



## Social Protection Discussion Paper Series

### **Delivery Mechanisms of Cash Transfer Programs to the Poor in Bangladesh**

**Shaikh S. Ahmed**

**May 2005**

Social Protection Unit  
Human Development Network  
The World Bank

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Social Safety Net Primer Series

# Delivery Mechanisms of Cash Transfer Programs to the Poor in Bangladesh

*Shaikh S. Ahmed*

May 2005

WORLD BANK INSTITUTE  
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# Abstract<sup>1</sup>

This study carries out an analysis of the practical issues and the financial costs relative to the transfer of cash benefits from source to recipients and the cost effective way of transferring funds to the beneficiaries. The study analyzes and compares three alternative delivery mechanisms: The Income Generation Vulnerable Group Development (IGVGD), the Primary Education Stipend Program (PESP) and the Rural Maintenance Program (RMP). This study also looks into targeting and leakage issues that affect delivery mechanism. A field level survey has been conducted to assess beneficiaries view on the existing delivery mechanism and on the prospect of using technologically advanced alternative delivery mechanisms in the rural setup.

This study reveals that the potential of using rural bank branches to deliver cash benefits is not fully utilized. Introducing advanced technology to rural banks for improving the efficiency of delivery of benefits is viable, subject to cost and capacity constraints. At the same time, reducing targeting failure and leakages can further enhance delivery efficiency. This study also shows that there are too many unnecessary agents at various levels of delivery and points to the need for appropriate delivery supervision.

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<sup>1</sup> This study was commissioned by the World Bank and was prepared under the supervision and guidance of Carlo del Ninno. Helpful comments on an earlier draft have been provided by Amit Dar, Marito Garcia, Margaret Gorsh and Hilary Standing. The views and opinions expressed in the report are those of the author alone, and do not reflect the official position of the World Bank, the Government of the People's Republic of Bangladesh or any of its affiliated agencies. Comments are welcome, and should be directed to Shaikh S. Ahmed ([shaikhsahmed@yahoo.co.uk](mailto:shaikhsahmed@yahoo.co.uk)).

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## **Abbreviations**

ATM	Automated Teller Machine
BRAC	Bangladesh Rural Advancement Committee
CAO	Chief Accounts Officer
CARE	CARE
CIDA	Canadian International Development Agency
CSD	Central Storage Depot
DO	Delivery Order
EBT	Electronic Benefit Transfer
EC	European Commission
ECNEC	Economic Committee of the National Economic Council
FDR	Fixed Deposit Receipt
FGD	Focus Group Discussions
FSVGD	Food Security VGD
GO	Government Orders
GOB	Government of Bangladesh
IGVGD	Income Generation for Vulnerable Group Development
Kcal	Kilo Calorie
LGD	Local Government Department
LSD	Local Storage Depot
MOU	Memorandum of Understanding
PESP	Primary Education Scholarship Program
PKSF	Palli Karma Shahayak Foundation (Apex microfinance institution in Bangladesh)
RAKUB	Rajshahi Agricultural Development Bank
RMA	Rural Maintenance Association
RMP	Rural Maintenance Program
SMC	School Management Committee
TT	Telegraphic Transfer
Taka	Taka or Taka (Name of the local currency in Bangladesh)
UP	Union Parishod (Lowest level of public administrative body in Bangladesh)
Upazila	Second lowest level of public administrative body in Bangladesh
VDG	Vulnerable Group Development
VO	Village Organization
WFP	World Food Program

# Executive Summary

1. This study is an analysis of the practical issues and the financial costs in relation to the transfer of cash benefits from source to recipients and the cost effective way of transferring funds to the beneficiaries. The delivery mechanisms used by three programs, namely, the Income Generation Vulnerable Group Development (IGVGD), the Primary Education Stipend Program (PESP), and the Rural Maintenance Program (RMP) are analyzed in this study.
2. The IGVGD program delivers 30 Kg of wheat a month to its beneficiaries, who are required to save Taka 25 a month with a NGO. The PESP delivers Taka 100 to 125 on a quarterly base to families with a school age child or children enrolled in primary education. The RMP pays a daily salary of Taka 51, of which Taka 10 is set aside as mandatory savings, available every other week to each of the 10 women in a group that maintains a local rural road.
3. This study finds that beneficiaries do not have a problem in accessing the public banking facilities used to deliver the benefits. Mobile pay stations are used when the PESP beneficiaries are outside of a 5 KM range of the local bank branch. Beneficiaries do not hold bank accounts and are required to use specific documentation, issued free of charges, to receive their benefits. Only the primary beneficiaries are allowed to make withdrawals except in the case of permissible reasons by nominee. Issues of safety are not a concern for the beneficiaries and generally safety prevails in the rural area. In general, programs are popular with beneficiaries and stakeholders. There are, however, some issues that have been raised with respect to the beneficiary selection procedure, the level of leakage, the cost of delivery, and the capacity of both the beneficiary and the delivering agency. Leakages exist and few steps are in place towards minimizing them.
4. The analysis of the cost of delivery benefits showed that in the case of IGVGD, the main cost is given by the transportation cost of delivering wheat because banks are only used to transfer operating costs and NGOs are used for maintaining savings accounts. In the case of PESP the largest cost is a bank fee of 2.5 percent. For RMP the highest cost is determined by CARE's operating cost. In general, the cost of delivery does not depend on distance or frequency of delivery.
5. The cost of bank transactions are low because the beneficiaries have a special stipend-purpose bank account, which cannot be used as a normal bank account. The rate is fixed and subsidized by the government. In the case of the RMP the number of payments is reduced because banks provide one single payment to a group of 10 beneficiaries. There are no specific charges to be paid by the IGVGD or RMP members for saving with a BRAC office or bank. These savings nevertheless do accrue interest paid by the saving agency. While there are some restrictions on withdrawal of savings, there is no restriction on withdrawal of benefits from within the permitted procedure.
6. Public sector banks can reach out to the poor people in the rural areas. The current coverage of government banking facilities in rural areas is good although many of the local rural branches are not profitable and some face closure. Several alternatives to the public banking system have been explored; these include the use of private banks, NGOs, and the postal service. These alternatives are expensive. Proper incentives and schemes need to be devised to

improve the efficiency of delivery. Monetary and fiscal policies can provide incentives to involve financial institutions in the cash distribution process.

7. Other modifications are possible in the organizational structure of the delivery institutions and procedures to reduce transaction costs. For example, beneficiaries are interested in group-based collection of benefits and formation of group funds to satisfy their other financial needs. Beneficiaries are also interested in an advanced technology based delivery mechanism (like electronic and automated distribution systems). The use of advanced technology to deliver benefit is possible at present under the overall scenario given their installation and maintenance costs. This is observed that Mobile ATM delivery mechanism is feasible in Bangladesh.

# 1. INTRODUCTION

The purpose of this study is to carry out an analysis of the practical issues and the financial costs relative to the transfer and management of cash benefits to recipients of safety nets programs in Bangladesh. The study compares among alternative delivery mechanisms in terms of their efficiency and effectiveness under different conditions and to explore the possible uses of new technologies. Three social protection programs targeting women and children are focus of this study. These are the Income Generation for Vulnerable Group Development (IGVGD), the Primary Education Scholarship Program (PESP), and the Rural Maintenance Program (RMP). Table 1.1 presents the basic features of these three programs.

**Table 1.1: Highlights of the Program Characteristics**

<i>Factor</i>	<i>IGVGD</i>	<i>PESP</i>	<i>RMP</i>
Benefit in the form of cash	X	√	√
Use of banks for delivery	Partial	Full	Full
Service charge paid to the bank	X	√	√
Savings component	√	X	√
Credit facility	√	X	X
Group based distribution of benefit	X	X	√
Attachment to NGO for administering	√	X	√
Attachment to NGO for borrowing	√	X	X
Attachment to NGO for Training	√	X	√
Attachment to PKSf (apex organization)	√	X	X
Origin of fund	GOB + Foreign Aid + NGO	GOB	GOB + Foreign Aid
Financial contribution of the local authority	X	X	√
Labor contribution of the beneficiary	X	X	√
Payment interval	Monthly	Monthly	Fortnightly
Interest on savings for the beneficiary	√	X	√
Payment to be approved by government official	√	√	X
Program coverage	Minimum 30 women per Union Parishod	40% student of each union level primary school	Maximum 10 women per Union Parishod
Extent of Program Coverage (No. of Unions)	2742	4463	4140
Program cycle	24 months	60 months	48 months
Targeting criteria	√	√	√
Year of program initiation	1988	2002	1982
Contemporary yearly number of beneficiaries	292,200	5,236,889	41,400
Amount of transfer per person	30 KG of wheat per person per month	Taka 100 or Taka 125 per household per month for one student and more than one student family respectively	Taka 51 per person per day (Tk10 pppd deducted for compulsory savings)
Total cost of the program (recent year) (US\$1 = Taka 60)	Taka 1,012,914,107 US\$ 16,881,902	Taka 6,629,454,000 US\$ 110,490,900	Taka 219,353,100 US\$ 3,655,885

*Source: Author's preparation based on various program related documents.*

There are various social protection programs in Bangladesh. The benefits for these social protection programs are transferred and managed by various types of mechanisms. These include bank channels (as in the cases of the PESP and the RMP) and public institutions and NGOs (as in the case of the IGVGD). The various systems used present different cost and logistical implications raising several concerns. First, banking facilities are not available or easily accessible in all the areas, especially for the targeted beneficiaries. Second, poor people, in general, are not involved in the banking system or have limited access to it because they do not have the money to cover fees involved in maintaining accounts. This means that the program or the beneficiaries have to pay for those services and thus reducing the amount of transfers that reach the intended beneficiaries. Third, illiterate people might have problems using the systems and might not be able to fully understand the meaning of the transactions.

The use of public institutions for delivery of food benefit transfers and use of NGOs for collecting savings from the beneficiaries as a condition for receiving transfers may expose some concern. First, it is possible that the public agencies may not be performing optimally to deliver benefits as designed in the program. Second, NGOs may collect charges from within the delivery mechanism that reduce both the benefits received and the size of the savings ultimately made by the vulnerable beneficiaries. Third, NGOs may not be as efficient as banks in intermediating money.

The overall efficiency of delivery mechanism depends upon a number of factors. These include type of benefit; type of beneficiary including their personal attributes; geographical dispersion of beneficiaries; beneficiary selection procedure; cost of delivery; leakage in the program; level of procedural complexity; structure of the economy; state of technology; state of institutions; and state of payment system in the country.

## **1.1 Objectives of the Study**

The main objective of the study is to determine the most cost effective way of transferring and manage funds to the beneficiaries. In particular this study has five specific objectives.

- a. Find out what is the most cost effective way by which benefit are transferred to the beneficiaries.
- b. Analyze the technical and practical issues arising from the actual movement of benefit from the central government to the delivery point and to the beneficiaries.
- c. Compare alternative delivery mechanisms in terms of their efficiency and effectiveness under different conditions.
- d. Understand the difficulties encountered by the recipients in order to propose alternative methods to deliver the benefits.
- e. Explore the possible uses of new technologies in the delivery process.

## **1.2 Methodology**

In the pursuit of satisfying its objectives, this study first focus on the supply side issue. This covers government agencies, multinational organizations, and the non-government organizations. Second, it focuses on the demand side aspects, the beneficiaries. To use these two dimensions, the study uses several methods to produce the results. These are discussed below.

- First, documents were reviewed in relation to these three programs. This review provides insights on how the benefits are currently delivered to the beneficiaries. Many of the issues of the study require financial details. A number of documents have been revisited with this goal in mind.
- Second, focus group discussions of the beneficiaries were conducted. These discussions provided insights in the beneficiaries' attitude towards the programs delivery mechanisms. It also provided directions for developing the survey questionnaire.
- Third, a small sample survey of the beneficiaries was conducted via semi-structured questionnaires. Another set of semi-structured questionnaire were used to collect information about the infrastructure of the beneficiaries' locations. The survey was based on the Child-Women Ratio (number of children 0-4 years per 1000 female population of age 15-49) as available from the Population Census 1991. This is a reasonable basis because each of these three programs have a common targeting criterion, a women headed

family. Moreover, the IGVD and the RMP target women of reproductive age and PESP is only available to homes with young children. Accordingly, two divisions out of six on the basis of highest Child-Women Ratio are selected. Using the highest two division is also useful because the higher the magnitude of the ratio, the higher is the prospect of having demand for such programs. A higher magnitude ration also is related to the need for supplying such safety net programs. The national average is 683. On this basis, Chittagong and Rajshahi divisions were selected where the ratio is 693 and 683 respectively. Two districts were randomly selected from each of these divisions, namely, Cox's Bazar, Comilla, Nilphamari, and Pabna. From each of these districts, five Upazila were randomly selected totaling twenty Upazila. A total of two unions from each of these Upazila were randomly selected. This offers a total of forty unions.

- Fourth, a number of key informant interviews were conducted on various categories of agents, including Union Parishod Chairmen and bank managers.
- Fifth, field level visits were performed to see programs in action. This opportunity provided understanding for the program from practical dimensions.
- Sixth, quantitative techniques were employed to assess cost structure and leakage of these programs.

This study has two limitations. First, the sample survey is small although the sample was scientifically designed and regionally dispersed. Second, detailed long horizon financial information for each of the three programs could not be accessed.

### **1.3 Organization of the Report**

This report is divided in six sections. The first section introduces this study and provides methodology used along with the organization of this paper. Section two gives details of the existing delivery mechanism of these programs. This section also discusses the use of banks in the delivery mechanism of benefits and the delivery mechanism of training. Section three assesses the expenditure of the programs. This section then analyses the cost and the leakage in transferring benefits. Here an analysis of the rationale behind granting of the benefit and the impact of leakage to the beneficiaries are also made. Section four produces the results of the surveys in two parts. First, the outcomes of the focus group discussion are produced and second, survey outcomes from the field are explained. Section five discusses the possible alternative methods of delivery. In the final section six, conclusions and recommendations are drawn.

## 2. THE DELIVERY MECHANISMS OF THE PROGRAMS

The delivery mechanisms explored in this section cover the actual steps taken in delivery of benefits from the IGVDG, the PESP and the RMP programs. While the main focus of the study is on the transfer of cash benefits from the PESP and the RMP, the IGVDG presents interesting challenges because it involves both food benefits delivery and management of cash resources. Therefore the mechanisms of food delivery of the IGVDG are also covered here in this section. Upon taking a cursory glance at the beneficiary selection criteria as mentioned in the Table 2.1 Comparative Selection Criteria, the delivery mechanisms for these programs are described below.

### 2.1 Income Generation for Vulnerable Group Development (IGVDG)

The IGVDG is a component of the VGD program targeted towards destitute women. The program provides a transfer of resources, training, and savings opportunities. Each woman in the program receives 30 kilograms of wheat per month as long as they satisfy the following requirements: a) save Taka 25 per month, b) attend 66 hours of social awareness training and refreshers training, 84 hours of skill and enterprise development training, c) attend 50 percent of the meetings of the group formed, and d), voluntarily used loans in income generating activities. The above system of delivering the benefit described below is summarized in Table 2.2 (see additional schematic presentations in Appendix Figure 1: IGVDG Delivery Chart; Appendix Figure 2: Summary Funds Flow Diagram; Appendix Table 1: Duties and Responsibilities at a Glance).

*Administrative procedures.* The Ministry of Women and Children's Affairs issues a Government Orders (GO) to the Department of Relief and Rehabilitation mentioning the quantity of food, the number of VGD Participants (cards) per Upazila, and transport and ancillary costs. The Ministry of Disaster Management and Relief will then provide financing for necessary transport and ancillary costs to the Department of Relief and Rehabilitation. Upon receipt of the GO from the Ministry of Women and Children's Affairs and Ministry of Disaster Management and Relief, the Department of Relief and Rehabilitation issues Allocation Orders (AO) to the Upazila Nirbahi Officer covering the quantity of food, the number of VGD cards per Upazila, and transport and ancillary costs.

The Upazila Nirbahi Officer then writes to the Upazila Food Controller to issue a food Delivery Order (DO) in favor of the Chairman of the Union VGD Committee. The Union Parishod Chairman is the ex-officio Chairman of the Union VGD Committee. The Project Implementation Officer recommends the processing of the AO and the issuance of the DO. The Upazila Food Controller will issue a DO to the Local Food Storage Depot (LSD). A copy of the DO will also be dispatched to the Union VGD Committee Chairman.

*Distribution of Wheat at the Union Level:* The Union VGD Committee Chairman, his representative, or in the absence of both, a person authorized by the Union VGD Committee will withdraw wheat from the LSD. The person withdrawing will be responsible for the quantity and quality of wheat collected. In case of any deviation, the person withdrawing will communicate the deviation to the higher authorities involved. Once the food is relocated from the LSD to the distribution center, the Union Parishod Chairman will arrange for distribution of the food to the beneficiaries. At the time of the actual distribution of wheat to the beneficiaries, at least three members of the Union VGD Committee, one Upazila Tag Officer, and one NGO representative, have to be present. All these members will have to sign the food distribution master roll.



