, cooperative members are humane and they seldom humiliate other members or force them to sell property for loan recovery. For these reasons many beneficiaries remain in a cooperative society even though they themselves or their family members are involved with different NGOs.

Social network

Cooperative societies also provide platform for collective action, provide social network and support during times of need and create a space for participation which reinforces the member's social standing.

Local elite and cooperative

One of the hypotheses of this study was that if the cooperative societies are affiliated with local government bodies, then they would run more smoothly and transparently as they will be accountable to the public representative. However, most of the cooperatives are of the opinion that this would not be a practicable idea. According to the respondents, local elite and political leaders already try to influence and control the cooperative societies,

especially those which have large turnovers and assets. They say that keeping a good relation with the local government is important but that should be from arm's length. Direct involvement or influence from the public representatives would hamper independence and growth of cooperative societies and would go against the interest of general beneficiaries.

Involvement in the cooperative society: rigidity or flexibility

The main strength and driving force for cooperative societies is their members. It has been found, in many cases, that cooperative societies are rigid about taking new members. They only provide membership to male descendants of old members. According to them, this is a major way of restricting membership among like-minded people and ensuring that people with dishonest purposes do not get into the society. Though this process might have some positive impacts, it also has its drawbacks. It restricts the growth and possibilities of diversification of activities. It also creates a vacuum in leadership development. Restrictive membership might work in short or medium term but in the long run the society might have to suffer for it. Cooperative societies that are more flexible about taking new members have greater potential of growth. In that case there would be a need for very capable governing body and delegation of tasks among a number of smaller executive bodies.

Mode of operation of DOC

DOC mainly functions as a regulatory body that provides registration, monitoring and auditing facilities to the cooperative societies. However, there is a huge demand among the beneficiaries for financial and other supports from the government and/or DOC office. To meet these expectations and keep the newly formed cooperative societies enthusiastic about their activities, it is imperative that DOC

takes up some projects as well. These projects (like the one being implemented among the Garo community) should be created and run by the DOC itself. Handling of the accounts related to the projects and disbursement and repayment of loans can be done utilising the Cooperative Bank which has remained virtually non-functional for many years now. In this case, DOC will have to change its mode of operation from a legislative body to an implementation authority.

Change of perspective: community ownership and sustainability

It has been observed that in many cases people come together to form a cooperative society because they expect some endowment or special benefits will be provided by the government to the cooperatives. If the basic spirit of cooperative movement needs to be upheld and if the DOC continues to be only a legislative and monitoring body, then this perspective of the cooperatives has to be changed. There should be special awareness building sessions, arranged at local level for the newly formed cooperatives, to make the beneficiaries understand that it is about collective movement and community ownership. The basic motivation to form a cooperative should be aimed at forming a like-minded group who will build a common pool capital and improve their own socio-economic condition through productive use of it. The idea that a cooperative is owned by the community not by the government and people should come together to form it to help themselves should be promoted through campaigning and training.

New generation of cooperative

A new trend of forming 'multipurpose cooperative' has been observed. These cooperatives are more flexible about membership and diversified in their activities.

Some of these have independent demand driven training modules for their beneficiaries (i.e. Baridhara women's cooperative). Many of these are running successfully. These success stories or models should be replicated elsewhere and reforms should be made in the cooperative act to allow the growth of these new generation cooperatives.

Policy Implications

The past and current performance of the DOC points to the pressing need to change the contours of the DOC mandates in order to revitalise the DOC and to bring about an atmosphere where enthusiasm and earnestness of the DOC employees in the rural development and poverty alleviation programmes would be visible. Historically, the DOC is known to take development to the doorsteps of rural Bangladesh and contributes to economic growth and poverty alleviation. There is little room to undermine the potential role of the DOC in complying with its mandates. Apparently, there is a crucial need to guard against the populist rhetoric that NGOs are faring better.

Usually, subjective indicators tend to move together. The DOC has a clear mandate of rural development through cooperatives, and reaching one goal reinforces another. It calls for bringing all rural development programmes under one umbrella and close monitoring. For efficient communication, the DOC headquarters and divisional, district and upazila offices should be fully computerised with internet connectivity.

