

Old Age Allowance Programme of Bangladesh: Challenges and Lessons

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Background of the Old Age Allowance

- As in other countries, Bangladesh too started experiencing population ageing;
- According to UN Population Projection, share of older people by 2050 will reach around 20% and absolute number would become more than 40 million.
- Government's concern for older people until 1990's was limited to public sector employees only who represent around 5% of the labour force and 1% of the older people.

Background (contd.)

- Following increase of older people and more than that following recent global concerns for these people, the Govt. of Bangladesh in recent years became sensitive about older people and felt to do something beyond moral preaching.
- Consequently, the government introduced a Monthly Allowance Programme for older people in April 1998. In case of Bangladesh, the credit for the programme almost entirely goes to the Govt.

Main Features of the Programme

- Means-tested programme
- Provides monthly allowance to poor elderly
- Benefit has no condition attached to it
- Financed from the country's national budget
- Has countrywide coverage
- Accomplished substantial expansion since introduction;
 - beneficiaries increased from 0.4 to 2.75 million
 - Monthly allowance increased from BDT 100 to BDT 300;

Main Features (contd.)

- Budget allocation increased from 485 to 8,910 million.
- The GDP share increased from 0.02% to 0.13%.
- Ministry of Social Welfare implement the programme;
- A ministerial Committee headed by the Finance Minister oversee the programme;
- Beneficiary selection is done by 2 committees jointly
- Along with beneficiary selection, a waiting list of priority candidates is also prepared to facilitate replacement

Beneficiary Selection

- Basic Criteria:
 - Minimum eligibility age is 65 for men and 62 for women
- Priority Criteria:
- Annual income below BDT 3000 (less than US\$ 37)
- Physically unable or fully incapacitated,
- Physically/mentally handicapped with partial or no ability to work,
- Possess no assets, land and/or home
- Widowed/widower, divorced, separated, deserted by family, childless, etc.
- Spend all income on food;

Ineligibility Criteria

- Older person or a household member enjoy govt. pension,
- Destitute women holding VGD card
- Receive another govt. grants/assistance on regular basis
- Receive regular financial assistance/grants from NGOs, etc.
- Person work as a day labourer/domestic worker or is a vagrant.

Other Features of the Programme

- If one is dissatisfied with candidate selection, can file complains and there are stated procedures to resolve them;
- The monthly allowance is delivered through the Government Scheduled Banks
- In case of valid reason, a nominee can receive allowance on behalf of beneficiary;
- No one is entitled to the benefit as inheritor;
- Allowance benefits are distributed across countries based on population size;

Challenges of the Programme

- First, a major challenge of the programme is to improve beneficiary selection process; various studies suggest that erroneous inclusion accounts for 30% or more of the beneficiaries. Such erroneous selection arises primarily for over dominance of the local elected representatives in the selection process.

Challenges (Contd.)

- To overcome selection two partial remedies suggested are:
 - To enhance the role of civil societies including that of older people in the selection process, and
 - a second body should hear and look after the complains of dissatisfied persons instead of current system in which selectors listens to the complaints.

Challenges (Contd.)

- Another related challenge for candidate selection is to clarify the selection criteria;
 - the programme mentions nothing about how to weigh various priority selection criteria; sometimes they are less clear in the field situation; the local selection committees sometimes are found not aware of these criteria. So, there is a need to describe them properly;

Challenges (Contd.)

- A third challenge is raising the benefit level;
 - current benefit size is very small (BDT 300; less than US\$ 4). This is highly insufficient to meet the elderly needs.
 - The allowance represents 13% - 21% of the country's poverty line income. So, to have a reasonable impact on elderly poverty, enhancement of benefit size is urgent.

Challenges (Contd.)

- Some may argue that enhancement of allowance rate may not be possible for poor country like Bangladesh, but estimates suggest, it may be possible.
- Currently, our Govt. spends 0.13% of GDP on OAA, doubling of the amount (which is a popular demand now) would require a GDP share of 0.26% only. Tripling of the amount would require 0.39% of GDP.

Challenges (Contd.)

- Fourth Challenge is to improve the benefit delivery:
 - Delivery by the Bank although is preferred by beneficiaries, it has some problems referring to both bank and the beneficiaries.
 - The bank problems arise primarily from insufficient manpower causing inefficient delivery;
 - The problems faced by beneficiaries have both monetary and non-monetary dimensions; collection of money from the bank which is often located at a distance involves both monetary costs and physical costs.

Challenges (Contd.)

- One suggestion to improve the bank delivery is to pay allowance through bank account of the beneficiaries (which was done in last year).
- Another suggestion keeping fragile old people in mind is to arrange 'mobile bank' at local level to delivery the allowance at door step of the beneficiaries.

Challenges (Contd.)

- Fifth Challenge is to improving the benefit administration:
 - ineffective local level committees;
 - lack of consistent committee structure;
 - weak coordination among agencies;
 - ineffective mechanism to reach urban poor
 - severe shortage of manpower in all agencies implementing the programme;

Challenges (Contd.)

- The final challenge is the scaling up programme to universal one;
 - this would allow overcome many programme ills; and would place the programme on a right-based platform instead of current charity flavour.
 - However, one may argue, poor country like Bangladesh may not afford it, but estimates suggest, such up-gradation is possible provided there is political will.

Challenges (Contd.)

- According to estimates, at current rate of allowance, Bangladesh govt. would require about 0.34% of GDP to cover all older people aged 65+. Doubling of the rate would require 0.64% of GDP. i.e less than or around 1% of GDP would be required for this.
- Also, such universal pension is sustainable in Bangladesh as the economy is growing at 6% rate and has potentials to grow even by a higher margin.

Projected Population and GDP requirement for universal pension

Year	Number of elderly aged 65+ (million)	GDP requirement (%) to provide universal pension @ BDT 300 p/m	Estimated Per capita GDP	
			BDT	US\$
2015	7.04	.282	53,416	742
2020	8.83	.272	64,450	895
2025	11.04	.262	78,348	1,088
2030	13.76	.251	95,965	1,333

LESSONS

- First : even a low level of pension can have significant impact on the lives of older people and their families;
- Second, Bangladesh's experience shows that a country can start with a low benefit level to support older people and then gradually move to a more generous amount;
- Third, such assistance to older people increases the empowerment and dignity of the older people;

LESSONS (contd.)

- Fourth, social assistance far from undermining family support- may strengthen the relationship between older people and their families;
- Fifth, social pension appears to benefit more the older women who are more vulnerable in countries like Bangladesh. It may be because they have less control over asset and household income, etc; can't save for old age.
- Bangladesh programme design is sensitive also towards women; half the beneficiaries are mandatorily selected from women and minimum eligibility age for them is lower than men.

LESSONS (contd.)

- Sixth, the targeting process in Bangladesh has met with some significant errors and discriminate against most marginalized ones. So, refinement of the process is necessary to minimize selection error.
- Seventh, to get rid of targeting error altogether, universal pension for older people is an option. Estimates suggest that a universal pension is affordable also in poor countries like Bangladesh and it is sustainable too in future;

LESSONS (contd.)

- Eighth, Given the problems with bank disbursement , other countries, considering use of bank for the purpose can think of the problems faced by Bangladesh and think of the ways to overcome them to make benefit delivery more efficient.
- Most important lesson to be learnt from Bangladesh's experience is that such a programme can be very popular even in poor countries and these countries can support such programme from the government revenue itself without depending on others provided political will is there.

Thanks for listening