**Table 2.1: Comparative Selection Criteria**

IGVGD	PESP	RMP
<p>Criteria:</p> <ol style="list-style-type: none"> <li>1. Households with not more than 15 acres of land</li> <li>2. Monthly Household income less than Taa300; dependent upon seasonal wage employment</li> <li>3. Women of reproductive (18-49) age</li> <li>4. Day labor or temporary worker</li> <li>5. Lack of productive assets</li> </ol> <p>Prerequisites for selection:</p> <ol style="list-style-type: none"> <li>1. VGD member must be a permanent resident of the area</li> <li>2. Women of reproductive age</li> <li>3. Not associated with any NGO</li> <li>4. Did not get VGD card before</li> <li>5. One card for one family</li> </ol> <p>Priorities:</p> <ol style="list-style-type: none"> <li>1. Female headed household</li> <li>2. Those who are mentally and physically capable of undertaking IGA activities.</li> </ol>	<ol style="list-style-type: none"> <li>1. Destitute woman headed family (destitute means widowed, separated from husband and divorced).</li> <li>2. Principal occupation of the household head is day-labor.</li> <li>3. Family of low income professionals (such as: fishing, pottery, blacksmithing, weaving, and cobbling).</li> <li>4. Landless or households that own 0.50 acres of land (marginal or share-cropper).</li> </ol>	<ol style="list-style-type: none"> <li>1. Must be a permanent woman resident of the union.</li> <li>2. Must be either destitute, widowed, divorced, separated from husband (not less than one year), who are household head but does not have alternative means of income.</li> <li>3. Must be between eighteen to thirty-five years of age.</li> <li>4. Those women who have higher number of dependent will be given priority (dependant means children less than twelve years of age, disabled children and husband and dependant parents).</li> <li>5. Must have the physical and mental capacity to do laborious works.</li> <li>6. Those who have been working for the RMP for less than one years and never been fired and capable of satisfying the above criteria will be automatically selected.</li> <li>7. Not a member of VGD or any other targeted program.</li> </ol>
<p>Source: Project Proposal, Income Generation for Vulnerable Group Development Program (IGVGD), January 2003 – December 2004, BRAC.</p>	<p>Source: Project Summery, Stipend for Primary Education Project, 2002-2003 Financial Year, Department of Primary and Mass Education, Government of the People’s Republic of Bangladesh, July 2002. (Bangla Version).</p>	<p>Source: Road Maintenance Management Training Manual, RMP, Care-Bangladesh, December 2001, Third Edition, Third Reprint, June, 2003. (Bangla Version).</p>

**Table 2.2: The Flow of Funds of the IGVD**

Step	Description	Last Date
<b>National Level Functions</b>		
1.	MoU between Government and World Food Program and other bilateral donor agencies	
2.	World Food Program, bilateral donor agencies and Government provides food for the program	
3.	Ministry of Women and Children's issues Government Order to the Directorate of Relief and Rehabilitation for allocation mentioning number of VGD card and transportation and ancillary expenses	Yearly
4.	Ministry of Disaster Management and Relief will fund for the transportation and ancillary expenses to the Directorate of Relief and Rehabilitation	
5.	Directorate of Relief and Rehabilitation issues Allocation Order based upon the food insecurity map for each locality in favor of the Upazila Nirbahi Officer mentioning number of VGD cards, quantity of food and transportation and ancillary expenses	
6.	Government and WFP jointly selects partner NGOs to operate the IGVD program and assigns responsibilities for each of these NGOs. (Currently total partner NGOs are 11 and BRAC is the largest NGO sharing nearly 70% of the IGVD program. IGVD by BRAC is focused on in this paper). PKSF and other organizations provides credit fund for the IGVD credit Program	Yearly
<b>Local Level Functions</b>		
1.	Upazila Nirbahi Officer, as Chairperson of the Upazila VGD Committee , District Women Affairs Officer and District Relief and Rehabilitation Officer selects VGD participants and delivers VGD Card	
2.	From among all VGD participants, BRAC selects generally about 90% as IGVD participants.	
3.	Upazila Nirbahi Officer issues Delivery Order in favor of the Union VGD Committee Chairperson to the Upazila Food Controller. Project Implementation Officer will recommend the Delivery Order.	
4.	Upazila Food Controller issues Distribution Order in favor of the Union VGD Committee to the local food storage depot	
5.	Union Parishod Chairperson, as Chairperson of the Union VGD Committee collects food from the local food storage depot.	
<b>Participants Level Functions</b>		
1.	Participants are responsible to save a minimum of Taka 25 or more per month Depository Institution: Nearest BRAC branch office Type of Account: Pass Book savings account	Monthly
2.	Upon furnishing the mandatory savings deposit slip of the month, Union Parishod in cooperation with BRAC distributes food ration to the IGVD cardholders	Monthly (by the 15 <sup>th</sup> day of each month)
3.	<i>BRAC provides collateral free loans to the IGVD participants on certain conditions</i> <i>Condition 1: Must be a member of the BRAC Village Organization</i> <i>Condition 2: Must have attended 50% of the Village Organization meeting</i> <i>Condition 3: Must have training on the trade provided by BRAC during IGVD cycle</i> <i>Condition 4: Must provide 15% service charge to BRAC on loan</i>	<i>Based on participant's IGVD Cycle</i>

*Source: Author's preparation based on various IGVD related documents.*

**Verifications of Compliance.** The Union Parishod Chairman, the Project Implementation Officer, or the Upazila Women Affairs Officer must verify that the VGD beneficiaries have deposited their mandatory savings at a NGO by verifying the savings register maintained at the Union Parishod.

**Date:** Wheat must be distributed by the fifteenth day of the month. If after two consecutive months wheat is not distributed within the fifteenth day of the month, the Upazila Nirbahi Officer will arrange an alternative method of delivery. Also, once the date has been established by the Union VGD Committee, any change must be approved of by the Upazila Nirbahi Officer.

**Center:** The center for distribution of wheat is identified based upon the secure storage, ease of transportation, and proximity to the VGD cardholders' residences. This center can be shifted to facilitate distribution. However, any such shift has to be formally approved by the Upazila Nirbahi Officer and the Upazila Project Implementation Officer.

**Nominee for wheat collection:** A beneficiary can authorize someone from within the family to collect the wheat on her behalf if she has given birth to a baby or is seriously ill. In such cases, the maximum period of delegation to a nominee is four months. On the fifth month of her personal absence, the delegation will be void and her VGD membership may be cancelled.

**Transportation and Ancillary Expenses:** A standardized transportation and ancillary expenses policy is applied throughout the nation. This is identified in the Appendix Table 2: Transportation and Ancillary Expenses. Transportation of wheat and ancillary costs of distribution from the LSD to the Union is paid by the Ministry of Disaster Management and Relief. The Directorate of Relief and Rehabilitation issues an Allocation Order in favor of the Upazila Nirbahi Officer. The Upazila Nirbahi Officer then issues an Allocation Order in favor of each Union VGD Committee Chairman. The transportation cost is paid to the Committee Chairman by check upon receipt of the voucher. Such checks are issued quarterly and cannot be paid in cash. If any additional transportation cost is incurred by the Union, the expenses have to be immediately reported to the District Relief and Rehabilitation Officer. An amount of taka 250 per VGD cycle is allocated for each union for ancillary expenses. This cost head includes, sign boards, stationary, and other expenses.

**Savings:** Each VGD cardholder must save taka 25 per month or more. This saving has to be made by the cardholder herself. Cardholders can save their mandatory savings in a NGO. Ideally, savings are to be made with an authorized NGO. If an accredited NGO is not available in a locality, either of a bank or a post office can be used for savings. If there is no bank branch or post office close to the Union Parishod, a joint account of Upazila Nirbahi Officer, Project Implementation Officer, Union Parishod Chairman, or VGD women can be used. In cases of joint account savings, the savings scheme and the account has to be formally approved by the District Commissioner in writing.

**NGO:** NGOs are involved in the VGD program. There are eleven NGOs working for the VGD program. The programs in which the government and NGOs are working together for women empowerment are called Income Generation for VGD program (IGVGD). The list is given in the Appendix Table 3: IGVGD NGOs. In this study, BRAC-IGVGD has been taken as the representative case. There is however another form of VGD program called Food Security VGD (FSVGD). In the case of the FSVGD 12 NGOs are working and TMSS is the lead NGO. None of the FSVGD NGOs are engaged in the IGVGD program and vice versa.

**BRAC Savings Scheme:** IGVGD cardholders are required to be a member of a BRAC Village Organization (VO). An individual savings account is to be opened by each member at the nearest BRAC branch. Each IGVGD cardholder will receive an individual passbook. Savings have to be made once in a month. BRAC pays 6 percent per annum interest on the savings. IGVGD cardholders can withdraw 50 percent of their savings at anytime. If an outstanding loan exists, the amount will be deducted from the savings balance. Participants are encouraged to use funds in productive income generating activities. Savings account can be maintained even after the IGVGD cycle is completed. An IGVGD member has to nominate successor to withdraw the savings in event of her death.

**BRAC Credit Scheme:** IGVGD cardholders have access to credit from BRAC. The duration of the loan is one year. The maximum size of the first loan is taka 2500 and the second loan is Taka 5000. The borrower is not required to provide any collateral. But the IGVGD cardholders are required to receive necessary training and should have the physical capacity to engage in any income generating activity prior to any loan availing. It is also that the cardholder will have to attend 50 percent of the VO meetings. A flat service charge of 15 percent is to be realized from the microcreditor for the credit. The passbook of the IGVGD member provided by BRAC will also record the loan schedule and recovery.

## 2.2 Primary Education Stipend Project (PESP)

The **PESP** provides a cash transfer to families that keep children in primary education. The transfer is taka 100 per month to families with one child in primary school and taka 125 per month to families with two or more children. They can receive the benefits as long as the child a) attends 85 percent of school days, and b) obtains at least 40 percent marks in the annual examinations. The mechanism described below is illustrated in Table 2.3 (see additional schematic presentations available in Appendix Figure 3: PESP Delivery Chart, Appendix Figure 4: Summary Funds Flow Diagram, Appendix Table 4: Duties and Responsibilities at a Glance).

**Table 2.3: The Flow of Funds of the PESP**

Step	Description	Last Date
<b>National Level Functions</b>		
1.	ECNEC approves the amount of stipend per student and number of beneficiary and total projected expenditure	As and when necessary
2.	Ministry of Education and Ministry of Finance allocate in the Annual Development Plan Budget	Yearly
3.	Interministerial Committee determines the method of distribution	
4.	Project Implementation Management Unit allocates and releases fund to the head office of banks selected upon preset criteria Banks: Sonali Bank Agrani Bank RAKUB (Rajshahi Agricultural Development Bank)	Quarterly
<b>Local Level Functions</b>		
1.	Headmaster along with School Management Committee, Assistant Upazila Education Officer, and Upazila Education Officer prepares and sends a copy of the final beneficiary list (of those who complied with the conditions) to the Upazila Education Office	
2.	Assistant Upazila Education Officer prepares a bill for his or her cluster of control and sends to the Upazila Education Officer for approval	
3.	Upazila Education Officer signs the bill and upon being counter signed by the Upazila Nirbahi Officer, as the chief controller of bills, for final approval sends copies to the Project Implementation Unit and to the bank	
<b>Participants Level Functions</b>		
1.	Mother of the beneficiary student (in her absence father or in the absence of parents legal guardian) opens account at the local bank Type of Account: Photo Card Account Type of Card: Green for family of one beneficiary White for family of more than one beneficiary	
2.	Head Office of the specific bank transfers money directly to the account of the beneficiary's parent	Quarterly
3.	If the local bank branch has a distance of five kilometers or more from the school, bank opens a quarterly camp in the vicinity of three schools to distribute the fund	
4.	Beneficiary's parent withdraws stipend on behalf of the student	Quarterly

*Source: Author's preparation based on various PESP related documents.*

***The Administrative Procedures.*** The school Management Committee (SMC) prepares a list of students eligible for the stipend. Upon verification of the list, the Assistant Upazila Education Officer prepares a bill for the stipend and submits a copy each to the Upazila Education Officer and to the respective banks. The Upazila Education Officer approves the list on the basis of number of students per class level. This list is then submitted to the Project Implementation Unit after being approved by the Upazila Nirbahi Officer. A copy of this bill will also be submitted to the bank involved in the stipend. The Upazila Education Officer prepares school-wise beneficiary list which is submitted to the District Primary Education Officer, the Divisional Deputy Director (Primary Education), and the Directorate of Primary Education. The stipend Monitoring Officer in consultation with Upazila Education Officer and bank manager establishes a date for the distribution of stipend.

***The Distribution of Benefits:*** The mother or father of the selected student or, in the absence of both parents, the guardian of the student will open a card account at the local branch of the prescribed bank. Stipend money is then released from the Project Implementation Unit to the head office of the authorized bank on the basis of the allocation order. From the head office of the authorized bank, money will directly flow to the local bank branch account of the parent or guardian of the beneficiary student. This transfer of cash benefit is based upon the bank branch at the Upazila Level and the approved bill and the list from the Upazila Nirbahi Officer.

***Selection of Bank:*** A bank must have a branch at the Upazila level to be selected for participation in the program. The selection is made by the Ministry of Finance.

***Interval:*** Stipend money is directly delivered to the bank account of the student's authorized parent or guardian on a quarterly basis.

***Classification of Cards:*** There are two types of card account to identify the number of students in a particular family. If the family has more than one student, a green and white colored card is used against their card account. If the family has only one student, a multicolored red, yellow, and white colored card is issued for their card account.

***Remote Locations:*** The distance between the school of the beneficiary student and the Upazila bank branch cannot be more than five kilometers. If the distance is more than five kilometers, the bank will open a camp on a specified date for three such schools to distribute the cash benefit.

### **2.3 Rural Maintenance Program (RMP)**

The **RMP** is a program targeted for destitute women. Each of the women in a group of 10 receives a wage of taka 51 per day of which she is required to save taka 10 per day. This group of women is required to a) maintain the rural roads around their village, b) acquire income generating and other survival skills training, and c) save money on a regular basis. The distribution of benefits described below is illustrated in Table 2.4 (see additional schematic presentations available in Appendix Figure 5: RMP Delivery Chart, Appendix Figure 6: Summary Funds Flow Diagram, Appendix Table 5: Duties and Responsibilities at a Glance).

***The Administrative Procedure.*** After funds are raised from the Government (45 percent), the CIDA (22.5 percent), the EC (22.5 percent), and the Union Parishod (10 percent), the LGD RMP Cell issues a Government Order (GO) to the respective Upazila and submits it to the Chief Accounts Officer (CAO). Copies of this GO are also sent to the Ministry of Finance and the respective Upazila Nirbahi Officer. This GO is prepared for a year in two installments: in October for October to June and in June for July to September. Ministry of Finance endorses this GO to the CAO.

**Table 2.4: The Flow of Funds of the RMP**

Step	Description	Last Date
<b>National Level Functions</b>		
1.	MOU between Government and the donor agencies	
2.	CIDA Food aid (22.5% of total financing) is monetized by the Ministry of Finance and sales proceeds are deposited to the central bank Bank: Bangladesh Bank. Name of account: Government of Bangladesh and earmarked as all CIDA funded projects	
3.	EC fund (22.5% of total financing) through Food Security Program is deposited to the central bank Bank: Bangladesh Bank Name of Account: Government of Bangladesh and earmarked as all EC funded projects	
4.	CARE submits budget for CARE operating and delivery costs to the Project Coordination Committee	By 31 <sup>st</sup> March
5.	Project Coordination Committee reviews CARE work plan and budget	30 <sup>th</sup> April
6.	LGD submits total RMP budget for CARE operating cost, crew wage, and LDG-RMP Cell operating cost to the Ministry of Planning and Ministry of Finance	
7.	Ministry of Planning and Ministry of Finance allocate (45% of total financing) in the Annual Development Plan Budget for the RMP item	Prior to Parliamentary Budget Session
8.	Annual Development Plan Budget is approved by the Parliament	By 30th June
9.	LGD releases to CARE the program operating and delivering costs; in two installments	31 <sup>st</sup> July (50%) and 31 <sup>st</sup> Jan (50%)
<b>Local Level Functions</b>		
1.	LGD-RMP Cell issues circulars to Union Parishod requiring local contribution as 10% of crew wages	By June
2.	Union Parishod deposits to the local public sector bank and delivers the deposit slip to the Upazila Parishod Bank: Sonali Bank Name of account: Union Maintenance Crew Account	30 <sup>th</sup> September
3.	Upazila Parishod lists the Union Parishods and their contribution and reports to the LGD-RMP Cell for compliance of step 10	
4.	LGD-RMP Cell prepares Government Order for the respective Upazila for crew wage fund and sends to Chief Accounts Officer with copies to Ministry of Finance and respective Upazila Nirbahi Officer. This Government Order is produced in two installments for nine months and three months	October (for Oct-Jun nine months) and June (for Jul-Sept three months)
5.	Ministry of Finance endorses the Government Order to the Chief Accounts Officer	
6.	Chief Accounts Officer authorizes the release of funds to the Upazila Accounts Officer with a copy to the Upazila Nirbahi Officer	
7.	Upazila Nirbahi Officer submits bill to the Upazila Accounts Officer for release of the funds	
8.	Upazila Accounts Officer processes the bill and transfers the crew wage funds to the Upazila Bank: Sonali Bank Name of Account: Upazila RMP Account Instrument: Government Order	
9.	From the Upazila RMP Account Upazila Nirbahi Officer transfers to the Union Bank: Sonali Bank Name of Account: Union Maintenance Crew Account Type of Account: Savings Instrument: Accounts Payable Check	
<b>Participants Level Functions</b>		
1.	Treasurer or Sub-Treasurer of the Rural Maintenance Association withdraws cash from the Union Maintenance Crew Account and distributes among the members Instrument: Cheque	Every fourteen days (Alternative Saturday)
2.	Bank transfers mandatory savings of the members to the individual escrow savings account simultaneously with item 20 Instrument: Passbook	Every fourteen days (Alternative Saturday)

*Source: Author's preparation based on various RMP related documents.*

The CAO sends a letter of authorization to the Upazila Accounts Officer for release of funds against the GO. A copy of this endorsed GO is also sent to the Upazila Nirbahi Officer. On receipt of the GO, the Upazila Nirbahi Officer prepares a bill and submits to the Upazila Accounts Officer for the release of the funds to the RMP account maintained at a local branch of a bank. The Upazila Accounts Officer processes the bill and transfers the funds to the Upazila RMP account.

The Upazila Nirbahi Officer transfers the crew wages from the Upazila RMP account to the respective Union Maintenance Crew Account through an account payee cheque in two installments as mentioned earlier.

**Union Maintenance Crew Account:** This is the central account from the perspective of the wages delivered to the RMP women. This account is opened as a union takes part in the RMP and initiates a contract with the RMA. 10 percent of the wages come from within the union. The money is deposited in this account by the union in a single installment within the stipulated date. A checkbook is issued to the Treasurer of the RMA for withdrawing the wages of the RMP women fortnightly. Sub-treasurer is another signing authority for withdrawal in lieu of the Treasurer. This is an interest earning savings account. Payment is made on every second Saturday of the month.

**Wages in the Hand of the Group:** The RMA Treasurer, or, in her absence, the Sub-Treasurer withdraws the wages earned by the Union for 14 days of work from the Union Maintenance Crew Account of the RMA. This withdrawal is made once in a fortnight.

**Wages in the Hand of the Working Woman:** Immediately after the wages are collected, the treasurer, or in her absence, the Sub-Treasurer will directly distribute the cash to the RMA women.

**Date:** Payment is made every alternating Saturday. If a Saturday happens to be a government holiday or bank holiday, a new date is assigned which may be the following day or the day prior to the holiday. No partial payment is allowed for RMP wages, nor are wages for more than 14 days at a time.

**Wage Structure:** Currently, the wages per day is Taka 51. Wages are given for seven days of a week with one day considered a holiday, usually Saturday. All government holidays are also considered holidays for them. The contract for the job is for four years. The take-home money per day is Taka 41 because there is mandatory savings deduction of Taka 10 per day from the daily wage.

**Savings:** On the same day the respective bank transfers savings of the group from the RMA escrow savings account to the RMA member's individual escrow savings account.