Currently, priorities are set through the annual strategic planning process. Setting new targets and improvement priorities on the basis of past experiences require more careful consideration of the organisational weaknesses and strengths. The DOC can

accurately establish the competency portfolio at its disposal and the training need, thus directing its resources in a more efficient manner. The existing training platform may aim at achieving the specific objective: qualifying and re-qualifying the workforce in order to better answer to the needs in the context of renewed rural development programmes in synergy with poverty alleviation programmes. This requires establishment of more training institutes with more effective and new courses to meet the emerging market demand.

Assessment is a way of documenting effectiveness. A systematic, ongoing cycle of setting goals, measuring attainment of those goals, and using the results to make informed decisions are crucial to continuous improvement. Assessment data provides information that is necessary to inform good decision making about what the DOC should do in the future to enhance its effectiveness as an institution. Good assessment can promote quality enhancement at all levels of the DOC by providing it with the necessary evidence to guide effective decision making in many areas, including programmatic changes, support service adjustments, policy or procedure revisions, work climate improvements and structural reorganisations. This requires putting in place and activating a separate full-blown MIS unit headed by an MIS manager with adequate and capable staff.

The so-called three-tier cooperative system, which constitutes the lifeblood of the DOC rural development programme, seems to be a mixed bag with less success stories and more failure stories. Much of this is attributable to the existing messy cooperative structure pointing to the pressing need for overhauling and recasting the entire cooperative structure of the DOC. It needs to be revitalised by

clearly identifying and eliminating the inherent structural weaknesses of the unsuccessful cooperatives. The point that needs to be stressed here is that innovative programmes require field development with new ideas. The extent of the DOC field development does not appear to be so extensive and adequate as expected. It requires massive extension work especially to promote self-help cooperatives through education extension and advocacy.

The Role of the State: Beside its regulatory role through legislation, the powers of the State should explicitly be limited to *inter alia* registration, deregistration and control of compliance with the law. As with other business enterprises, the State would be called upon to safeguard the interests of third parties and of the public related to the founding and the dissolution of a cooperative, but there is no room for the State to intervene during normal course of a cooperative's activities. Such a rudimentary role of the State would best guarantee non-discrimination. Clearly, the States role is to provide an enabling environment for the cooperatives to be run as business enterprises. The legislation should include a clear statement of this new role so that "over-zealous" bureaucrats cannot vary it in implementation. The non-statutory role of the State is to do for the cooperatives what the State also does for other business sectors. The emphasis is on helping the cooperatives to be more business-like, to strengthen other institutions upon which the cooperative sector depends for success. It should also assist the cooperators to resolve their disputes through the arbitration process laid down by law, and to attend promptly to their genuine complaints. In sum, public policy on cooperatives should acknowledge the autonomous character of cooperatives, its democratic underpinning and entrepreneurial mode, and state clearly the place and role that

the government envisages for cooperatives in the wider socio-economic setting.

The Role of the DOC: Market forces have their own distortions, which, if not addressed, can also hurt the cooperative sector. Therefore, if the responsibilities being shed by the State are not taken over by the DOC, market forces alone may not produce the desired results. Therefore, the DOC and other professional bodies in the cooperative movement will have to step in to play that role, especially in such areas as representation, advocacy, capacity building and self-regulation. In addition, the DOC will have to step up cooperative education, training and other activities to strengthen the management capacity of the cooperatives and their organisations.

Broad Theme: *Social Protection*

Impact Evaluation of Vulnerable Group Development Programme

Study Team:

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Sponsor: Ministry of Women and Children Affairs (MOCWA)

Time Frame: February 2012 to June 2012

Introduction/ Rationale

The VGD activity is the world's largest development intervention that exclusively targets extreme poor women. The VGD is an integrated approach that provides food grain combined with a package of development services. The aim of the programme is to enhance food and nutrition security of women and children through improved food consumption, education, skills development, livelihood diversification and risk mitigation. To

achieve the programme objective, the activity assists the ultra-poor women with the provision of monthly food ration of 30 kg of wheat or 25 kg of fortified wheat flour (*atta*) for a period of 24 months, and a package of development services for human capital development.

The main purpose of the present evaluation is to assess the effect of programme intervention and to examine the impact of the VGD programme on the beneficiaries. More specifically, efforts were made:

- To establish the benefits accruing from VGD programme;
- To review the targeting, selection and disbursement process of VGD programme;
- To draw appropriate lessons for further development of the programme;
- Suggest some crucial policy recommendations.

An attempt was also made in the present evaluation to look into the fairness of the selection process (whether the targeting process was transparent) and to ascertain the extent of leakage in distribution (i.e. entitlement versus benefits actually received).

Brief Methodology

The Union is the lowest administrative unit in the VGD programme. The present study was based on primary data collection and interviews in each of the country's seven divisions. In each division, the sampling frame consisted of one district, two upazilas and four Unions. Thus, four unions from each division and a total of 28 unions from seven divisions were selected for the impact study.

The present research has been carried out based on a survey of 420 VGD beneficiaries and 196 non-beneficiaries. The main purpose of the study is to assess the impact of the

program on VGD beneficiaries in reducing poverty and in enhancing income and livelihood patterns of program beneficiaries.

A total of 420 beneficiaries were selected from the 28 sample unions (15 beneficiaries from each union). The control group for the present survey was selected in such a way that the non-beneficiaries belong to similar socio-economic category as that of the program beneficiaries, but having no involvement with any safety net program. From each selected union, 7 control households were selected which gave a total of 196 non-beneficiaries from the 28 sample unions.

Key Findings/Outcomes

The present study has examined the impact of the VGD programme on the beneficiaries. Indicators used to assess the impact of the programme on beneficiary households includes: how far the programme has been successful in increasing household incomes, enhancing food security and asset creation/purchase of selected items. The data pertain to 420 beneficiaries (project) and 196 non-beneficiary (control) households.

Monthly income is considered to be an important indicator of poverty. The average monthly income of the beneficiary households was 37 per cent higher compared to non-beneficiary households (Tk. 4053 vs. 2954). About a tenth (10.48 per cent) of beneficiary households live on a monthly income, which does not exceed Tk. 2,000. On the other hand, more than a quarter (29.08 per cent) of the non-beneficiary households subsist on a monthly income not exceeding Tk. 2,000. The per capita monthly income was Tk. 1,029 for beneficiary households compared to Tk. 771 for non-beneficiary households. Our findings suggest that a significant majority of beneficiary households have been able to

increase household income compared to their counterparts in the control group. Again, more than one-third (36.91 per cent) of beneficiary households have income exceeding Tk. 4,000 per month as against 15 per cent of non-beneficiary households who fall in this income group. This implies that in terms of income poverty, beneficiary households are much better off compared to non-beneficiary households.

The food security situation of VGD households was examined in terms of yearly food deficit status and daily meal frequency. The findings show that poverty and food insecurity is extremely widespread in the study areas. We have found that 7.14 per cent of the beneficiary households are in chronic deficit having year round food deficit, while another 12.62 per cent are in frequent deficit (more than 6 months a year). Taken together, these two groups account for one-fifth (19.76 per cent) of the beneficiary households who are in the worst condition in terms of food security. Among the control group, about a half (55%) of the households fall in the category of having food deficit for most of the time in the year (more than six months). Again, by the self-evaluation criteria, 24 per cent of beneficiary households fall into the self-sufficient in food category as against only 4 per cent of the non-beneficiary households who fall in the "self-sufficient" category.

Based on our findings it can be said that in terms of monthly income, year round food security and housing conditions, the beneficiary households are much better off compared to their non-beneficiary counterparts. Though a significant proportion of beneficiary households still have low incomes, live in poor housing conditions and suffer from food inadequacy for a significant part of the year, but compared to their non-beneficiary counterparts, their vulnerability

has been reduced to a large extent and their poverty situation has improved significantly.

The main strength of the VGD programme is that it could reach the target group of the hardcore poor women and it has been effective in enabling the beneficiaries to improve their socio-economic conditions. In addition to the monthly food grain support, the intervention has also delivered IGA training in several topics (cow/poultry rearing, vegetable gardening, sewing, etc) and social/awareness training in topics covering health, nutrition and "life skills." Sources of livelihoods have expanded because of involvement of women in new and diversified IGAs.

Most of the beneficiaries reported that food security of the household has improved significantly after getting benefits from the VGD programme. Conditions with respect to other basic needs like health care, clothing, housing, social security, etc., have also improved after getting benefits from the VGD programme. It was also found that the programme also helped the beneficiaries to acquire some assets, which hold potential for further income. Thus, the VGD programme provides the hardcore poor women with economic security not only for the present but also for the future.