**Escrow Account:** The individual escrow account for savings opens from the first payment of the first fortnight of the contract initiation. This account continues throughout the period of contact. The account can continue beyond the contract period should one like to continue savings. The escrow accounts must be opened in the same bank branch where the Union Maintenance Crew Account is maintained. No additional cost will be charged to any RMA member for opening this account.

**Interest:** Both the Union Maintenance Crew Account and the RMA member's individual escrow savings accounts are interest earning accounts. 50 percent of the accrued interest of the Union Maintenance Crew Account is disbursed to the RMA for repair or replacement of the working tools. The remaining 50 percent is transferred to the each of the Escrow accounts in equal portions.

**Withdrawing from the Escrow Account:** When a RMA member is in its fourth year, the escrow account is converted to a normal savings account. After the conversion and "Business Management Training," a RMA Member is allowed to withdraw 50 percent of the savings. The residual 50 percent of the savings will be kept with the account as a FDR for the period of one year.

**RMP Tools:** Each of the RMAs begins work upon receipt of initial training. Members of the RMA also receive some gadgets free of cost. These gadgets are mentioned in the Appendix Table 6: RMP Tolls.

## 2.4 Use of Banks in the Delivery Mechanism

A snapshot of relevance of banks in the life of a program participant is presented Table 2.4. Use of banks is explicit in the case of the PESP and the RMP programs because beneficiaries receive benefit in cash directly from the Bank. Banks are also indirectly important in the case of the IGVDG program because, other than benefit, various expenses are transferred to the Union Parishod from the government through bank channel. This is presented in the Appendix Table 7: Comparative Uses and Names of Bank.

However, banks play an important role in all the three programs. Both the central bank of the country and the commercial banks are involved in to this process. One unique feature for all these three programs is that only public sector banks are involved and none of the private or foreign banks do take part. This is principally because the public sector banks have a wide coverage in rural locations unlike private sector banks and government in general uses public sector banks for their payment purposes.

Mobile pay-stations on behalf of the local bank branch are only available in the case of PESP. The banking system is available only in the case of the PESP and the RMP. Mobile pay-stations are useful because they allow beneficiaries to collect the benefits their respective areas. Otherwise, stationed bank branches are a better option for the beneficiaries because the chances of rent seeking are relatively less.

**Table 2.5: Comparative Relevance of Banks in the Life of Beneficiaries**

Issue	IGVDG	PESP	RMP
1. Beneficiary has a mandatory bank account	No	Yes	Yes
2. Beneficiary withdraws benefit from a bank	Not Relevant	Yes	Yes
3. Beneficiary has a mandatory bank savings account	Not Relevant	No	Yes
4. Beneficiary saves mandatorily with a NGO	Yes	Not Relevant	Not Relevant
5. Beneficiary has access to bank for credit as would a normal client of the bank	Not Relevant	Not Relevant	No
6. Beneficiary has access to bank for saving as would a normal client of the bank	Not Relevant	Not Relevant	No
7. Beneficiary has restriction in withdrawing saved money from the account	Yes	Not Relevant	Yes
8. Beneficiary, at her own will, is restricted to save more than the mandatory savings requirement into the program's savings account	No	No	Yes
9. Beneficiaries withdraw benefit as a group from the bank	Not Relevant	Not Relevant	Yes
10. Beneficiary has to bear account opening expenses to open the program savings account with NGO (e.g. charges for the card other than photograph)	Yes	Not Relevant	Not Relevant
11. Beneficiary's savings account has a nominee	Yes	Not Relevant	Yes
12. Beneficiary's savings account will be converted into regular savings account if the beneficiary resigns or is dismissed or completes the tenure of the program	Not Relevant	Not Relevant	Yes
13. Beneficiary receives interest on its savings	Yes	Not Relevant	Yes
14. Beneficiary has a passbook	Yes	Not Relevant	Yes
15. Beneficiary should hold the proof of account with themselves	Yes	Yes	Yes
16. Beneficiary's savings account is susceptible to deduction (e.g. unpaid loan or fine)	Yes	Not Relevant	Yes
17. Beneficiary has FDR provision	No	No	Yes

*Source: Author's preparation based on various IGVDG, PESP, and RMP related documents.*

*Note: In case of IGVDG, in cases where bank is not mentioned, it refers to BRAC account.*



## **2.5 The Delivery of the Training Component**

In both the IGVGD and the RMP, training is offered to the beneficiaries. Training is an essential component of the total benefit delivered. Such training constitutes a significant part of the total program cost. The delivery mechanism of the training component is presented in the Appendix Table 8: Comparative Training Schemes.

IGVGD training is relatively shorter than the size and variety of training provided by the RMP program. The IGVGD training has a two fold objectives. First, making women aware of the social issues, and second, training them in income generating activities. The use of training in the life of the beneficiary is important. This is because without any income generation training, a BRAC does not offer micro-credit to the program beneficiary.

In the case of the RMP, training is an important aspect. Most of the training is provided on similar issues as in the IGVGD training program. The content and dimension is wider in RMP. Participation in the training is mandatory for the RMP beneficiaries. However, RMP beneficiaries do not receive any credit facility from the program organizers once they complete their employment term. This is a principal difference in training between these two programs.

## **2.6 Summary Observations**

Some observations on the delivery mechanisms are as follows:

- To accrue to program benefits, a participant has to comply with certain conditions. These conditions are mentioned in the Appendix Table 9: Comparative Conditionality to Receive Benefit.
- There are certain situations when benefit may not be fully or partly delivered to certain beneficiaries of the program. There are also certain situations when delivery of benefits may be suspended. These regulations are mentioned in the Appendix Table 10: Comparative Non-compliance and Consequences.
- Benefit structure of these programs have changed over time for many reasons. These changes are identified in the Appendix Table 11: Comparative Changes in the Benefit Structure.
- There is no directive in the IGVGD program about what to do with the not distributed wheat. In the case of the PESP, cash from approved stipend but not collected remains in the account of the beneficiary for later collection. If there are uncollected funds in the case of RMP, the funds will be sent back to a central account as prescribed in the program guideline. There is a small possibility that benefit are not collected by the beneficiary. Banks do not have any incentive to delay or deny payments.
- According to the guidelines of the VGD program, government official and the NGO official are supposed to be vigilant in minimizing the leakage and preventing the occurrence of collection of rents by government officials and program administrators. There are no such directives in the case of PESP program to minimize rent collection or leakage. There is no avenue for appeal other than the same set of people involved in the distribution in both the cases of IGVGD and PESP. In the case of the RMP, there is no authority monitoring the actual distribution at the time of delivery. However, if leakage is observed, an appeal may be filed. Also the CARE field officer oversees such events.

### 3. PROGRAMS EXPENDITURE AND COST OF DELIVERING

This section presents an analysis of the expenditure and the cost of delivery of the programs under investigation. Among the three programs, PESP is the largest followed by IGVDG and RMP having a share roughly about 68 percent, 23 percent and 9 percent respectively. Interestingly cost of delivery has an opposing trend. It is found that RMP has be highest cost followed by IGVDG and PESP having a total cost of delivery of Taka 0.32, Taka 0.12 and Taka 0.04 respectively per one Taka benefit delivered.

#### 3.1 Expenditure and Cost of Delivery of the IGVDG

As Table 3.1 shows, expenses have increased significantly over the duration of this program. This is expected since the number of beneficiaries of the IGVDG program has also increased over this period. However, special attention is required for the cost heads of “Training and Supplies” and “Staff salaries & benefits”. These cost heads have increased many fold compared to the number of beneficiaries of the program. Two corresponding tables, Appendix Table 12: BRAC-IGVDG January 2003 – December 2004, Summery Budget and Appendix Table 13: Quarterly number of borrowers and credit disbursement from January 2003 to December 2004 show the plan of the BRAC with the IGVDG program under its execution.

*Cost of Delivery.* In the cost analysis of IGVDG, the following aspects need to be mentioned:

- To make comparison possible between wheat and cash, wheat is converted to cash value.
- WFP expenses, if any, are not considered.
- GOB expenses, if any, other than ancillary and transportation cost of IGVDG program are not considered.
- There are different levels of transportation costs for different distances from the LSD to the terminal Union distribution center. This analysis takes the mean distance and its corresponding transportation costs (which is also the mean of different layers of rates).
- This study does not consider costs incurred in the food grain discharge at the harbor, the costs incurred for transporting of food grain from central supply depot (CSD) to the local supply depot (LSD), or the costs incurred for transportation between LSD to LSD.
- Capital investments in the IGVDG were made latest at the July 1996 cycle. Equipments are considered in operations from the July 1996 cycle. The fourth cycle consisted of 18 months. Therefore the depreciation is estimated for four cycles and then for the fourth cycle 18 months is used, when necessary, for estimating monthly depreciation.
- The expenses in the training component of the IGVDG program are fully sponsored by GOB and other donors (e.g., WFP). The BRAC does not financially contribute in the IGVDG program. The BRAC charges a 15 percent flat interest rate on the loans sanctioned to be paid by the micro-creditors.

To deliver IGVDG benefit of Taka 1, the program spends total Taka 0.11 as delivery cost. This is the second highest amongst the three programs studied here. This is three times the cost of PESP cost of delivery and about one-third of the RMP cost of delivery. In this program, there are no identifiable manpower costs. Details of this analysis are shown in the Table 3.2.

**Table 3.1: Expenditure: IGVGD**  
IGVGD Cycle: For the years from 1988 to 2002: Actual

*(Amount in Taka)*

Particulars		July 1988 to June 1990	July 1990 to June 1992	July 1992 to June 1994	July 1994 to June 1996	July 1996 to Dec 1997	January 1998 to June 1999	July 1999 to Dec. 2000	January 2001 to June 2002	Total
Item	No. of beneficiaries	53,724	75,000	125,551	209,049	284,873	335,290	318,290	287,352	1,689,129
1	<b>A. Operating Expenses:</b>									
1.1	Staff salaries & benefits	588,430	3,277,596	13,765,501	30,547,145	35,681,508	35,670,600	38,820,600	25,761,376	184,112,756
1.2	Traveling and transportation	191,060	1,521,300	3,156,121	4,945,575	576,931	3,692,420	3,188,350	6,718,568	23,990,325
1.3	Stationery & supplies	32,687	852,951	620,032	2,001,516	3,526,058	4,273,310	828,000	244,177	12,378,731
1.4	Office rent and Utilities	-	-	2,592,310	1,958,431	3,928,277	4,209,459	5,719,304	1,774,897	20,182,678
1.5	Staff Training and development	-	-	207,613	246,783	2,172,044	3,366,650	3,681,596	3,192,610	12,867,296
1.6	Training and Supplies	21,489,600	30,001,000	50,220,400	83,619,600	113,949,200	134,116,000	135,273,250	129,250,000	697,919,050
1.7	Training of Govt. Officials	-	-	374,625	195,189	696,057	-	-	-	1,265,871
1.8	H.O Logistics and Management	-	-	2,041,591	3,969,945	4,588,482	5,121,244	5,223,785	3,769,163	24,714,210
	<b>Total Operating Expenses:</b>	22,301,777	35,652,847	72,978,193	127,484,184	165,118,557	190,449,683	192,734,885	170,710,791	977,430,917
2	<b>B. Capital Investment</b>									
2.1	Motorcycle	-	1,250,000	7,095,000	-	3,780,000	-	-	-	12,125,000
2.2	Pick-ups	-	1,800,000	3,000,000	-	-	-	-	-	4,800,000
	<b>Total Capital Investment</b>	-	<b>3,050,000</b>	<b>10,095,000</b>	-	<b>3,780,000</b>	-	-	-	<b>16,925,000</b>

*Source: Office of the Finance Director, BRAC, Dhaka, Bangladesh.*

**Table 3.2: Cost of Delivery: IGVGD in 2001-2202**

(Amount in Taka)

	Cycle	Monthly	Per KG of wheat (per month)	Per beneficiary (per month)	Per Taka international price wheat distributed in the cycle	Per Taka market price wheat distributed in the cycle
<b>A. BRAC Operating Expenses:</b>						
Staff salaries & benefits	25761376	1431187.56	0.124516	4.980608	0.0143360	0.01245161
Traveling and transportation	6718568	373253.78	0.032474	1.298943	0.0037388	0.00324738
Stationery & supplies	244177	13565.39	0.001180	0.047208	0.0001359	0.00011802
Office rent and Utilities	1774897	98605.39	0.008579	0.343152	0.0009877	0.00085789
Staff Training and development	3192610	177367.22	0.015431	0.617247	0.0017767	0.00154313
Training and Supplies	129250000	7180555.56	0.624722	24.988709	0.0719268	0.06247221
H.O Logistics and Management	3769162.8	209397.93	0.018218	0.728716	0.0020975	0.00182180
<b>Cost of Delivery by BRAC Operating Expenses</b>	<b>170,710,791</b>	<b>9483932.82</b>	<b>0.825120</b>	<b>33.004583</b>	<b>0.0949994</b>	<b>0.08251203</b>
<b>B. Government Operating Expenses:</b>						
Ancillary Expenses	685500	38083.33333	0.003313	0.132532	0.0003815	0.00033133
Transportation Expenses	21,206,430.00	1,178,135.00	0.102500	4.099971	0.0118012	0.01025000
<b>Cost of Delivery by Government Operating Expenses</b>	<b>21,891,930.00</b>	<b>1,216,218.33</b>	<b>0.105813</b>	<b>4.232503</b>	<b>0.0121827</b>	<b>0.01058133</b>
<b>Cost of Delivery by Total Operating Expenses</b>	<b>192,602,720.80</b>	<b>10,700,151.16</b>	<b>0.930934</b>	<b>37.237086</b>	<b>0.1071821</b>	<b>0.09309336</b>
<b>C. Depreciation of Capital Investment</b>						
@ 4 cycle straight depreciation	945,000	52,500	0.004568	0.182703	0.0005259	0.00045676
<b>Total Cost of Delivery</b>	<b>193,547,721</b>	<b>10,752,651</b>	<b>0.935501</b>	<b>37.419789</b>	<b>0.1077080</b>	<b>0.09355012</b>

Source: Author's calculation based on Table 3.1: Expenditure: IGVGD.

**Notes:**

1. **Assumptions**

<i>Particulars</i>	<i>Cycle: January 2001 to June 2002</i>
No. of beneficiaries in the cycle	287,352
Total wheat disbursed in the cycle (M. Ton)	206,892
Wheat disbursed per month (M. Ton)	11,494
Wheat disbursed per month (Kilograms)	11,494,000
Taka wheat disbursed in the cycle (Int. Market Price)	1,796,966,977
Taka wheat disbursed in the cycle (Dom. Market Price)	2,068,920,000
No. of Unions	2,742
Total Value	3,780,000
Ancillary Taka Expenses (Per union per cycle)	250
Transportation Taka Expenses (Per M. Ton @ 15KM to 20KM average distance)	102.50

2. **Calculation of Wheat Price**

A. International Prices

	Average \$	Average	Exchange Rate 2001-02 period average	Ex. Rate 2001- 2002 P. Avg.	Taka per KG
2001 Oct-Dec	3.37	3.37			
2002 Oct	5.18				
2002 Nov	4.83				
2002 Dec	4.58	4.86			
2001-2002		4.12	57.43	236.42	8.68

B. Domestic Market Price: Taka 10 per KG

3. *International price calculation is based on data from International Financial Statistics, CD-Rom, IMF.*

### 3.2 Expenditure and Cost of Delivery of the PESP

Expenditure data on PESP prior to the current budgeted year is not available. This is because this program is in its first year. Table 3.3 produces the budgeted data on this program. This budget is approved of by the Executive Committee of the National Economic Council and is incorporated in the Annual Budget.

**Table 3.3: Expenditure (Budget): PESP**  
For the Budget Year 2002-2003

Item	Cost Head	Expenses in Taka		
		Sub-total	Total	Grand Total
1	Manpower		10,274,000	
2	Delivery Expenses (listing, reporting, stationary etc. paid to the school @Taka 1000)		65,051,000	
3	Vehicle, Equipment and Furniture		7,000,000	
3.1	Vehicle	4,500,000		
3.2	Equipment	1,345,000		
3.3	Furniture	1,155,000		
4	Seminar and Training		7,500,000	
4.1	Seminar	250,000		
4.2	Training	7,250,000		
5	Social Awareness		2,500,000	
6	Evaluation		1,000,000	
7	Ancillary Expenses		10,000,000	
8	Bank Service Charge		159,174,000	
	<b>Total</b>			262,499,000
9	Stipend			6,366,995,000
	<b>Grand Total</b>			6,629,454,000

*Source: Project Summary, Primary Education Stipend Project, Department of Primary and Mass Education, July 2002.*  
Additional information on beneficiary determination and benefit target is available in Appendix Table 14.

**Cost of Delivery.** Some additional information is required to measure the PESP cost of delivery. These are as follows:

- PESP is considered a yearly program and will continue to remain as a development project in the future.
- A simple straight line method for measuring the depreciation over an estimated life of the capital investments of five years, i.e., at a rate of 20 percent per year is considered in the case of PESP.

The total cost of delivery per Taka is Taka 0.040 in the PESP program. This mechanism of delivery has the lowest cost structure compared to the other two programs. However, the PESP program does not offer any training to the beneficiary. In the other two programs, training forms an important part and warrants high expenditure. In the PESP, the manpower cost per Taka total stipend delivered in a year is Taka 0.00161. Details of this analysis are available in the Table 3.4.

**Table 3.4: Cost of Delivery: PESP**

Particulars	Values (Taka)				
	Budget Year 2002-2003	Monthly	Per Taka unit of benefit delivered per month	Cost per Taka unit of benefit delivered per month per household	Cost per Taka unit of total stipend delivered in the year
Manpower	10,274,000	856,167	0.001614	0.163488	0.001614
Delivery Expenses	65,051,000	5,420,917	0.010217	1.035141	0.010217
Seminar and Training	7,500,000	625,000	0.001178	0.119346	0.001178
Social Awareness	2,500,000	208,333	0.000393	0.039782	0.000393
Evaluation	1,000,000	83,333	0.000157	0.015913	0.000157
Ancillary Expenses	10,000,000	833,333	0.001571	0.159128	0.001571
Bank Service Charge	159,174,000	13,264,500	0.025000	2.532897	0.025000
Total Operating Expenses	255,499,000	21,291,583	0.040129	4.065693	0.040129
Vehicle, Equipment and Furniture	7,000,000	116,666	0.000220	0.022278	0.000220
<b>Total Expenses</b>	<b>262,499,000</b>	<b>21,408,250</b>	<b>0.040349</b>	<b>4.087971</b>	<b>0.040349</b>

Source: Author's calculation based on Table 3.3: Expenditure (Budget): PESP

**Notes:**

1. Information
 

Number of Beneficiary Households	5,236,889
Total stipend disbursed in the year	6,366,955,000
Total stipend disbursed in a month (Year/12)	530,579,583
2. As per the Project Summary, all costs other than Vehicle, Equipment and Furniture are considered on a year to year basis. Therefore all of those costs are considered operating expenses.
3. Depreciation is calculated by straight line method with 5 years of depreciable life for Vehicle, Equipment and Furniture. In the case of per month, yearly depreciation is divided by 12 months

### 3.3 Expenditure and Cost of Delivery of RMP

In this subsection, the RMP expenditure data is analyzed and reported in the Table 3.5. The data shows also the year to year changes in the contribution of Bangladesh Government and the contribution of donor agencies.