The Vulnerable Group Development (VGD) programme aims at increasing the earning potential and social empowerment of the most disadvantaged rural women. During a 24 months cycle, wheat is provided (30 kg. /month) to give women a temporary break from the struggle to find food and to allow them to participate in training programmes, and attend courses focused on market based income generating activities, provision of savings and credit, and functional education (health, nutrition, literacy, etc). These activities have been successful in improving food security of the households headed by

widowed, divorced, separated/abandoned women and women with disabled husbands.

The main success of VGD programme lies in the fact that the beneficiaries have been able to improve their socio-economic condition with positive impact on income, food consumption and access to safe housing. In addition, there have been positive changes in the quality of life of the members compared to the situation before joining the programme as reflected through better access to clothing, health care and school enrollment. After joining the programme, there have been positive changes in income earning opportunities, land ownership, utilisation of sanitary toilets, non-land asset ownership, saving habits, school enrollment for children and empowerment of women.

Economic empowerment leads to social empowerment as social insecurity is often seen as resulting from economic deprivation. Awareness building has been one of the impacts of the programme. Lifestyle has shown positive changes in that the use of sanitary toilets and hygienic practices with regard to cooking have significantly increased, presumably as an effect of awareness programme. Some of the beneficiaries now possess radio, watch and other modern goods. People are empowered now and are aware of the surrounding environment more than before. However, inadequate coverage/limited number of beneficiaries is the major problem of VGD programme and as such efforts should be made by the government to increase the number of beneficiaries through allocating more resources.

Three-fifths (57.69 per cent) of the VGD cardholders are of the opinion that selection was fair enough for all the cardholders, while about two-fifths (38.22 per cent) maintain that selection was fair for some of the cardholders

only. By contrast, less than a fifth (17.02 per cent) of non-beneficiaries maintain that selection was fair for all of the cardholders, while a vast majority (70 per cent) of the non-beneficiaries are of the opinion that only some of the cardholders belong to eligible group. This discrepancy between responses given by beneficiaries and non-beneficiaries may be explained by the fact that, as the non-beneficiaries are deprived of the programme benefits, they are more likely to be unhappy about the selection process.

The main reasons given by respondents for giving VGD cards to non-eligible persons include: nepotism (mentioned by 38 per cent of VGD beneficiaries and 37 per cent of non-beneficiaries), bias of selection committee (mentioned by 23 per cent and 21 per cent respectively), pressure of local elite/influential persons (21 per cent and 24 per cent respectively), and for voting purpose (11 per cent and 12 per cent respectively).

Policy Implications

Inadequate coverage of beneficiary is a serious weakness of the VGD programme. It was observed that many eligible poor women who meet all the eligible criteria for VGD card have been left out of the safety net programme mainly because of the limited number of beneficiaries covered by the programme and inadequate funding situation. Findings of the present study (including FGD) reveal that in terms of almost all the poverty indicators, the non-beneficiaries are as poor as the beneficiaries are. A large majority of the respondents (both beneficiaries and non-beneficiaries) maintain that the number of beneficiaries should be at least double than that of the present size.

There is lack of proper monitoring by MoWCA\DWA in the implementation process, mainly because of shortage of man power. This needs to be addressed urgently for

smooth functioning and proper monitoring. There should be mechanism of monitoring the food grain/VGD benefit distribution process periodically.

Delivery of the grains should be made in packets of 30 kilograms for each beneficiary so that there is no scope to tamper with the amount of wheat/atta to be distributed.

Impact Evaluation of Maternity Allowance Programme of Bangladesh

Study Team:

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Sponsor: Ministry of Women and Children Affairs (MOCWA)

Time Frame: February to July 2012

Introduction/Rationale

In order to bring desirable improvement in the maternal health status and to achieve the MDG goal of reducing maternal mortality ratio to 143 by 2015, the government has undertaken various measures including the “maternity allowance Programme” to help the poor women. Such allowance is targeted to the poor and vulnerable pregnant women who belong to functionally landless households having only homestead land (without any cultivable land), with low and irregular income not exceeding Tk.1,500 per month, and women who lack productive assets.

The Programme was officially launched in July 2007 in 3,000 unions throughout the country, and 15 selected pregnant women from each union used to receive Tk.300 per month under this Programme. Subsequently, the Programme underwent few changes; monthly allowance was raised to Tk.350 in July 2009, and the Programme was expanded to 4,508

unions in 2011-12. Currently, there are 101,200 beneficiaries of maternity allowance programme and once a woman is selected for this allowance, she receives benefit for two years. This is a countrywide Programme and covers all 64 districts, 484 Upazilas, and 4,508 unions. One woman can receive such benefit only once during her lifetime.

The maternity allowance programme targets the improvement of nutritional status and healthy practices during pregnancy, at the time of delivery and after child birth. The initiative promotes action on four fronts: (1) redressing the socio-economic inequities confronting women; (2) ensuring that pregnant women from the poorest strata of life have access to adequate health care and nutrition during pregnancy and after delivery; (3) providing cash benefit for better maternity care, so that women are able to proceed smoothly during pregnancy, delivery and the postpartum period; and (4) providing information about back-up and support services, raising awareness about special care during pregnancy and lactation, that means improving the availability, quality and acceptability of RH services.

The present evaluation has been undertaken to examine the impact of the allowance programme on the beneficiaries. More specifically, efforts were made:

- To review existing information on maternity allowance programme;
 - To assess the extent and coverage of the programme;
 - To explore beneficiary perceptions on the programme with a view to drawing necessary policy conclusions;
 - To assess the impact of the programme towards empowering women.
-

Major emphasis was given to see:

- Whether the benefit is going to the right person;
- Whether the beneficiary women have control over the allowance money and whether they are spending it for getting nutritious food, availing of necessary health care and other barriers women face in this regard.

Brief Methodology

The main purpose of the present evaluation is to assess the effect of the program intervention and to examine the impact of the programme on the beneficiaries. The present research has been carried out based on a survey of 420 beneficiaries of Maternity Allowance Programme and 196 non-beneficiaries. The survey was conducted in 7 divisions of the country. From each division, the sample locations consisted of one district, two upazilas and four unions.

A total of 420 beneficiaries were selected from the 28 sample unions (15 beneficiaries from each union). The control group for the present survey was selected in such a way that the non-beneficiaries belong to similar socio-economic category as that of the programme beneficiaries, but having no involvement with the allowance programme. From each selected union, 7 control households were selected, which gave a total of 196 non-beneficiaries from 28 sample unions.

Both qualitative (FGD, case study) and quantitative (questionnaire survey) data were used for the impact study.

Results/Outcomes

The Allowance Programme focuses on the social, economic and cultural factors that influence reproductive health. This package includes safe motherhood, family planning, child survival and development, control of

sexually transmitted diseases, and raising awareness of the woman and the community about special needs during pregnancy and lactation. The efficient targeting and fullest exploitation of maternity allowance programme should bring about a perceptible improvement in the health status of poorest mothers.

This programme has been successful in addressing the poverty situation of the beneficiary women. Due to of the allowance money, the situation with regard to food and nutrition has improved significantly even after the end of the project benefit. The main success of the program lies in the fact that the beneficiary women have been able to improve their socio-economic condition with positive impact on income, food consumption and better access to ANC and PNC. In addition, there have been favourable changes in the quality of life of the beneficiaries as reflected through better access to health care, observance of healthy and hygienic practices during pregnancy and lactation, increased awareness regarding importance of nutritious food and better child care practices.

Household income is an important indicator of poverty. Our findings suggest that a significant majority of beneficiary households have been able to increase household income after participation in the programme. The monthly income of beneficiary households was found to be 30 per cent higher compared to non-beneficiary households (TK. 3,971 vs Tk. 3,060). This implies that in terms of income poverty, beneficiary households are much better off compared to non-beneficiary households.

Again, the income of the beneficiary households has increased by 46 per cent after participation in the programme (from Tk. 2,713 to Tk. 3,971). The overall poverty situation seems to have improved significantly after joining the programme.

Inadequate coverage of beneficiary is a serious weakness of the maternity allowance programme. It was observed that many eligible poor women who meet all the eligible criteria have been left out of the programme mainly because of the limited number of beneficiaries covered by the programme due to inadequate funding situation. Findings of the present study (including FGDs) reveal that in terms of almost all the poverty indicators, the non-beneficiaries are as poor as the beneficiaries are. A large majority of our respondents (both beneficiaries and non-beneficiaries) maintain that the number of beneficiaries should be at least double than that of the present size.

For improving the health of poor pregnant women, a combination of the following is necessary:

1. Need based adequate nutrition for pregnant and lactating women and their children.
2. Educate women and prepare them for a healthy pregnancy and safe delivery.
3. Arranging long-term training for the health providers including TBA/Dai to ensure quality services for safe motherhood.
4. Community mobilisation i.e. raising of community awareness regarding special needs during pregnancy and providing women with adequate food and nutrition.