Division of the block sanction of financing under the Annual Development Plan is presented in the Appendix Table 15: RMP: Allocation and Division of the Sanctions in the Annual Development Plan. The table identifies that local CARE administration cost is the largest cost head after the crew wage. The RMP is also a program operated by CARE based on payment by government institutions and donor agencies.

**Cost of Delivery.** A few points require to be mentioned in analyzing the cost of delivery in the RMP program. These are as follows:

- Public sector banks deliver the services to the beneficiary without any fees or charges to the program.
- A simple straight line method for measuring the depreciation over an estimated life of the capital investments of five years, i.e., at a rate of 20 percent per year is considered in the case of RMP.

RMP has the highest cost among all the three programs. The cost of delivering Taka 1 wage benefit to the beneficiary requires a total of Taka 0.32. It is found that the local administration cost of CARE constitutes more than 99 percent of the operating costs under the revenue allocation. In the RMP program, operational costs and manpower costs, when taken together, is taka 0.32 per unit of taka crew wage delivered. Details of this analysis are available in the Table 3.6.

**Table 3.5: RMP: Expenditure and Disbursement Statement**

For the years from 1995-1996 to 2001-2002: Actual

Year	Government of Bangladesh							Donor					Union Parishod			Grand Total
	Crew Wages	(%)	Manpower PD's Office	Machinery and Equipment	Transport and Vehicle	Custom Duty and VAT	Total GOB	Crew Wages	(%)	Operational Cost	Post Flood	Total Donor	Crew Wage	(%)	Total Union	
	1		2	3	4	5	6	7		8	9	10	11		12	13
1995-1996	46,873,000	10	3,470,000	46,891,000	73,691,000	--	170,925,000	302,323,000	80	66,138,000	--	368,464,000	37,790,000	10	37,790,000	577,179,000
1996-1997	118,900,000	15	1,644,000	--	24,727,000	--	145,271,000	407,502,000	75	112,500,000	--	520,000,000	543,333	10	54,333,300	719,604,000
1997-1998	122,342,000	25	822,000	--	459,000	386,000	131,614,000	340,963,000	65	84,112,000	--	425,075,000	52,455,000	10	52,455,000	609,144,000
1998-1999	181,009,000	35	1,650,000	--	535,000	2,158,000	190,167,000	284,166,000	55	125,000,000	321,590,000	730,756,000	51,666,000	10	51,666,000	972,589,000
1999-2000	236,377,000	40	--	--	--	--	236,377,000	295,471,000	50	177,000,000	--	472,471,000	59,094,000	10	59,094,000	767,942,000
2000-2001	293,434,000	45	--	--	--	--	293,434,000	293,434,000	45	173,511,000	--	466,945,000	65,207,000	10	65,207,000	825,586,000
2001-2002	291,732,000	45	245,000	--	123,000	--	292,100,000	291,732,000	45	207,000,000	--	497,832,000	64,829,000	10	64,829,000	855,661,000
<b>Total</b>	<b>1,290,667,000</b>		<b>7,831,000</b>	<b>46,891,000</b>	<b>108,481,000</b>	<b>6,018,000</b>	<b>1,459,888,000</b>	<b>2,215,591,000</b>		<b>945,261,000</b>	<b>321,590,000</b>	<b>3,842,443,000</b>	<b>385,374,000</b>		<b>385,374,000</b>	<b>5,327,705,000</b>

Source: RMP Implementation Cell, LGD, Ministry of LG, RD & C, Government of Bangladesh, Bangladesh Secretariat.



**Table 3.6: RMP: Cost of Delivery**

	Particulars								
	Total Crew Wages	Operational Cost	Operation Cost per Taka crew wage delivered	Operational Cost and Manpower	Operation Cost and Manpower Cost per Taka crew wage delivered	Machinery & Equipment and Transport & Vehicle and Customs Duty & VAT	Depreciation	All Expenditure	Per Taka Wage Delivered (Total Cost as a Ratio of Total Crew Wage)
Table 4.4 Column No.	(C1+C7+C11)	C8		(C8+C2)		(C3+C4+C5)			
Current Table Column No.	C1	C2	C3	C4	C5	C6	C7	C8	C9
Method			[C2/C1]		[C5/C1]		[See Notes]	[C2+C4+C7]	[C8/C1]
Year									
1995-1996	386,986,000	66,138,000	0.170905	69,608,000	0.1798721	120,582,000			
1996-1997	526,945,333	112,500,000	0.213495	114,144,000	0.2166145	24,727,000			
1997-1998	515,760,000	84,112,000	0.163084	84,934,000	0.1646774	845,000			
1998-1999	516,841,000	125,000,000	0.241854	126,650,000	0.2450463	2,693,000			
1999-2000	590,942,000	177,000,000	0.299522	177,000,000	0.2995218	0			
2000-2001	652,075,000	173,511,000	0.266091	173,511,000	0.2660906	0			
2001-2002	648,293,000	207,000,000	0.319300	207,245,000	0.3196780	123,000	732,200	207,977,200	0.3208074

Source: Author's calculation based on Table 4.4: RMP Expenditure and Disbursement Statement

**Notes: Depreciation Calculation:**

1. Customs Duty and VAT are related to Machinery, Equipment, Transport and Vehicles. Therefore, all these elements are placed together in Column 6 to calculate the total cost in this head.
2. Since not having data specifically identifying the value of depreciation of these Machinery, Equipment, Transport and Vehicles, considered 5 years as active depreciable life for these elements.
3. Under this assumption, use of straight line depreciation method is considered. This represents 20% depreciation for each cost element for 5 years.
4. 20% is added up depreciation for each of the last 5 years including 2001-2002 for calculating the depreciation for year 2001-2002.

### 3.4 Cost of Delivering Benefits

In this sub-section the cost of delivery for each of these programs is analyzed. Costs are classified into four types. First, direct delivery costs are those costs that are necessarily spent as direct expenses for transferring benefits without which transfer cannot be made. There is no such cost in the case of RMP as this program has arrangements with banks for transferring the wages free of charges. Second, operating costs are the costs that are spent for the respective program year. This includes manpower and supplies along with other subheads. Third, depreciation costs are costs of the program that arises out of the wear and tear of the capital expenditure in the program. Fourth, a total cost of delivery is measured by adding all the three costs mentioned above. Table 3.7 below depicts summary costs per unit of taka or taka equivalent of wheat transferred to the beneficiaries.

**Table 3.7: Summary of Cost of Delivery of Per Taka Benefit Delivered**

Types	IGVGD	PESP	RMP
<b>Delivery Expenses:</b>			
Ancillary Expenses by GOB	0.0003815		
Transportation Expenses by GOB	0.0118012		
Bank Service Charge by GOB		0.0250000	
Delivery Expenses by GOB		0.0102170	
<b>Total Delivery Expenses:</b>	<i>0.012183</i>	<i>0.0352170</i>	<i>NIL</i>
<b>BRAC Operating Expenses:</b>	0.094999		
<b>Operating Expenses:</b>	0.1071821	0.0401290	0.3196780
<b>Depreciation:</b>	0.0005259	0.0002200	0.0011294
<b>Total Expenses:</b>	0.1077079	0.0403490	0.3208074

*Source: Author's calculation.*

Some observations about the cost of delivery are as follows:

- In the case of the IGVGD, the cost of transferring wheat from the central institution to the beneficiary depend upon the distance of the between these two. The cost of delivery does not depend upon the distance between these two in the cases of PESP and RMP.
- In any of these three programs, the cost of transferring does not depend upon the frequency of delivery.
- Variation in the total cost is also influenced by the provision of training. The costs of training remain separate from the direct delivery costs in the case of the IGVGD and the RMP.
- Only in the case of RMP there is no service charge for using the payment system of banks. But in the case of PESP there is bank service charge at a rate 2.5 percent of the total amount of distributable stipend. If a similar service charge is assumed for the RMP, then the cost of delivery for the RMP will increase by that amount.

### 3.5 Leakage in the Program:

This paper considers generally accepted definition of leakage which is due to delivery of an amount that is less than the stipulated amount of benefit. However estimates of leakage can be extended to incorporate other dimensions. Therefore, in addition to the generally accepted definition of leakage, this study also estimates leakage from the perspective of rent seeking, targeting, and opportunity loss.

The calculations undertake five specific and separate forms. These are as follows:

1. Leakage due to delivery of an amount that is less than the stipulated amount of benefit:  
To put it otherwise, this is in fact the leakage due to less delivery than allowed. This means leakage caused by delivery of benefit by the delivery agents in quantity that is less than what the agents are supposed to deliver by contract.
2. Leakage due to unauthorized expenses made by the beneficiary:  
This definition considers leakage caused by expenses that beneficiaries made which are unauthorized by the contract of the program.
3. Leakage due to selection failure:  
Leakages occur due to failure in the selection process. This means that programs select those who do not qualify to be selected into the program. Though it is not necessary that a beneficiary must fulfill all the criteria simultaneously, yet this type of leakage can be measured. Two extreme situations are considered here. One situation is when even a single criterion is not satisfied. Second situation is when all the criteria are not simultaneously satisfied.
4. Leakage due to opportunity cost of delivery for the failed selection:  
Under this definition, leakage owing to opportunity cost of delivery for the failed selection is calculated. Since cost of delivery is an addition to the total benefit delivered, any selection failure also increases the cost of delivery which is effectively a leakage to the total program value.
5. Leakage due to opportunity loss:  
This definition takes into account the leakage caused by opportunity loss of the beneficiaries for being in this program. In IGVD, beneficiary is not restricted to work elsewhere; hence, being into the program does not cause any opportunity loss. In PESP, student's ability to work is restricted as a student must regularly attend the school. In the case of the RMP, women cannot work elsewhere as she must remain present at the RMP work-site. This is important to note that the magnitude of benefit is essentially kept below the full market return when a person is engaged in income earning activities and does not participate in the program to allow for self targeting.

The estimates of leakages for each of these programs under the above five definitions is presented in Table 3.8 in three panels. Panel C computes leakages under joint definition 1 and 2, definition 3 and 4, definition 1 through 4 and definition 1 through 5.

In panel A, leakage is observed to Taka 0.13 for the IGVD program per one Taka benefit distributed. In the case of the PESP program this is Taka 0.23. It is found that Taka 0.02 is the leakage for the RMP program.

Panel B presents the additional leakage calculations. According to definition 2, leakage due to unexpected expenses is highest in the case of IGVD. There is smaller such leakage in the case of PESP whereas RMP does not have any such leakage. Following definition 3, leakage due to selection failure is high in the case of PESP, whereas there is no such leakage in the case of IGVD and RMP when only one criterion is used. It is to mention that the program requires that at least one criterion is required to be satisfied to be a beneficiary. But when all the criteria are considered, each of these programs has leakage per Taka delivered is Taka 0.95 or more. Based on definition 4, PESP has a leakage Taka 0.0044 and IGVD and RMP do not have any leakage. When all the criteria is considered, RMP has the highest leakage due to its high operating cost, whereas IGVD has Taka 0.09 and PESP Taka 0.04. When definition 5 is considered, PESP has the highest Leakage of Taka 0.0023 followed by RMP which is Taka 0.0002 and there is no such leakage in the IGVD program as the beneficiaries are not barred in any manner to involve in income generation activities.

It is interesting to observe that when all types of leakages are put together and satisfaction to all criteria (which is not a requirement for any of the programs) it is found that there are insignificant differences among the programs. This is because PESP has a leakage of Taka 1.28, the RMP of Taka 1.27, and the IGVGD of Taka 1.24. Therefore, leakages range from 02 percent to 128 percent under different definitions.

**Table 3.8: Comparative Leakage Estimation**

Item	Leakage	Issue	IGVGD	PESP	RMP
<b>Panel A</b>					
1	Leakage Due to Delivery of Amount less than Stipulated		3.89KG	Taka 69	Taka 12
		Leakage per Taka	0.129667	0.23	0.020906
<b>Panel B</b>					
2	Leakage Due to Unauthorized Expenses Made by the Beneficiary		295	108	0
		Period in months	24	60	48
		Per month	12.291667	1.797667	
		Leakage per Taka	0.040972	0.005992	0
3	Leakage Due to Selection Failure				
		1 criteria (Not satisfied)	0	11.1	0
		All criteria (Not satisfied)	97.5	100	95
		Benefit disbursed	2,068,920,000	6,366,995,000	648,293,000
				0	
		1 criteria (Not satisfied)	0	706,736,445	0
		All criteria (Not satisfied)	2,017,197,000	6,366,995,000	615,878,350
				0	
		Leakage per Taka 1 criteria	0	0.111000	0
		Leakage per Taka All criteria	0.975000	1.000000	0.950000
4	Leakage Due to Operating Cost of Delivery for the Failed Selection				
		Total Operating Cost	192,602,721	255,499,000	207,245,000
		Leakage per 1 criteria	0	28,360,389	0
		Leakage per All criteria	187,787,653	255,499,000	196,882,750
		Leakage per Taka 1 criteria	0	0.004454	0
		Leakage per Taka All criteria	0.090766	0.040129	0.303694
5	Leakage Due to Opportunity Loss			103	6.057143
		Leakage per Taka	0	0.002369	0.000221
<b>Panel C</b>					
6	<b>Total</b>				
		<b>Total of 1+2</b>	0.1706389	0.235992	0.020906
		<b>Total of 3+4</b>			
		Leakage per Taka 1 criteria	0	0.115454	0
		Leakage per Taka All criteria	1.065766	1.040129	1.253694
		<b>Total of 1+2+3+4</b>			
		Leakage per Taka 1 criteria	0.170639	0.351447	0.020906
		Leakage per Taka All criteria	1.236405	1.276121	1.274600
		<b>Total of 1+2+3+4+5</b>			
		Leakage per Taka 1 criteria	0.170639	0.353816	0.021127
		Leakage per Taka All criteria	1.236405	1.278490	1.274821

*Source: Author's calculation.*

### 3.6 Importance of Benefit and Impact of Leakage

Each of these programs delivers benefits that are crucial to the livelihood of the beneficiaries. Any failure to deliver the benefit as directed by the program design not only causes sufferings to the beneficiary but also exerts great damage to the goals of the program. Therefore to enumerate leakage, it is an important dimension to analyze the importance of benefit and the impact of leakage to the beneficiary. In this extended subsection 3.6 such an effort is made. It is important to mention that to

allow self-selection and discouraging non-needy person from being attached to the program, benefits in transfer programs are often kept below the equilibrium level.

#### **IGVGD:**

Suppose the household has two members in total. The IGVGD benefit of 30 KGs wheat per month is sufficient to supply the house with 1600 Kcal per capita per day for a month (the line of Hard Ultra Poor). However for a larger household, which is often the case, this amount is grossly inadequate. This is portrayed in Appendix Table 16: IGVGD Importance of Benefit and Impact of Leakage.

The average size of household in the field survey was 4.59 people. The current quantity of benefit can provide a household of this size with the required calories, based on Hard Ultra Poor definition, for only 13 days. Though this is based on an assumption that a household consumes only wheat, it still provides a rough estimate of the inadequacy of benefits received. In other words, any fraction of benefit is immensely important to the beneficiary or any proportion of leakage has substantial impact on the beneficiary.

This is also important to mention that the impact of leakage increases sharply as the size of the family increases. As mentioned in the Appendix Table 16, this ranges from 55 days for a one member family to 11 days for a five member family at 15 percent leakage in the delivery mechanism.

#### **PESP:**

The rationale of benefit for the PESP beneficiary in the light of opportunity costs that the beneficiary bear from being in the program is measured here. It is a comparison between how much a family will gain with their child in school as opposed to their child working. It is evident from the table that a child has more to earn financially from the work than being in class room. There is a differential of Taka 3 loss per day for attending school. This loss can further vary on the basis of gender. Male student losses nearly double that of a girl student. This is presented in Appendix Table 17: PESP Importance of Benefit and Impact of Leakage.

The household structure also plays a key role. This program classifies households by either one student's family or more than one student's family. The larger the size of the family, the lower is the financial rationale for sending the students into the school. For 1 percent leakage, the household can lose Taka 1 to Taka 1.25 and for 15 percent leakage; the loss is Taka 15 to Taka 18.75 respectively for a 1 student family or more than a 1 student family. In other words, any fraction of benefit is immensely important to the beneficiary or any proportion of leakage is substantial.

#### **RMP:**

In the case of the RMP beneficiaries this study also uses opportunity cost as the basis for measuring benefit rationale. The national average agricultural labor wage is used as a proxy for rural wages of women. If take-home wage is considered, excluding the compulsory savings from the daily wage, the financial benefit is less than the opportunity income of about Taka 3.20. Such difference is not available when savings are taken into account. In the later case, RMP beneficiaries get more than what they could have earned working elsewhere. This is presented in table Appendix Table 18: RMP: Importance of Benefit and Impact of Leakage.

The impact of leakage is high in this program. This is because; the cash benefit delivered per beneficiary is also many fold higher than any of the other two programs. For 1 percent leakage to 15 percent leakage the deviation of RMP wage from national wage ranges from Taka 5.20 to Taka 11.35 respectively. To put it otherwise, any fraction of benefit is immensely important to the beneficiary or any proportion of leakage is substantial.

## **4. THE SURVEY**

The beneficiary's prospective is discussed in this section based on the sample survey. The section is composed of two parts. First, it discusses the focus group discussions. Second, the survey results are presented.

### **4.1 Results of the Focus Group Discussions (FGD)**

Simple focus group discussions have been conducted under this study with the beneficiaries of the safety net programs in mind. One FGD has been conducted for each of the IGVGD, PESP and RMP components. These FGDs were performed in the *Saturia* Upazila of *Manikganj* District in Dhaka Division. There were five discussions in the case of IGVGD and PESP, and nine discussions in the case of RMP.

At this location all the three program components are available. There are varieties of rural institutions including different levels of academic institutions, rural health centers, various forms of religious institutions, NGOs, commercial banks, government offices, and history. Rural road networks have been established along with river networks. Telecommunication facilities, including land networks at the union center and cellular phone network, has been made available. The people of this village are actively making a living.

A summary of these discussions are presented below in the Table 4.1 according to the opening questions made to the participants. Following is the detail of the focus group discussions.

#### **FGD with IGVGD Beneficiaries**

Beneficiaries do not have to pay any cash or any wheat directly to collect wheat from the distribution outlet at the Union Parishod (UP). Beneficiaries know about the allocated quantity of wheat, yet they receive less than that. This is an outright deduction; not a deferral of the benefit to be paid later. The UP chairman decides that each of the IGVGD cardholders will receive one kilogram of wheat less. The chairman can request this on two grounds. First, the Union Parishod does not receive any payment from the government for the expenses relating to carrying the wheat from the Local Supply Depot to the Union Parishod. Second, when the wheat is weighed at the Local Supply Depot for distribution, the weight of the sacs are included in the total weights, i.e., collected wheat is not net of weights of sacks.

This deduction is acceptable but unpopular among the beneficiaries, because, this is not the only deduction. First, the weigh-man cheats in the weight as a charge for providing the weighing service. Secondly, weighing-machines are tempered with to give faulty weights. Therefore, actually they receive approximately 25 to 27 KGs instead of stipulated 30 KGs.

**Table 4.1: Summary of Focus Group Discussions**  
 (“√” represents agreement and “X” represents disagreement to the opening question)

Issue		IGVGD	PESP	RMP
I.	Faces problems in collecting benefit	√	√	X
II.	Receives less than official allocation	√	√	X
III.	Requires to present documents when benefit is being collected	√	√	√
IV.	Authorized someone else on her behalf to withdraw benefit	√	X	X
V.	Shares benefit with others who are not selected beneficiary	√	X	X
VI.	Considers current method of delivering benefit is simple and fair	X	X	√
VII.	Agrees to collect benefit in group (in the case of PESP and IGVGD) or to collect individually (in the case of RMP)	√	√	X
VIII.	Prefers to collect benefit from someone directly visiting her for delivering the benefit instead of her going to a certain place for collecting benefit	√	√	X
IX.	Prefers to collect benefit via unmanned delivery facilities	√	√	√
X.	Used a telephone or listened to a radio	√	√	√
XI.	Feels secure in carrying cash and kind around the location	√	√	√

*Source: Author’s preparation based on focus group discussions.*

Since there is no grievance center, beneficiaries must complain to the Union Parishod chairman. Listening to the complaints, the chairman asks the beneficiary to bring beneficiary’s own weighing-machine and weigh the questioned amount in front of him. This approach is almost impossible for an IGVGD cardholder. In one example, an IGVGD cardholder complained to the weigh-man that she received only 25 KGs. As a result, the weigh-man intimidated her and replied that she would get 15 KGs next time. None of the cardholders in this FGD were fond of the weigh-man.

IGVGD members do not carry their VGD in hand. (Visits to the Union Parishod have shown all of the cards shelved together and none of these cards bearing a photograph.) But they have a card provided on payment by the BRAC where she can prove in writing she is a VGD member. This card records that they are depositing their monthly savings. IGVGD members bring this BRAC card to the distribution center as their proof. This proof is not always required for identification as the BRAC officer herself attends the distribution center on the day and identifies each of the members. Based on interviews, they said that they do not have to worry about identification since their names are listed on the Union Parishod Master Roll and that all people concerned, including the weigh-man, the guards, the clerks, the Union Parishod Member, and Chairman, personally know each other. They further concluded that at the current IGVGD cycle there were no additional financial expenses to collect the VGD card.

Each member generally collects her wheat personally. In case of any difficulty, a member contacts the Union Parishod chairman and the concerned BRAC office in advance and seeks authorization for the wheat to be delivered to the nominee from within her family. Anyone outside of her family can not be considered as nominee. The FGD discussants said that they never had to share their wheat with anyone else.

Wheat is distributed generally on the fourteenth day of each month. If it happens to be a holiday, wheat is delivered on the next working day. Discussants unanimously agreed that it is convenient if wheat is delivered once a month.

Beneficiaries are grouped into five. For six of these groups (i.e., for thirty beneficiaries) there is one secretary from among them. An alternative method of delivery was proposed to them. Instead of wheat being delivered independently to each of them, wheat would be delivered to one representative per group and then members of the group will collect their share from the group representative. All the discussants agreed to this proposal. They further proposed that the group representative should collect



the wheat from the Local Supply Depot (LSD) instead of current method of collecting from the Union Parishod. According to them, this would reduce the chance of them receiving less quantity of wheat since weigh-man and other Union Parishod officers would not intervene and appropriate. They agreed to this from their experience of group based distribution of the earlier “Food for Work” program. However, they are not interested in collecting wheat from the LSD independently. This is because the LSD distributes wheat on the basis of number of sacks which has a predetermined weight, there is transport cost, and it is also physically exhausting. They also agreed to another alternative proposal of a mobile delivery system delivering the wheat to their door step.

Discussants are interested in opening bank accounts but prefer wheat compared to cash. This is because, cash gets spent with other important expenses, like buying of clothes or educational fees for their children, and then hunger takes its toll in the household. They prefer rice as opposed to wheat.

Among the discussants, two have used mobile phones for different causes including cancellation of law-court appointments. The discussants never felt insecure carrying wheat after collection or keeping it at home.

### **FGD with PESP Beneficiaries**

Beneficiaries do not have difficulty in collecting stipends from a bank. Neither has paid any extra money.

The mother of each of the beneficiary students has a photo card which they use themselves. These cards are kept at the school. About a week ahead of actual delivery of the stipend, students are asked to inform their mother that the card is required to be signed by her. On the specific day of delivery, the mother of the student appears in the bank and collects the cash.

The stipend is received quarterly from the bank. All of the discussants said they received correct amount of money for the first two quarters, but during last quarter, they received one third of the total amount of money. Different reasons were mentioned for this, including, the students were not present in the school for more than two days and that they have had poor results in the mid-year examinations. When a school teacher of these students contacted the bank, she said that this time less than the stipulated money had been transferred to the distributing bank from the central distributing authority. According to her, this was the reason for payment of only one-third of the stipend. However, there was no indication that the two-third of remaining stipend will be paid later. Beneficiary mothers have also been intimidated by the school telling them in the near future there will not be a stipend at all.

There was no incident of nominating another person on behalf of the mother to withdraw the cash. It was not reported that the stipend was ever shared with another student.

Beneficiary women think that the current method of collecting cash is easy. An alternative method was proposed to group together with a representative from among them to collect the cash on their behalf and later they will collect their share from the representative. None of discussants agreed to this alternative. But if the travel cost of the representative is equally shared by group members and if the representative did not pay any less, this was agreeable to them. They also agreed to a mobile unit delivering the cash at their doorstep. Interestingly, they are keen on an automated teller machine as a delivery mechanism.

They do not feel insecure carrying stipend money home because it is an insignificant amount. They use this money to pay a private tutor or for educational expenses of the student.

They however do not send their children to school for the sake of stipend. They strongly believe in the importance of education for their children and will continue to send their student even if there is no stipend.

### **FGD with RMP beneficiaries**

Women of the Rural Maintenance Program do not have any difficulty in collecting money. Neither do they have to pay any additional monetary or other benefit to the bank staff or the program operators. There were never any incidents or request from any party that there were dues remaining. However, there was an incident in which wages were overdue for three months as their money-wage was not transferred to the respective bank from the central distribution. They got the dues later in two installments.

They collect their wages in cash from the bank by groups. There is a register in the respective bank where the names of the members of association is mentioned along with the photograph and signature of the authorized treasurer of the group. To withdraw their wages, the treasurer or the sub-treasurer of the Rural Maintenance Association takes the check book to the bank. These, in addition to the arm band that they wear, are the proofs of their identity.

They receive payment fortnightly. During this period, a member of the Union Rural Maintenance Program Committee visits the work site and verifies the quality and size of work. On the basis of this, cash is transferred by the program to the respective bank. At the end of every fourteen days of work wages are given on Saturday. In case the bank is closed on that day, wage is given the following banking day. They do not consider it important to receive their wages more frequently or less frequently.

The association's treasurer or the sub-treasurer has the capacity to withdraw cash from the bank. They cannot delegate the responsibility of withdrawing cash from the bank. The members of the association never shared their wages with others as they never shared the road maintenance work.

The discussants agree that the current method of cash delivery is simple and fair. A new cash delivery method was proposed to them. In this method each of the members will collect their wages from the bank independently. But the discussants did not agree to this method. The reasons cited were that not all of them are literate enough to conduct the formalities of the bank and that it would be difficult. Rather they enjoy the day of drawing cash by traveling to the bank in group and collect their part of cash wage immediately. They did not like the idea of a mobile delivery system that comes to their doorsteps to pay the wages. But they did like the idea of delivery by unmanned automated teller machines.

Women of the Rural Maintenance Program have seen the mobile telephone system although none of them ever used one. Each of these women considers it is safe to carry cash home. They do not feel insecurity around the locality. They prefer cash as wages compared to food grain.

## **4.2 The results of the Sample Survey**

The important findings from the survey are presented here. First, Figure 4.1 provides a summary of example of usual obstacles that are found in the delivery mechanism. These examples span from the demand side to the supply side of the programs. Second, a number of tables are produced from the data collected at the field. Results are produced here in a comparative manner for the beneficiary by combining all the three programs under this survey. Rest of the findings from the survey is presented in the appendices as referred.

**Figure 4.1: Selected Example of Obstacles in the Delivery Mechanism**

	<b>Demand</b>	
Knowledge		Asymmetry of information among beneficiaries; low literacy levels; low access to technical information
Empowerment		No control over socially powerful providers; low decision making power of women
Affordability		High opportunity and transport cost for the poor
Social and Cultural Access		Information on benefits not tailored to local values and norms
Physical Access		Low geographical access to facilities
Availability of Human Resources		Providers training and remuneration do not provide adequate incentives to deliver quality services
Organizational Quality		Poor facilities and amenities; inconvenient opening hours; poor attitude of staff; often supply driven with little involvement of recipients
Technical Quality and Efficiency		Diffusion of erroneous information; inadequate supervision; lack of integration; no incentives
Resource Management		High cost of delivery; leakage; absenteeism of personnel; informal practices by public servants; structure of incentives
Governance		Lack of transparency; mismanagement
	<b>Supply</b>	

### Fulfillment of Selection Criteria

Table 4.2 depicts that at least one selection criterion is fulfilled by beneficiaries in both the IGVDG and RMP programs. But there are more than 10 percent beneficiaries who do not even fulfill one criterion in the case of PESP program. Only 2.5 percent of beneficiaries fulfill all of the five principle selection criteria in the case of the IGVDG program. Similarly only 5 percent fulfills all of the seven criteria in the RMP program. None of the beneficiaries of the PESP program fulfills all of the four selection criteria. However, this is not required in the program that all the criteria to be fully fulfilled by a single beneficiary.

**Table 4.2: Level of Fulfillment of Selection Criteria (Percentage)**

Criterion	IGVDG	PESP	RMP
6. Fulfills at least 1 criterion	100	88.9	100
7. Fulfills at least 2 criteria	95	45.7	100
8. Fulfills at least 3 criteria	38.8	1.2	100
9. Fulfills all 4 or more criteria	22.5	0	95
10. Fulfills all 5 or more criteria	2.5		68.8
11. Fulfills 6 or more criteria			25
12. Fulfills all 7 criteria			5

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

### Problems Faced by Beneficiaries

A beneficiary at the delivery level has two main problems. One, being gotten selected into the program, and the other is to collect the endowed benefit. It is found, as presented in the Table 4.3, 69.80 percent IGVDG women faced problem of some form by being selected into the program. This problem is less in the case of PESP, at about 22.70 percent, and in the case of RMP, at about 26.20 percent. In case of collecting the endowed benefit, about 90 percent of IGVDG beneficiaries reported that they received less. In case of PESP and RMP, 40 percent and 37.50 percent, respectively, reported receiving less than endowed benefit. Since the IGVDG delivers wheat and at a quantity less than endowed, it found only 8.90 percent have had to pay in cash or kind. But in the case of the PESP, 46 percent reported payment in cash or kind. Only 12.5 percent of the RMP reported having to pay in cash or kind.

**Table 4.3: Problems Faced by Beneficiaries (Percentage)**

Issue	IGVGD	PESP	RMP
1. In the case of selection:			
• Paid in cash or kind	8.10	3.70	1.30
• Had to influence	59.30	28.20	28.80
• Did not know in time	-	-	-
• Had to bear additional expenses	-	-	-
• No Problem	30.20	68.30	63.80
• Other	2.30	-	12.50
2. In the case of collecting benefit:			
• Paid in cash or kind	8.90	46.00	12.50
• Received less than official allocation	89.90	40.00	37.50
• Non-cooperation of the program officials	1.30	2.00	12.50
• Other	-	12.00	37.50
3. In the case of collecting the benefit receivable			
• Cash	35	100	100
• Kind	65	-	-
• Cash and Kind	-	-	-
• Had to request	-	-	-
• Other	-	-	-

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

When the problems were converted into actual Taka or worth of Taka spent for being into the program, this scenario remains the same. This is further identified in the Table 4.4, unauthorized expenditures made by the beneficiaries of the IGVGD program in the case of selection is substantially high at Taka 145, followed by Taka 65 expenses made by the beneficiaries of the PESP program. RMP participants have no such expenses. In the case of collecting benefit unauthorized expenses is Taka 23.35 and Taka 16.32 respectively for IGVGD and PESP. In this case, RMP beneficiaries paid only Taka 5 for collecting benefit which probably is caused by reasons other than coercion. In the case of collecting identity case IGVGD participants have to spend Taka 50 and PESP participants Taka 42.86. There is no such expense in the case of RMP.

**Table 4.4: Unauthorized Expenditure Made by the Beneficiaries (Taka)**

Issue	IGVGD	PESP	RMP
In the case of selection (One off)	145.00	65.00	-
In the case of collecting benefit (On average at each delivery)	25.35	16.32	5.00
In the case of collecting the identity card (One off)	50.00	42.86	-

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

## Household Asset Structure

There are significant differences in the household structures of the three different program group beneficiaries. IGVGD beneficiaries are poorest, followed by RMP beneficiaries. PESP beneficiaries are richest among these three and cross the average value of the three groups. This is presented in Table 4.5. Both IGVGD and RMP participants have value of their own house far below the average size of the three groups which is Taka 9963 and nearly one-third of the value of the house of the PESP participants which is Taka 17397. On the other hand, average value of homestead land is highest at Taka 39728 for the PESP participants followed by the IGVGD participants at Taka 32178. RMP participants have homestead land of value Taka 20765 which is nearly one third less than the average value of homestead land for the three groups. It is also interesting to find that PESP participants have significantly high level arable land of Taka 235482. This is substantially low for the RMP and IGVGD beneficiaries which stands at Taka 47700 and Taka 18000 respectively. This table manifests the idea that attitude towards education is linked to the asset background of parents of the student.

**Table 4.5: Household Asset Structure (Taka)**

	IGVGD	PESP	RMP	Average
Average value of Own house	6,451	17,397	5,682	9,963
Average value homestead land	32,178	39,728	20,765	31,180
Average value Arable land	18,000	235,482	47,700	178,238

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

### State of Literacy of Beneficiaries

It is found PESP beneficiaries have a higher capacity of literacy and mathematical skills, as presented in Table 4.6. This is followed by RMP and IGVGD beneficiaries. About 29.63 percent of the PESP participants can write their home address which only 12.5 percent for the IGVGD and 11.25 percent for the RMP beneficiaries. Nearly 65 percent to 93 percent of the RMP beneficiaries have numerical skills. 67 percent to 88 percent of the PESP parents can correctly calculate different levels of mathematics. Poorest numerical performance is observed with the IGVGD beneficiaries with 33 percent to 66 percent only answering correctly. It is important to mention that any improved method of delivery will require investing in the training of the beneficiaries. Otherwise, application of new technologies will not enhance the efficiency of the programs and the risk of leakage will continue.

**Table 4.6: Literacy and Numeracy of Beneficiaries (Percentage)**

	IGVGD	PESP	RMP
Can write address	12.50	29.63	11.25
Answers correctly: "Suppose you borrowed Taka 1000 with 15% interest per annum. How much will pay after a year?"	33.75	67.90	65.00
Answers correctly: "Suppose you have a hen and the price of which is Taka 50. The hen lays 4 eggs in 4 days. Each of the egg costs Taka 3. If you sell the hen and the eggs after 4 days, what will be the price?"	66.25	87.65	92.50

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

### Interests in Group Activities

From the Table 4.7, this is evident that beneficiaries are not interested in group based savings and borrowing activities. It is 23.8 percent, 24.70 percent and 27.50 percent respectively for IGVGD, PESP and RMP. On the other hand little more enthusiasm is observed for group based savings. This varies from 28.80, 38.30 and 46.30 percent respectively for IGVGD, PESP and RMP. Neither of the almost two-third majority of the beneficiaries has consented to undergo joint income generation activities.

**Table 4.7: Interests in Group Based Financial Activities (Percentage)**

	IGVGD	PESP	RMP
Likes to borrow as a group	23.80	24.70	27.50
Likes to save as a group	28.80	38.30	46.30
Likes to engage in income generation activities as a group	33.80	30.90	31.30

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

### Capacity to Travel

Almost all of the RMP beneficiaries have experienced out door activities in day to day life. About 48.80 percent gets out in the case of IGVGD members. But only 12.30 percent go out in the PESP program probably because they have significant wealth compared to over group as mentioned before. Most of them travel by foot and, if needed, pays for hired vehicle. RMP participants go further to 3.91 KM compared to PESP and IGVGD which are 0.98 and 1.30 respectively. Consequently

higher travel time is spent by RMP participants at 97.97 minutes followed by PESP and IGVDG which are 25 and 17 minutes. Since cent percent of the PESP travel by food, this group has no travel expense. But IGVDG and RMP spent Taka 0.38 and Taka 0.23 per trip respectively.

**Table 4.8: Capacity to Travel (Percentage)**

		IGVDG	PESP	RMP
Gets out of home for income generating purposes		48.80	12.30	98.80
Method of traveling	On foot	94.90	100.00	96.20
	On boat	2.60	-	-
	Non-mechanized vehicles	2.60	-	1.30
	Engine vehicles	-	-	2.50
Distance of traveling	(KM)	0.98	1.30	3.91
Expenditure per trip	(Taka)	0.38	0.00	0.23
Time required	(Minute)	17.41	25.00	97.97

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

### Infrastructure and Technology

Rural infrastructure is not an advanced one. Women do not have access to traditional financial facilities. Rural beneficiary women are also homogeneous in their knowledge about the traditional technologies. Yet, this is evident from Table 4.9, that these beneficiary women are interested in embracing modern financial architecture. About 70 percent of the participants never used a post-office. 14.70 percent IGVDG, 23.70 percent PESP, and 58.80 percent RMP used bank cheque. Most of the participants are interested to open bank account on payment. Only 17 percent to 28 percent have ever seen a computer, nearly 20 percent to 33 percent used ever used a mobile phone and more than 80 percent have access to radio and television.