Policy Implications

Childbirth is amongst the most significant factors that has pushed women—and with them children—towards long-term ill health. This is made all the more complex by social norms, illiteracy and poverty that disallow women from making independent choices. Among the most challenging aspects of women's health in Bangladesh is maternal morbidity and mortality—the death and suffering of women during pregnancy and childbirth. The government is committed to

achieving the MDG goal of reducing maternal mortality to 143 by 2015.

The Maternity Allowance Programme focuses on the social, economic and cultural factors that influence reproductive health. This package includes safe motherhood, family planning, child survival and development, control of sexually transmitted diseases and raising awareness of the woman and the community about special needs during pregnancy and lactation. The efficient targeting and fullest exploitation of maternity allowance programme could bring about a dramatic improvement in the health status of poorest mothers.

Broad Theme: *Population Studies*

Post Enumeration Check (PEC) of the Population and Housing Census of Bangladesh, 2011

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Sponsor: Bangladesh Bureau of Statistics (BBS)

Time Frame: April 2011 to March 2012

Introduction/Rationale

Population and Housing Census of Bangladesh was conducted during 15-19 March, 2011 by BBS. It has been decided by the Government to conduct the PEC survey independently within one month of the main census. In the past, PEC used to be conducted by the Demography and Health Wing of BBS following UN guidelines. But this time, BIDS has been given the responsibility for conducting the PEC for an independent evaluation of the quality and coverage of the main census.

In a large data collection exercise, such as Census, errors are inevitable. Errors can arise from many sources, such as flawed data collection and processing procedures. Census design can also be a source by introducing measurement error such as faulty questionnaire/training manuals/ procedures. The two major categories of errors are coverage error and content error.

Coverage error refers to either an under-count of over-count of persons/housing units owing to omissions, duplications and erroneous inclusions. On the other hand, Content error refers to the quality of data collected in a census. While coverage error refers to housing units and people missed in the census or those erroneously included, content error pertains to the errors in characteristics that are reported for the persons or housing units enumerated in the census.

Two major objectives of the PEC are as follows:

The primary objective of PEC is to determine sources and magnitude of coverage error (both under counting and over counting of people and housing units).

The second objective is to estimate the content errors which are also a basis for evaluating reliability of responses reported in the census. This will be obtained by calculating the response variance to questions on personal characteristics (age, sex, marital status and literacy) and household characteristics (sources of drinking water, type of toilet facilities, housing type and access to electricity).

Brief Methodology

The Bangladesh Institute of Development Studies (BIDS) conducted the Post Enumeration Check (PEC) in April 2011 to evaluate the coverage and content errors of the Population and Housing Census 2011. For

the Census 2011, the country was divided into 3,10,000 Enumeration Areas (EAs), each EA having on the average about 120 households. We have selected 280 EAs for the PEC of 2011.

Two major domains were selected, namely urban and rural areas. The urban domain was stratified into three different categories: urban/municipality, other urban and city corporation. A total of 280 enumeration areas (EAs) were selected as primary sampling units (PSUs): 140 Rural, 60 urban 20 other urban, and 60 city corporation.

The entire PEC procedure was divided into three phases:

The 1st phase-PEC-A field survey was independent re-enumeration of 280 EAs. The purpose was to measure the number of persons missed/erroneously included in the census.

The 2nd phase was the Headquarters matching operation. This included a person by person match between PEC-A and census enumeration.

The 3rd Phase was the "PEC-B field follow-up operation." This follow-up operation had two purposes: firstly, to estimate the number of erroneously enumerated persons in the census and secondly, to verify whether the persons classified as tentatively missed in the census (non-matches), were actually missed.

Highly experienced enumerators who worked during the census were retrained to collect data on selected variables. For absolute independence, it was ensured that the enumerators worked in different areas from those covered during the main census.

A matching exercise was undertaken after data collection, which was aimed at investigating whether the PEC persons/households

were enumerated during the census. Unmatched records were then reconciled in the field with the purpose of identifying erroneous inclusions. Out of a total of 280 EAs, a sub-sample of 61 EAs—23 rural and 38 urban—were selected for reconciliation visits. These visits gave an opportunity to identify erroneous census enumerations and the resolution of doubtful/unmatched cases in order to arrive at a realistic match status for each census and PEC element.