**Table 4.9: Rural Infrastructure and Knowledge about Technology (Percentage)**

Issue	IGVDG	PESP	RMP
Never been to a post-office	67.80	68.90	69.20
Used a bank cheque	14.70	23.70	58.80
To get loan, interested to open a bank account and for this you agrees to bear cost.	75.00	84.00	87.50
Seen a computer	17.50	28.40	23.80
Used mobile phone	20.00	33.30	18.80
Seen electronic equipments	-	0.80	28.30
Have access to radio and television	80.00	86.40	85.00

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

### Acceptance to Alternative Methodologies

Beneficiaries are interested in new delivery mechanisms. When offered with different alternative methods, a majority of the respondents accepted proposed alternatives. These proposed alternatives correspond to the replies mentioned in the Table 4.10. Alternative *One* can be considered for mobile pay stations. 75 percent, 86.4 percent and cent percent member in IGVDG, PESP and RMP programs respectively shown preference to have their benefit delivered by someone reaching to them. Alternative *Two* can be considered in the light of an automated teller machine. About 90 percent or over shown their interested in unmanned delivery machines. Alternative *Three* can be considered for any technologically advanced methods of delivery. It is also found that 98.8 percent or over recognizes the convenience of Photo-ID card.

**Table 4.10: Development of Delivery Mechanism and Alternative Methods (Percentage)**

	IGVGD	PESP	RMP
Alternative <i>One</i> : Prefers that someone reaches her to deliver the benefit as an alternative to the current system.	75	86.4	100
Alternative <i>Two</i> : Prefers to appear at a distribution center and collect the benefit from an unmanned delivery machine.	90	93.8	90
Alternative <i>Three</i> : Considers a Photo-ID card will be convenient for collecting benefit	100	98.8	100

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

## Security

Table 4.11 shows that rural locations are almost secure for these beneficiaries to handle money or goods. 1.25 percent of the IGVGD respondents had security problems and none of the PESP and RMP beneficiaries experienced any security trouble. Therefore, security cannot be a major concern for introducing new technology in rural areas for these rural beneficiaries.

**Table 4.11: Rural Security (Percentage)**

	IGVGD	PESP	RMP	Average
Had trouble in carrying wheat or money	1.25	0.00	0.00	0.41

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

## Bank Managers Opinion

This study also investigated rural bank branch managers. Table 4.12 presents some important information from this investigation. It is evident that due to illiterate client groups and very low demand for a high tech delivery mechanism, modern methods of delivery system cannot be introduced. The main constraint is illiteracy as identified by 39.2 percent of the bank managers followed by lack of infrastructure and security. None of these rural bank branches uses the already available within the bank electronic debit card called *ReadyCash*. About 63.90 percent banks in the survey have telegraphic transfer system. It is also that 91.70 percent of the banks have mobile banking facilities. Among the bank managers 38.9 percent consider inefficiency of the rural client as the principal reason for not introducing ATM in the rural areas, followed by low demand and lack of security. It is observed that the deeper concern for security is mentioned by the bankers compared to concern expressed by the beneficiaries as tabulated earlier.

**Table 4.12: Bank Manager (Percentage)**

Considers rural banking is comparatively more difficult	<i>Due to:</i>	
	Local infrastructure	13.50
	Efficient staff	5.40
	Illiterate people	39.20
	Lack of security	16.20
	Poor transaction	8.10
	Poor service sectors	4.10
Availability of clients having <i>ReadyCash</i> card		0.00
Availability of mobile banking facilities		91.70
Main barriers to start ATM facilities in the branch area	<i>Due to:</i>	
	High transaction cost	7.80
	Low demand of this service	31.10
	Inefficient village client	38.90
	Lack of security	21.10
Availability of TT facilities		63.90

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

## Union Parishod

This study also investigated Union Parishod secretaries and collected rural infrastructure data at the field level. It is observed that there is an interest in new methodology. Secretaries prefer more involvement by the government institution, less involvement by NGOs and lower direct involvement by the beneficiary women in the actual delivery process. These are mentioned in Table 4.13. 87.5 percent Union Parishod secretaries prefer government as the operating organization. 35 percent of these union secretaries like the idea that beneficiaries themselves distribute benefits within themselves. 97.5 percent of these secretaries consider that people in their locality are capable of accepting new technologies.

**Table 4.13: Union Parishod Secretary (Percentage)**

Thinks priority be given in running the program to:		
	NGO	12.50
	Government organization	87.50
Likes beneficiaries distribute benefits by themselves		35.00
Considers that the local people have capacity to accept new technologies		97.50

*Source: Based on data collected from the field survey "Study on Delivery Mechanisms of Cash Transfer Programs in Bangladesh", 2003.*

## 2.7 Rural Infrastructure

This survey also looked at the state of the rural infrastructure in the sample locations. This is presented in Table 4.14. It is found that 95 percent or more unions have academic institutions. There are post offices in 97 percent unions and the average distance between post office and UP office is 1.33 km. In 15 percent of these unions there are railway stations within 1.52 km of the UP office. 64.10 percent unions have bus stations within less than 1 km of the UP office. Only in 5 percent unions there are launch terminals. An average of 46 percent unions has handicraft and cottage industry. Costs per acre of land in the administrative locations vary significantly from one location to another with an average of Taka 58. 49 percent shops in these locations have dealership of certain products which represents strength of the consumer market. Most importantly, from 90 percent to cent percent of the unions have electricity.

**Table 4.14: Rural Infrastructure**

	Cox's Bazar	Comilla	Nilpha-mari	Pabna	Average
High school	90	89	100	100	95
Clinic	80	78	100	100	90
Mosque and other prayer house	100	100	100	100	100
Madrasha	90	100	100	100	97
Post Office	90	100	100	100	97
Distance between post office and the UP office (km)	0.97	0.53	1.92	1.75	1.33
Railway station	0	11	20	30	15
Distance between the station and the UP office (km)	0.00	1.00	3.00	0.71	1.52
Bus station	50.00	77.78	50.00	80.00	64.10
Distance between the station and the UP office (km)	0.62	0.34	0.64	1.50	0.85
Launch terminal	20	0	0	0	5
Distance between the terminal and the UP office (km)	1.75	0.00	0.00	0.00	1.75
Handicrafts/cottage industry	70	44	30	40	46
Average cost per acre of land around UP office (Taka)	223,889	1,681,250	243,500	175,950	959,324
Shops have dealership	60	78	10	50	49
Electricity	90	100	100	100	97



## **5. EVALUATION OF ALTERNATIVE DISTRIBUTION SYSTEMS**

There are various available and emerging technologies that can be used for delivering benefits, especially where benefit is cash for the social safety net programs. These include Mobile Computing, Biometrics, Satellite, Global Positioning System, Simple and Smart Card, Radio Frequency Identification Tags, Automated Teller Machine, and Solar Power. Some of these mechanisms are successfully tested and are in operation in some countries. On the other hand, there are also other less techno-dependent payment systems that are in operation, for example, banks, postal service and voucher, but not exhaustively explored for social safety net delivery mechanism in Bangladesh. Costs and benefits for each of these delivery mechanisms depend upon various parameters including rural infrastructure, technology-using capacity of the beneficiaries and installation and operating costs. In a recent technology white paper Cal2Cal (2004) explores these high-tech delivery mechanism. Lafaurie and Leiva (2003) detail delivery mechanism through banking sector in Columbia where feasibility of using innovative technology in developing country were made contingent upon technological development and coverage, deeper analysis of market and specific costs. However, experiments of using advanced technologies are continuing. For example, Personal Digital Assistants (PDAs) are being used in delivering health services in Uganda, computer and solar power are used in Kenya for delivering health care services, ATM card in Brazil, Metrocard used in stores in Dominican Republic, and Smart Cards are being used in India to deliver microcredit.

In this section below prospect of existing but not fully exploited options with respect to Bangladesh and their pitfalls are discussed. In the second part advanced technologies are considered.

### **5.1 Existing and Not Fully Exploited Options**

#### **5.1.1 Banks**

Banks in Bangladesh have wide experience in transferring cash; collecting savings; and lending to borrowers. Banks also have distinctively wide coverage; greater transparency and accountability; capacity to grow; ability to adopt new technology, ability to facilitate economies of scale and scope; ability to override procedural complications in between the program head office and the individual beneficiary; and built-in less interference from other institutions. An essential selection criterion for all these three programs is that the beneficiary is to have fixed residential location. When selection of beneficiaries is fair, use of bank for directly transferring cash, which requires local financial institution, is feasible. However, there are some limitations to use bank channel. These are discussed below.

Bank branch network is available throughout the country for the public sector bank. There are more bank branches in rural areas than in urban areas. This is not surprising since majority of the population resides in rural areas. In fact 59.27 percent of all bank branches are situated in the rural areas. The number of rural branches is highest in the case of public sector commercial banks which are about 35 percent of the total number branches in the country. This is followed by specialized banks (18.61 percent) and private commercial banks (5.83 percent). No foreign commercial bank has so far opened a branch in the rural area. It can be deduced that profit seeking banks will remain reluctant to operate in the rural areas without appropriate charges for the service. An appropriate policy can be formulated so that banks open profitable branches in the rural areas. Such policy is needed since at present the government has active initiatives to privatize the nationalized commercial banks as well as closing down loss generating public sector bank branches.

Only a handful of banks have a combination of rural activities and use of modern technologies. In fact none of the banks that operate in the rural areas have regular and competent application of modern technology. As can be seen in the Table 5.1 below, one private commercial bank, one Islamic bank, and only two nationalized banks, have some form of electronic technology in use and these uses are more or less confined in urban areas only. Hence use of electronically advanced delivery mechanism cannot be offered under the current state of technology in the banking system.

A brief description on banking industry in Bangladesh is available at the Appendix B.

**Table 5.1: Banks with Rural, Poverty, and Women Activities and Electronic System**

Bank Name	Rural Branch (Total: Urban / Rural)	Poverty and Women Activities	Foreign Networking	Online Banking/ Interbranch Networking	ATM Services	Credit Card (Debit Card)	Rural Activities and Electronic System (Col . 3 + 5)
Sonali	Yes (1219: 411 / 808)	Yes	SWIFT		Shared	(ReadyCash)	Yes
Janata	Yes 870: 431 / 435)	Yes					
Agrani	Yes (881: 320 / 561)	Yes		Yes	Shared		Yes
Rupali	Yes (506: 268 / 237)	Yes					
Pubali	Yes (350)	Yes					
Uttara	Yes (198)	Yes	SWIFT	Yes			
Arab Bangladesh	Yes (69)	Yes					
National	Yes (76)	Yes	Western Union		Shared	Master	Yes
Islami	Yes (131)	Yes					
National Credit and Commerce	(32)		Money Gram, SWIFT	Yes	Shared	Master, VISA	
Prime	(27)		SWIFT	Yes		Master, VISA	
SouthEast	(19)		SWIFT	Yes	Shared		
Dhaka	(20)				Shared	VANIK	
Mercantile	Yes (15: 12 / 3)	Yes	SWIFT			(ReadyCash)	Yes
One	(7)		SWIFT	Yes			
Bank Asia	(12)	Yes					
Jamuna	(8)		SWIFT				
Premier	(15)					VISA	
BKB	Yes (919)	Yes					
RAKUB	Yes (350: 58 / 292)						
BSIC	(26)	Yes					
American Express	(3)		SWIFT	Yes	Independent		
Standard Chartered Grindlays	(13)			Yes	Independent	Master	
Citi N.A.	(2)		SpeedCash	Yes			
HSBC	(3)			Yes	Independent		

*Source: Activities of Banks and Financial Institutions, 2002-2003, Finance Department, Ministry of Finance, GOB.*

*Note: Bank included in this list has at least one of the five criteria mentioned in the column heads 3 through 7.*

### 5.1.2 Automated Teller Machines

Government of Bangladesh has taken modernization in the financial sector. Use of information and communication technology has got some momentum at present. Central bank itself is undergoing computerization and has initiated a computerized clearing system. In a Banking Regulation and Policy Department of Bangladesh Bank Circular, No.03 dated February 08, 2003, the central bank has called attention of the commercial banks to initiate Automated Teller Machine (ATM) services independently or jointly. It is yet to see any significant development in the automation of banking sector. Such remarks are also visible at a survey presented in the Table 5.2. The reason is probably due to initial high cost of acquiring and installing such facility. The basic cost of an Automated Teller Machine (ATM) facility is manifested in the Table 5.3. The prospect of electronic benefit transfers (EBT), cash cards, and smart cards are similar to ATM facility. None of the bank has such options in the rural areas except Telegraphic (TT) Transfers.

At the advent of new technologies and other infrastructural developments, ATM can be easily converted to mobile ATM services. However, no bank had ever experimented such payment system in Bangladesh.

**Table 5.2: Electronic Banking Services in Bangladesh (Growth in percentage)**

	1998	2000
Tele-Banking	14	19.2
Online Corporate Banking		7.7
Electronic Fund Transfer	17	15.4
ATM	14	15.4
Credit Card	10	23.1
Debit Card	--	3.8
Merchant Account Service to Merchant	--	3.8
Internet Banking	--	7.6

*Source: Survey of the Bangladesh Institute of Bank Management, BIBM, Dhaka, 2001.*

**Table 5.3: Basic Cost of an Automated Teller Machine (ATM) Facility**

Cost Heads	\$	Taka
1. Cost of ATM machine (Inclusive of Installation)	47,500	2,850,000
2. Maintenance cost (Yearly)	6,000	360,000
3. Uninterrupted power supply		50,000
4. Modem		30,000
5. Router		100,000
6. Lease-line connectivity		120,000
Total (\$ 1 : Taka 60)	58,500	3,510,000

*Source: Based on author's consultation with a foreign private sector bank.*

*Note: The following is the simple cost of initiating an ATM service. This is a basic facility. The following budget does not take into account civil construction which will be significant (e.g. rent and security).*

### 5.1.3 Mobile Pay Stations

Mobile pay stations means a rural bank branch deploys its manpower to a location outside the official premises of the branch to conduct banking activities. In these cases one or more employees of the branch visit a place of bank's choice usually to deliver money or to collect some form deposits of small scale. Mobile pay-stations on behalf of the local bank branch are only available in the case of PESP. Use of banking system is only available in the case of PESP and RMP. Mobile pay-stations are useful in the sense that beneficiaries do not require to travel to the bank. Otherwise, stationed bank branches are better option for the beneficiaries as the chances of rent seeking is relatively less in this case. Moreover, costs to the participating bank are high if appropriate fees are not paid for the mobile pay stations.

#### **5.1.4 Postal Services**

There are 9054 post offices in rural areas dispersed across the country. Postal services incorporate facilities of airways, mostly land transport, and water transport systems. A postal service can be officially delivered within three days within the country. Government postal services use outdated technology. This opened opportunities for private entrepreneurs to open postal services. It is now possible to deliver a postal service offered by private sector. Postal services provided by the private sector are relatively more expensive but are more reliable and fast compared to government postal services.

There are varieties of services in the postal system. “Money Order” is one of these which can be applied to transferring cash benefits. Money can be delivered upon payment of charges anywhere within the country under this method. However, delivery by postal system is likely not to improve the efficiency in the delivery mechanism. This is because the public sector postal system has the nationwide coverage but inefficient in one hand and on the other hand, private sector postal system does not have wide coverage but more efficient and expensive. It is also that there are prospect of rent seeking and leakage in this alternative method where largely the targeted beneficiaries are illiterate.

#### **5.1.5 Voucher**

Use of voucher in Bangladesh is rare. Only one program, targeting health of pregnant mother, recently introduced voucher. The benefit in this program is that the voucher is not easily resalable and the targeting is unique. Success of voucher in this program is expected and is yet to be measured.

The use of voucher where multiple targeting criteria, as in the cases of these three programs under this study, is used for beneficiary selection is an important issue. This can be expected that voucher in such cases will complicate the efficiency of delivery due to existing causes of selection failure and leakage. Introduction of voucher will require new establishment costs. It is also that there is no organized market in the rural locations where, for example, food vouchers can be easily converted to ultimate utility products. Since PESP and RMP both uses direct transfer approach which is simpler, conversion to voucher approach is not expected to increase efficiency of delivery.

#### **5.1.6 NGO**

Among the 1671 NGO in Bangladesh, only a few have nation wide coverage. NGOs are neither likely to donate purely for social safety net causes nor likely to perform beyond adherence to their own sustainability. It is also that NGOs lack in capacity to take up a large scale nationwide social protection program independently. NGOs are not fully regulated as a financial intermediary, do not have a provision for a lender of last resort and are susceptible to failure. Therefore, complete reliance on NGO as sole distributor of benefits is not feasible. But collaboration with NGOs in the delivery mechanism will improve efficiency of transferring benefit and monitoring of programs.

#### **5.1.7 Other Methods of Bank Based Cash Delivery**

There are some other forms of cash transfer mechanism offered by the banks as mentioned in Table 5.2. The programs under this study do not use any of these methods. These forms of payment systems generally require that the recipient has a bank account. Opening and maintaining a bank account is expensive especially for the rural poor. This requirement works as a deterrent to the use of such methods. It is also that the cost is high to discourage the program operators to use such methods.

**Table 5.4: Cost of other Methods of Cash Delivery**

Product	Charge	Remarks
Telegraphic Transfer	Taka 1.00 per Taka 1000.00 Plus Telephone Charge Taka 30.00	Minimum Taka 10,000.00
Mail Transfer	Taka 1.50 per Taka 1000.00 Plus Telephone Charge Taka 30.00	
Pay Order	Taka 15.00 irrespective of value transferred	
Demand Draft	Taka 15.00 irrespective of value transferred	
Bank Draft	Taka 15.00 irrespective of value transferred	

*Source: Author' preparation based upon discussion with bankers.*

## 5.2 Emerging Technology

This section on emerging technology is adopted from the aforementioned Cal2Cal (2004) paper. This paper provides a theoretical application of such technologies using the PESP in a developing country like Bangladesh. For distribution of funds, technologies considered are Mobile ATM, Mobile Computer, Satellite Modems/Phones, GPS Devices, Smart Cards and Biometrics. It is identified in the following Table 5.5 that Mobile ATMs has the lowest implementation cost at \$0.4650 per \$100 of benefits which significantly reduces over time and the highest cost would be the use of Mobile Computers which stands at \$5.0125 per \$100 of benefits. Among the alternative emerging technologies, Mobile ATMs appear to be most effective in Bangladesh. This because of the availability of electricity and availability of banking services in rural areas as mentioned earlier. Further more the survey also indicated the acceptability of the beneficiaries of such mechanism.

**Table 5.5: Theoretical Safety Net ICT Costing**

THEORETICAL SAFETY NET ICT COSTING									
Program Name		Primary Education Stipend Program							
Setting		Lower Income Country							
Amounts shown in US\$									
Program Characteristics (data rounded for presentation purposes):									
Size of target population	10,000,000								
Number of beneficiaries	5,000,000								
Amount of benefit disbursement (monthly)	2								
Frequency of benefit disbursement (times per year)	4								
Number of service points (Unions) [Higher Range]	5,000								
Number of administrative units (Upazilas) [Lower Range]	500								
Number of administrative Divisions	6								
Program cycle (in months)	60								
Total benefit over program cycle	600,000,000								
Number of benefit disbursements over program cycle	100,000,000								
	Year 1 Implementation Period Cost Ranges		Years 2-5 Annual Recurring Cost Ranges		Year 1 Implementation Cost Ranges Per \$100 of Benefits		Years 2-5 Annual Cost Ranges Per \$100 of Benefits		
	Lower (Upazilas)	Higher (Unions)	Lower (Upazilas)	Higher (Unions)	Lower (Upazilas)	Higher (Unions)	Lower (Upazilas)	Higher (Unions)	
<b>Core Components</b>									
<i>Basic System</i>	427,500	4,657,500	85,500	1,416,000	0.4275	4.6575	0.0855	1.4160	
<i>Incremental System Functionality:</i>									
Back office & administrative systems (centralized database)	35,500	212,000	7,100	25,750	0.0355	0.2120	0.0071	0.0258	
Satellite modems / phones with centralized database	460,000	4,655,000	46,000	1,345,500	0.4600	4.6550	0.0460	1.3455	
<b>Determination (Beneficiary Identification &amp; Recordation)</b>									
<i>Basic System</i>	160,000	545,000	32,000	70,500	0.1600	0.5450	0.0320	0.0705	
<i>Incremental System Functionality:</i>									
GPS Devices	160,000	1,520,000	16,000	372,000	0.1600	1.5200	0.0160	0.3720	
<b>Compliance</b>									
<i>Basic System</i>	160,000	545,000	32,000	70,500	0.1600	0.5450	0.0320	0.0705	
<i>Incremental System Functionality:</i>									
GPS Devices	115,000	1,145,000	11,500	334,500	0.1150	1.1450	0.0115	0.3345	
Smart Cards	6,610,000	41,695,000	661,000	12,469,500	6.6100	41.6950	0.6610	12.4695	
RFID	5,510,000	29,595,000	551,000	8,839,500	5.5100	29.5950	0.5510	8.8395	
Biometrics	360,000	2,945,000	36,000	844,500	0.3600	2.9450	0.0360	0.8445	
<b>Distribution of Funds</b>									
<i>Basic System</i>	110,000	145,000	22,000	25,500	0.1100	0.1450	0.0220	0.0255	
<i>Incremental System Functionality:</i>									
Mobile ATMs	155,000	465,000	15,500	82,500	0.1550	0.4650	0.0155	0.0825	
Mobile Computers (in addition to Core Components)	562,500	5,012,500	56,250	1,408,750	0.5625	5.0125	0.0563	1.4088	
Satellite modems / phones	430,000	4,465,000	43,000	1,326,500	0.4300	4.4650	0.0430	1.3265	
GPS Devices	115,000	1,145,000	11,500	334,500	0.1150	1.1450	0.0115	0.3345	
Smart Cards	410,000	3,295,000	41,000	879,500	0.4100	3.2950	0.0410	0.8795	
Biometrics	215,000	1,330,000	21,500	353,000	0.2150	1.3300	0.0215	0.3530	
<b>Verification and Analysis</b>									
<i>Incremental System Functionality:</i>									
Business Intelligence	135,000	270,000	13,500	27,000	0.1350	0.2700	0.0135	0.0270	
Replacement Factor	20%								
Maintenance Support Rate	20%								
Incremental Functionality Support Rate	10%								
See detailed costing breakdown and explanatory notes at Appendix III									

## **6. CONCLUSIONS AND RECOMMENDATIONS**

There are about 14 million beneficiaries of different social protection programs in Bangladesh. These programs constitute nearly 1 percent of the GDP and 5 to 6 percent of the public expenditures (World Bank, 2005). Based on the information gathered in this study, it can be concluded that there are possible improvements that can be made in the programs to increase the efficiency of delivery. These recommendations are presented below in two sections. First, a set general recommendations and, second, a set of specific recommendations identified for specific programs.

### **6.1 General Recommendations:**

- 6.1.1 Application of advanced technology in the delivery mechanism is possible given the present state of the rural infrastructure and attitude of the beneficiaries. This is especially relevant when traditional and existing bank based payments system can be modernized to improve delivery efficiency. For example, mobile banking by the banks can be extended further and improved by introducing mobile ATM facilities. Some pilots' tests can be developed in other social safety net programs to learn how they could be implemented before they are used on a large scale for other programs One the programs used could be the Female Secondary Stipend Program, which is a nationwide program for secondary female students, whose beneficiaries are institutionally educated and matured.
- 6.1.2 Use of technology should not be isolated limiting to delivery only. Selection of the beneficiaries, monitoring and evaluation and leakage control should also be embedded into the application of the technology.
- 6.1.3 While all three programs are supposedly targeted at the poor these data seem to suggest that the 'average' beneficiaries are reasonably well off at least as compared to the poverty line in Bangladesh. Given the targeting mechanisms used to choose beneficiaries, this seems to imply that the existence of some 'elite capture' in the selection of beneficiaries. A recent work by the World Bank (2005) seems to suggest that current targeting criteria may themselves not be appropriate. Land criteria, for example, are widely used to distinguish between the poor and the non-poor but evidence suggests these criteria could lead to significant mistargeting. One criterion used to identify the very poor is to include only people with at most 5 decimals of land. Data suggests that if rural households with less than 5 decimals of land were to be selected at random, over a third of them would be non-poor.
- 6.1.4 The paper shows that there is a tradeoff between leakages and administrative costs. RMP seems to have the lowest levels of leakages but fairly high administrative costs. Furthermore, just monetizing programs need not necessarily lead to lesser amounts of leakage. An important factor in this regard is the number of intermediaries involved, for example, PESP involves a number of intermediaries making decisions about the specific level of entitlement of each beneficiary, and it is likely that these intermediaries are a source of leakage. More transparent procedures with fewer intermediaries and those that ensure accountability of intermediaries may be required to reduce leakages (in both food and cash assistance programs).
- 6.1.5 Many problems associated with targeting and leakage can be minimized if greater emphasis is placed on monitoring and evaluation. Given the low capacity among line agencies, program monitoring should be contracted out to independent and competitively selected agencies who would visit sites to check into how beneficiaries are targeted and selected, assess whether beneficiaries are receiving appropriate benefits in a timely manner and study whether the ministry

is adequately monitoring its programs. This should be supplemented by developing the capacity of line ministries to monitor programs on a day-to-day basis.

- 6.1.6 There are some obvious improvements that are needed to reduce leakages, especially, in the case of the PESP to assure that the beneficiaries receive the full amount of the transfer they are entitled to. It has been observed that check transfers and clearing requires a substantial amount of time, causing distress to the beneficiary. Therefore, it is also necessary that check transfers and check clearing time follow the same strict regulations already in operation in the country. In addition, the possibility of reducing the cost of transactions and the use of alternative delivery systems is investigated.
- 6.1.7 Information on the objectives of each of these programs to the public can be increased. This will enhance participation, support, and monitoring by public and hence efficiency in delivery and transparency of the programs can be strengthened. Mass media could be involved into the process of informing the participants on the rules and regulations at a regular basis. Such an initiative will reduce the likelihood of misunderstanding or manipulation by the delivery organization at the field level and elimination of misconception by the beneficiaries.
- 6.1.8 Programs to create database openly accessible by the public on program itself and the beneficiaries. If each of the programs delineates its goals, methods and financial information to the public, these programs will be audited informally by public and hence transparency and efficiency in delivery and transparency of the programs can be strengthened.
- 6.1.9 The study found that the cost of the bank transaction for delivering cash benefits is either free or quite low. In the case of the IGVDG program, the role of the banks is limited to the free transfer of other indirect costs (e.g., transportation costs) to the accounts of local administration. Individual beneficiary do not have any direct connection with their bank, since their mandatory savings are managed by a NGO, which pays an annual interest rate of 6 percent. In case of the PESP banks transaction costs are only 2.5 percent of the transaction amount paid by the government. This is because the beneficiaries have a special stipend-purpose bank account, which cannot be used as normal bank account with the rate being fixed. Finally, in the case of the RMP, the banks have agreed to provide this service for free to provide a single payment to a group of 10 beneficiaries. They have also agreed to provide normal rates of interest on the mandatory savings of Taka 10 per person per day.
- 6.1.10 Following from the above issue, two issues arise. First, since the bank charges do not reflect the real cost of transferring the payments, those costs are part of the regular administrative cost and therefore make it more difficult to improve the efficiency of those transactions. Second, the government can only make use of public sector banks. This is a problem because the efficiency of the public sector banks is relatively low when compared to private sector banks. At this time the geographical coverage of public sector banks is significantly high.
- 6.1.11 However, since many of the local rural branches are not profitable, some of them might be closed in the near future. The possible solutions are:
  - a) To identify the real costs of bank transactions and promote monetary policies to encourage private sector banks to participate in the distribution of social safety net benefits.
  - b) To reduce the 4 percent cash reserve requirement and the 12 percent statutory reserve requirement for banks engaged in the program in nationwide or at least division-wide delivery including other functions in any safety net program. A reasonable reduction in the reserve requirement, say 0.5 percent to 1 percent, can motivate a bank to engage itself in the social safety building.



- c) A reduction in the tax rate can also be offered to the private sector banks contributing in these social protection sectors. A compensatory reduced rate of tax can be introduced for those financial organizations operating in delivering benefits for the interim period. Over time, a competition will emerge in the financial sector and such tax benefit can be withdrawn after the infrastructure is in place.
- d) Banks using advanced technology for rural locations for social safety net benefit delivery purposes may also be given promotions as mentioned in (b) and (c).
- e) The rural banking policy operating in the country can be attuned to the need for delivery of safety net benefits.

## **6.2 Specific Recommendations:**

Some modifications in the organizational structure of the delivery mechanisms and procedures of the programs can be made to reduce delivery costs. A set of specific suggestions to improve the efficiency of each of the three programs are provided below:

### **6.2.1 For the IGVGD Program**

- a) An IGVGD cycle should start after the proper arrangements for beneficiary savings collection method have been made. There should also not be any mid cycle changes of the savings agent, for example, from a BRAC to a Union Parishod or vice versa.
- b) Selection of the beneficiaries and distribution of benefit should be made with stronger participation from established NGOs. Therefore, in the Union Parishod VGD Committee, additional representative from another NGO, other than BRAC, should be included.
- c) Since there is no visible production as a condition of program participation, by the beneficiary in the case of IGVGD program, no further recommendation from local authorities is needed prior to the actual delivery except in cases of irregularities.
- d) The current system of weighing must be improved. Two options are new packing method and conversion to cash which is described in Appendix C.
- e) Administrative and monitoring activities need to be improved. It has been observed that there are no identifiable manpower costs of administration for this nationwide program. Allocations for these activities are required to improve the delivery system.
- f) There should be clear directives to manage the undelivered benefit.
- g) Finally, one issue that can be considered in this document is the possibility of converting the food benefits into to cash benefits (see Appendix C for more details). Such conversion is a necessary condition to introduce advanced technology for delivery purposes and hence to reduce cost of delivery.

### **6.2.2 For the PESP Program**

- a) Using the results of the students by the SMC to continue to receive the stipend leads to abuse and leakage. If these minor students are left free from such evaluation and alternative evaluation procedures are introduced, delivery of stipend to the beneficiary will improve. An alternative could be to consider both the parents of the children and the school itself to be responsible for the attendance of the children and outcome of the school examination. This is possible through various approaches. For example, to borrow or to receive any financial services, a parent of the stipend beneficiary will be required to collect non binding recommendation from the school headmaster or the bank manager. On the other hand, for example, if a school fails to ensure the quality of education or collective attendance of the students is not satisfied, there will be deductions from the funding to the school. One such deduction might be to subtract an amount equivalent to ratio of the not achieved performance of the school from the Monthly Pay Order to the school.

- b) Parents may be called for a monthly training and consultation session, which will include the issue of delivering the stipend and their responsibility in assisting success of their children. Failure to attend such consultation in a pre-announced date will result in the household not receiving the benefit.
- c) There can be scholarship provision in addition to stipend if a student performs with pre-announced distinction. This will help the competition among the students to do better and as well as schools to obtain credibility. The additional fund required for this will possibly be derived out of the savings by controlling the leakage due to current method of reviewing of students by given requirements.
- d) Administrative and monitoring activities require improvement. It has been observed that there are insignificant manpower costs for this nationwide program. Allocations for administrative activities are required to improve the delivery system.
- e) Representatives from NGOs can be incorporated in the SMC.
- f) Current method of beneficiary selection procedure by the SMC to be replaced by some innovative improved selection procedure.
- g) PESP can utilize emerging technology to reduce both administrative and targeting leakage.

### **6.2.3 For the RMP Program**

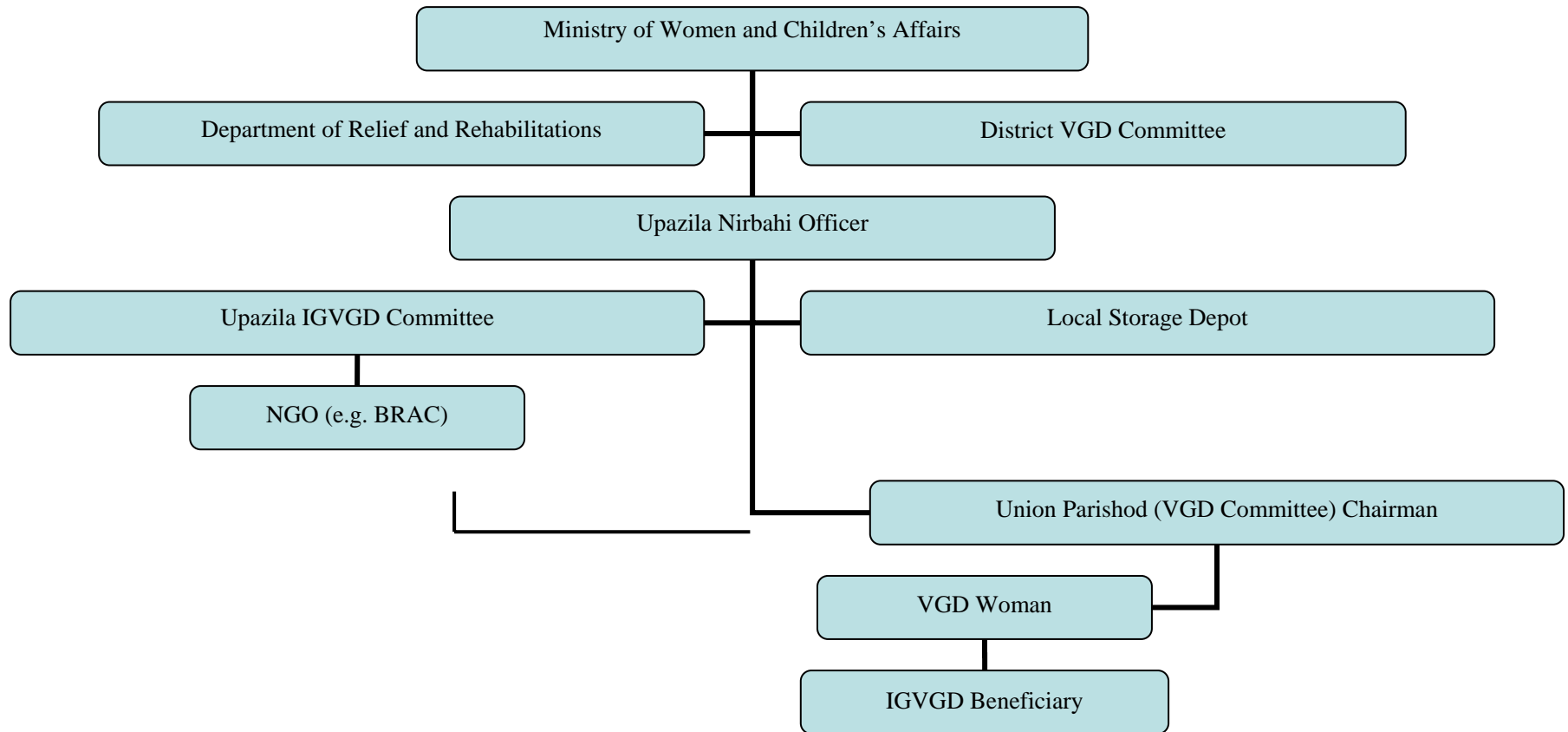
- a) The cost of delivery in the RMP program is substantially higher than the other two programs. This requires reducing operating costs that constitute substantial part of the budget by controlling administrative costs.
- b) Monitoring and evaluation by separate agency, independent of CARE and the government, can be introduced to review the program, especially the administrative and overhead costs, preferably reporting to the donor agencies.
- c) Emerging technologies can be used in the RMP program to reduce administrative costs. This is possible as because use of technology can reduce costs relating to manpower, machinery, equipment, transport and vehicle, and customs duty and VAT which constitutes sheer part of the total cost of the program.