Major Findings/Outcomes

Evaluation of coverage and content errors

In evaluating the coverage, a dual system of estimation was used. The PEC results showed that the 2011 Census national coverage rate was around 96 per cent giving an omission rate of 4 per cent. In order to measure the correctness of responses between the census and the PEC, the rate of agreement, net difference rate and index of inconsistency are used. Sex has the highest rate of agreement of 98 per cent and lowest aggregate index of inconsistency of 4 per cent. In contrast, age has the lowest rate of agreement of 67 per cent. This is because while sex as a characteristic of individuals is easy to report accurately, age depends on the person having accurate idea about the exact age. The rates of agreement of other characteristics are as follows: marital status 97 percent, source of drinking water 89.9 per cent, literacy 87.4 per cent, and type of toilet facility 69.5 per cent.

Policy Implications

With high coverage rate arising from the PEC, the census results can confidently be used in planning and policy and other professional analysis. The PEC findings give credibility to the Population Census 2011 results and would guide the users to better interpret the census results.

Broad Theme: *Climate Change Impacts*

Gender, Social Capital, Local Government and Climate Change Adaptation in Bangladesh

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Sponsor: The World Bank

Time Frame: July 2010 – June 2012

Introduction/Rationale

Bangladesh is one of the high population density countries and vulnerable to climate change. The high level of poverty and vulnerability and degraded ecological system make it even more vulnerable to climate change, which threatens the development achievements over the last decades. While significant progress has been made over the past several decades in Bangladesh, women still predominate among the poorest with limited mobility or access to resources or information, which is reflected in the deaths of nearly five times more females than males in floods and cyclones in Bangladesh. Widespread poverty has made Bangladesh extremely vulnerable to the effects of tropical storms and flooding. As women's participation in paid work outside home is low in Bangladesh, changes in crop, fishery, poultry and livestock production could severely impact the livelihood and well being of women and their children. Given the gender differential in vulnerability, it is important to have social assessments and institutional analyses that include gender based experiences in collective actions and support from local institutions/networks for developing inclusive strategies for increased climate resilience.

Gender-sensitive analysis is also important to direct aid and plan for full and equitable recovery in the case of frequent climatic events such as floods and cyclones, whose frequency and intensity are expected to rise with climate change. Furthermore, gender-sensitive analysis is important to ensure women's participation in long term climate change adaptation strategies, which might have been constrained due to their traditional social norms in the country.

Brief Methodology

A number of methodological tools and techniques (both quantitative and qualitative) were adopted in the study. To capture an overall overview of the lives, livelihoods, climatic vulnerabilities and adaptation mechanisms of the different communities living in the study areas, a wide range of PRA tools were used.

In order to understand the gender disaggregated patterns of vulnerability from a wider perspective, a structured household questionnaire with separate gender module was used to collect data at the household level.

In order to explore the gender dimensions of vulnerability and adaptation to climate change, two complementary tools were used. One is the Event Analysis, which is administered at the group level as a PRA exercise and the other is the Life History Analysis, which involves interviewing an affected individual about his/her experiences regarding climatic hazards that they have faced.

Major Results/Outcomes

Gender vulnerability primarily depends on climatic, asset base and social conditions

Women face social, economic and political barriers that limit their coping capacity. Social

barriers are created by various institutions which restrict their mobility as well as hinder their awareness and empowerment. This base condition of the women in Bangladesh renders them more vulnerable as they have lack of access and ownership to capital assets. Even if they have ownership of assets, they are mostly non-functional due to their lack of access and decision making power. Thus women are incapable of transforming their assets in order to adapt to changing conditions.

Household adaptation creates vulnerability for women

Women are usually responsible for managing household activities starting from cooking, ensuring foods, fetching water, nurturing children and so on. Due to occurrence of various climatic hazards, their responsibilities increase significantly compared to that of men at the household level. During hazards women consume lesser amount of food after providing meal to the rest of the family members. In order to ensure the security of young girls during hazards, parents usually try to married them off in their early teen-age period. As a result, such adaptive capacity of poor families increases vulnerability of women. These multiple roles of a woman including involvement in economic activities along with traditional household chores create an extra stress on women.

Climatic hazard negatively intensifies women's' health management

In order to ensure security and minimise the cost, poor families married off their daughters at early teen age during hazards. Early marriages not only hamper female education, but also increases rate of early-teen pregnancy and poor maternal health. In cyclone prone and tidal flood prone areas, unavailability of family planning services also creates health problems. On the other hand,

in cyclone prone areas women suffer from malnutrition due to lesser food intake during hazards.

Social capital play important role in adaptive capacity

In rural areas of Bangladesh, traditionally people have been depending on social capital in terms of building effective adaptive capacities to minimize the impacts. During hazards poor people who have social connections with the rich and middle can take shelter and water from their houses. But people higher up the wealth rank usually have greater networks. Collective action requires people from all classes to come together to help rebuild the community after disasters and to participate disaster preparedness work.

Social capital is also important in migration. People only migrate when they know someone who has migrated to the place of interest and after migration they need social networks to find work and place to live as well. Women from the cyclone and river erosion-prone areas migrated to location where local men have already migrated. Men give information about job opportunities to them so that they may migrate in order to enhance their livelihoods.

Adaptive capacity varies significantly among gender

Adaptive capacity is context-specific and varies from country to country, from community to community, among social groups and individuals, and over time. It varies not only in terms of its value but also according to its nature. The scales of adaptive capacity are not independent or separate: the capacity of a household to cope with climate risks depends to some degree on the enabling environment of the community, and the adaptive capacity of the community is reflective of the resources and processes of the region. During hazards male members of

the families have to deal with crops, have to deal with family, have to deal with livestock and they have to deal with many other things. But male is less vulnerable than women because they are physically strong than women and they are much aware about the fact of hazard. And more or less they are relatively more educated than women. The female are more vulnerable during hazard time compared to male. In cyclone prone area, there is no privacy for women in shelters. They have to fetch the water from very far away. They have to deal with children, cooking and many other household chores. Lesser food consumption of female members during hazards is also a frequent household adaptation strategy. Apparently in all areas early marriage is found as a very common adaptive capacity among poor class.

Women empowerment results in better climate change adaptation capacity

Empowerment of women can greatly enhance their access and ownership of assets. Awareness about gender empowerment and decision making power will ensure their deserved rights. In general, women in the rich class have greater access and ownership of assets owing to their greater empowerment. Poor women are more aware than middle class, because they are more mobile. They have more information and can raise their voice as well. Although this mobility of the poor is actually a result of their vulnerability, they are forced to give up their social norms and work outside the village in order to support their families. Thus women empowerment in the hazard prone areas, be it forced or chosen, puts women in a better position in terms of asset ownership, access and transformation capacity.

Policy Implications

In order to increase the adaptive capacities of each of the communities, it is essential that

their asset base is increased to an adequate level.

Climate affects gender groups disproportionately, which usually results in women being the most negatively affected. The overall vulnerability of marginal people (such as poor, physically/ mentally challenged, ethnic minority, etc.) in any given hazardous geophysical context is high. However, among any such group of marginal people, vulnerability of women is of the highest order. But though women are disproportionately affected, they are not favoured by policy or society. In fact, it is the opposite. Thus in order to ensure effective gendered adaption to climate change, there is need for changes in both policy and at social level.

Women's coping efforts are severely challenged by gender relationships and handicapped by power structure both within the household and within the community. It appears that simple coping would not help women much to reduce their vulnerability, raising awareness regarding the anticipated elements of risks and early warning could facilitate them to strengthen their approaches to coping. However, such programmes must be tailor-made to cater the needs of the target audience—the women and the disadvantaged.

Policy focus should widen the lens to integrate gendered views and multiple hazards. With the advent of secondary hazards along with the primary hazard in the hotspot, there is a need for a policy approach with a wider lens. Government policy in disaster mitigation and prevention only account for the more visible primary hazard, and neglect the effects of secondary hazards. Policy should also be gender sensitive as from previous arguments it is clear that there is a vast difference

between adaptive capacities and impacts among gender groups. These differences are hardly noted by policy measures.

The BIDS Research 2011-2012: Major Findings and Policy Implications of Completed Studies provides the summary information on major findings and policy implications of the research studies that the Institute completed during the period, July 2011 to December 2012. The research agenda of the period covered priority issues in different aspects of the Bangladesh economy which have been grouped under various thematic areas, such as Poverty and Vulnerability, Macroeconomic Policy Analysis, Agriculture and Food Security, Governance Issues, Social Protection, Population Issues and Climate Change Impacts.