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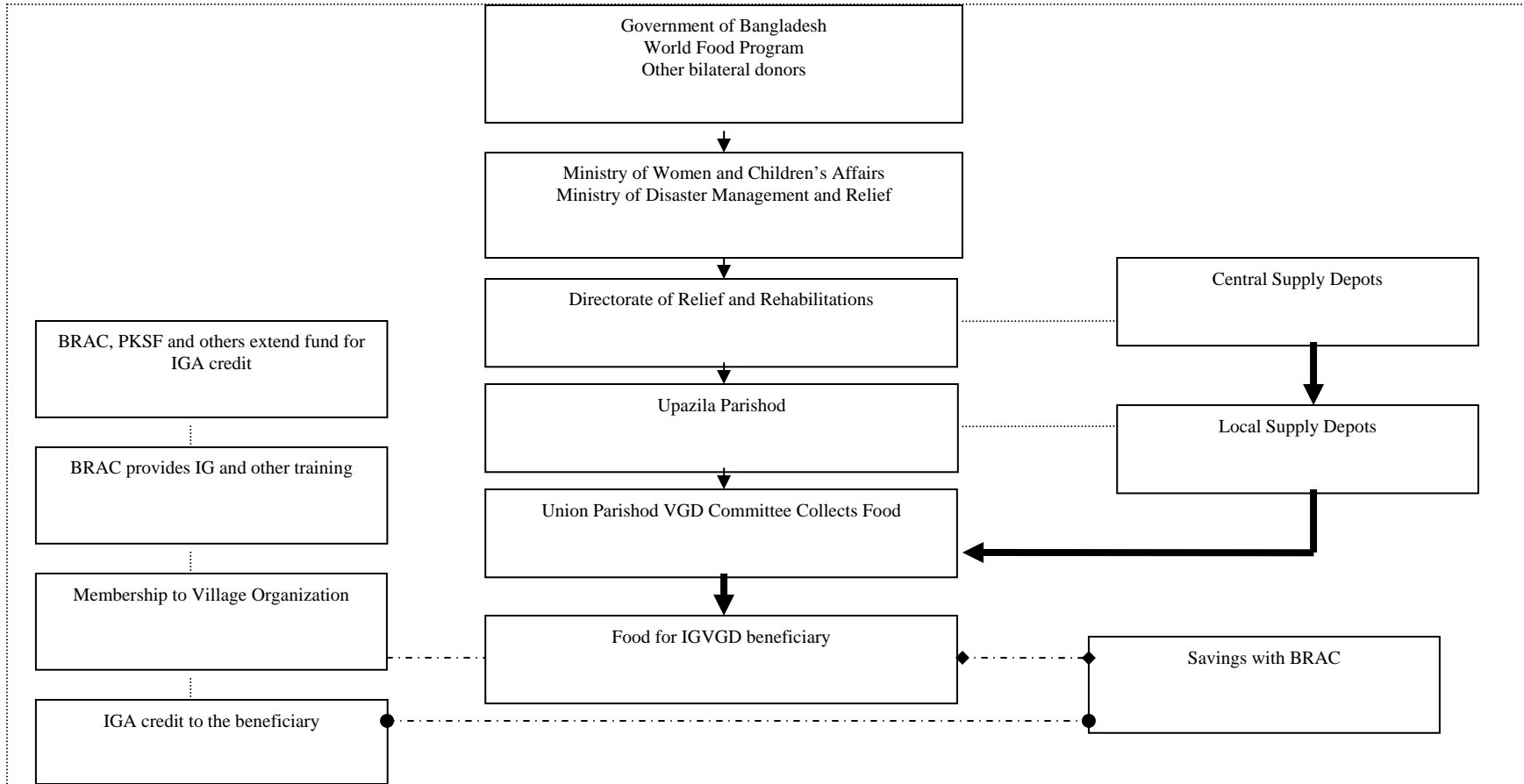
## Appendix A: Facts and Figures

Appendix Figure 1: IGVGD Delivery Chart



*Source:* Author's own drawing based on Memo No. - Moshibimo/ U2/ 14/ 99-406 (530), Dated September 15, 2002, Implementation Manual, UP VGD Program, Ministry of Women and Children's Affairs, GOB.

**Appendix Figure 2: IGVDG Summary Funds Flow Diagram**



*Source: Author's own drawing based various IGVDG documents.*

**Appendix Table 1: IGVGD Delivery Mechanism: Duties and Responsibilities at a Glance**

Agents	Duties and Responsibilities
Central Coordination Committee	<ol style="list-style-type: none"> <li>1. Policy frame working and analysis</li> <li>2. Coordinating between ministries, directorates and NGOs</li> <li>3. Protecting government properties</li> </ol>
Implementation Committee	<ol style="list-style-type: none"> <li>1. Ensuring efficient execution of the program based on manuals</li> <li>2. Ensuring supplies of logistics</li> <li>3. Coordinating among various agencies</li> <li>4. Evaluating fund flow, food, credit</li> <li>5. Analyzing reports and progress</li> <li>6. Providing field level directives</li> </ol>
District VGD Committee	<ol style="list-style-type: none"> <li>1. Ensuring success of the program based on manuals</li> <li>2. Ensuring delivery of wheat by exact quantity and quality</li> <li>3. Taking actions for transport and ancillary expenses</li> <li>4. Identifying problems and providing solutions</li> <li>5. Preparing and reporting to the higher agencies</li> </ol>
Upazila VGD Committee	<ol style="list-style-type: none"> <li>1. Ensuring proper selection of beneficiaries</li> <li>2. Allocating VGD cards to unions based on relative poverty</li> <li>3. Cooperating and coordinating NGOs</li> <li>4. Supervising delivery of wheat and ensuring exact quantity and quality</li> <li>5. Collecting fund for transport and ancillary expenses in time</li> <li>6. Preparing and reporting to the higher agencies</li> </ol>
Upazila IGVGD Committee	<ol style="list-style-type: none"> <li>1. Scrutinizing list of beneficiaries and the selection process</li> <li>2. Implementing skill training program and providing technical support</li> <li>3. Evaluating group based progress of the women's social, health and nutrition related factors</li> <li>4. Assessing income generating activities and credit schemes</li> <li>5. Preparing and reporting to the higher agencies</li> </ol>
Union VGD Committee	<ol style="list-style-type: none"> <li>1. Ensuring appropriate selection process based on manuals</li> <li>2. Ensuring delivery of 30 KGs of wheat by exact quantity and quality</li> <li>3. Ensuring distribution in time on the date</li> <li>4. Keeping documents updated and reporting to the higher agencies</li> <li>5. Assisting NGOs and helping them with the savings scheme</li> <li>6. Ensuring the safety and storing of collected wheat</li> <li>7. Erecting signboard with details of the program and the beneficiaries</li> </ol>
NGO	<ol style="list-style-type: none"> <li>1. Providing varieties of predetermined training</li> <li>2. Collecting mandatory savings</li> <li>3. Extending credit as per contract with the Ministry of Women and Child Affairs</li> <li>4. Preparing and reporting to the higher agencies</li> </ol>
Beneficiary	<ol style="list-style-type: none"> <li>1. Saving the mandatory savings</li> <li>2. Attending distribution center in time</li> <li>3. Taking various training</li> <li>4. Graduating for IGA activities</li> </ol>

**Appendix Table 2: IGVD: Transportation and Ancillary Cost Allocation**

IGVD	Rate (Taka ) (per metric ton)	Other information
1. Transport Cost		
a. Up to 5KM	a. 149	a. Paid quarterly.
b. From 5KM to 10KM	b. 177	b. 50% from the Directorate of Relief and Rehabilitation and Residual 50% by selling emptied food grain sacks.
c. From 10KM to 15KM	c. 205	c. By cheque (against voucher and never by cash).
d. From 15KM to 20KM	d. 233	d. Any deviation in the sale price of empty food sac has to be approved by the Union VGD Committee.
e. From 20KM to above	e. 261	
2. Ancillary Expenditure (consists of)	250	<b>a. Per VGD Cycle (meaning 24 months)</b>
a. Stationery		
b. Sign board		
c. Other expenses		

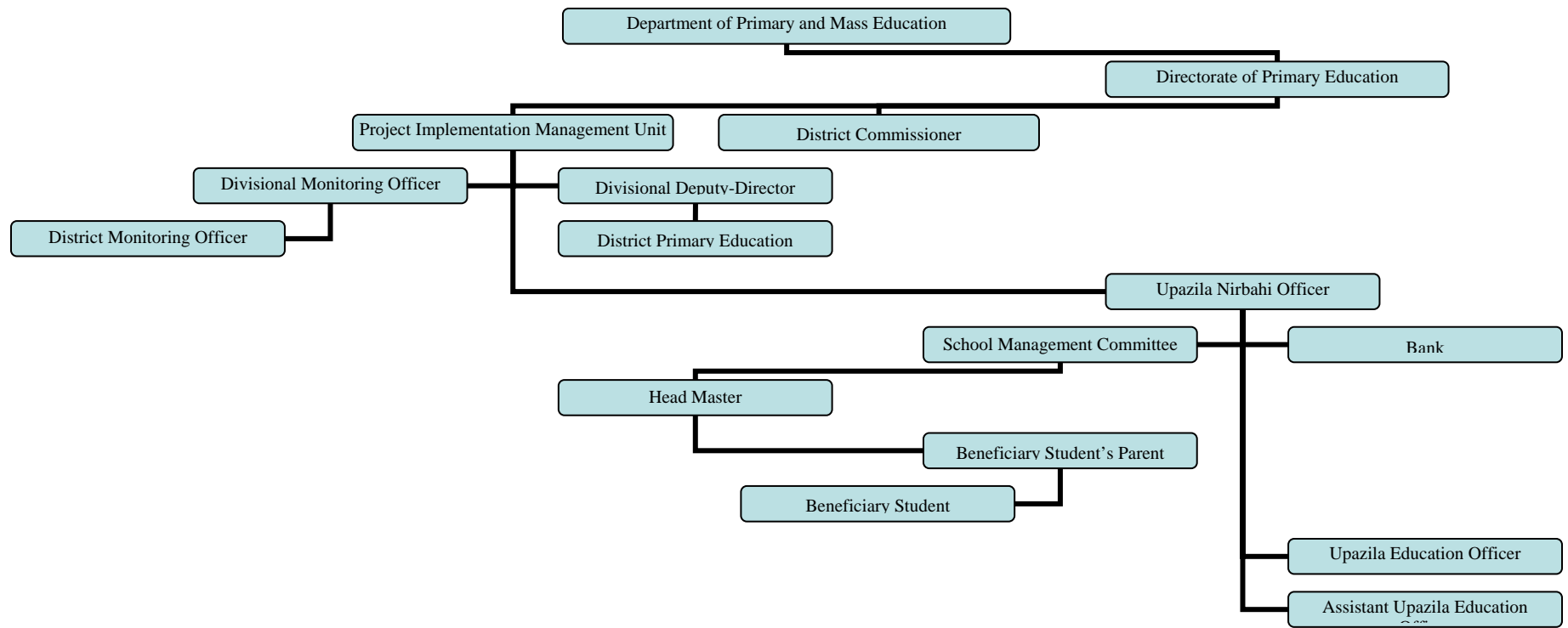
*Source: Memo No. – Moshibimo/ U2/ 14/ 99-406 (530), Dated September 15, 2002, Implementation Manual, UP VGD Program, Ministry of Women and Children's Affairs, GOB.*

**Appendix Table 3: IGVD NGOs**  
(Allocation Period: 01/07/2003 to 30/06/2004)

Name of NGO	Location	No. of Upazila	No. of Union	No. of Women
Alo	Chittagong HT	3	15	750
BRAC	Nationwide	268	2742	324.697
CIPD	Chittagong HT	5	25	1.250
Endeavor	Sylhet	8	77	6.235
FIVDB	Sylhet	27	249	16.823
GRAUS	Chittagong HT	3	13	650
Jagorani Chakra	Nationwide	18	183	14.720
PAJURECO	Chittagong HT	3	12	600
TAUNGYA	Chittagong HT	5	23	1.150
TOYMU	Chittagong HT	4	16	800
ZKS	Chittagong HT	2	7	350
Total		346	3362	368.025

*Source: WFP, Dhaka, Bangladesh*

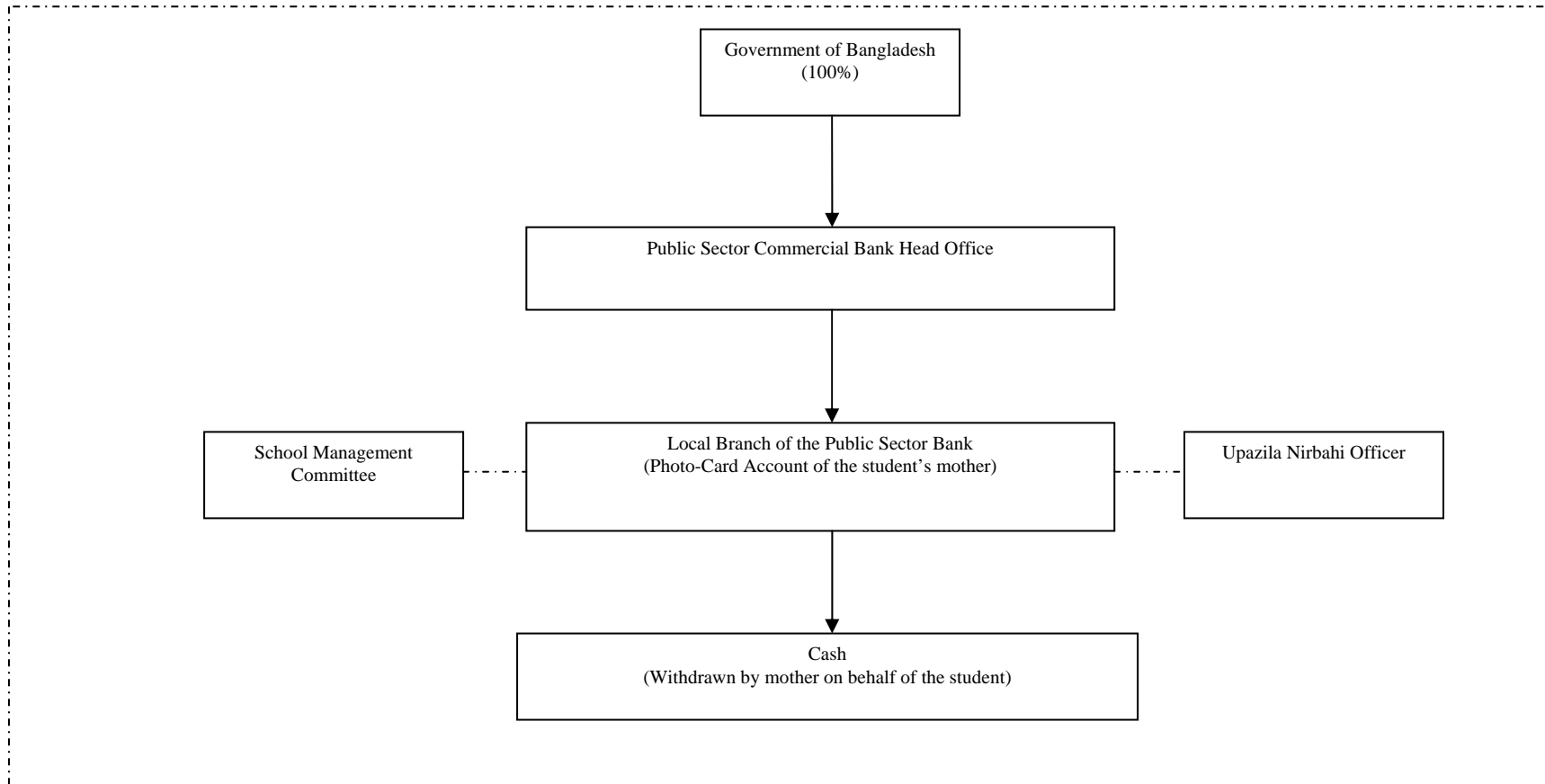
**Appendix Figure 3: PESP Delivery Chart**



*Source: Author's own drawing based on Memo No.- Pragabi/Pari-2/5/2002/516, Dated: November 28, 2002, Government of Bangladesh, Department of Primary and Mass Education, Bangladesh Secretariat, Dhaka.*



**Appendix Figure 4: PESP Summary Funds Flow Diagram**

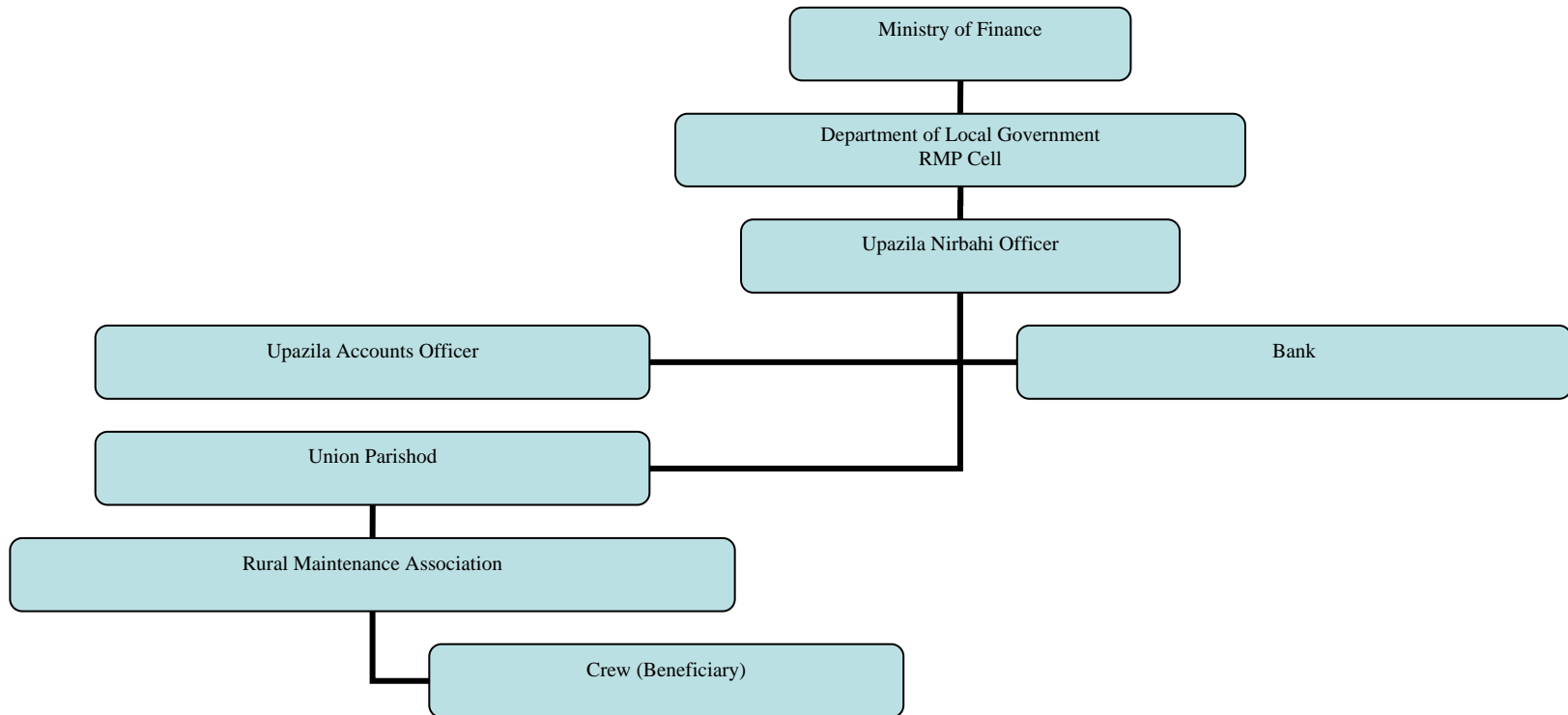


*Source: Author's preparation based on various PESP related documents.*

**Appendix Table 4: PESP Delivery Mechanism: Duties and Responsibilities at a Glance**

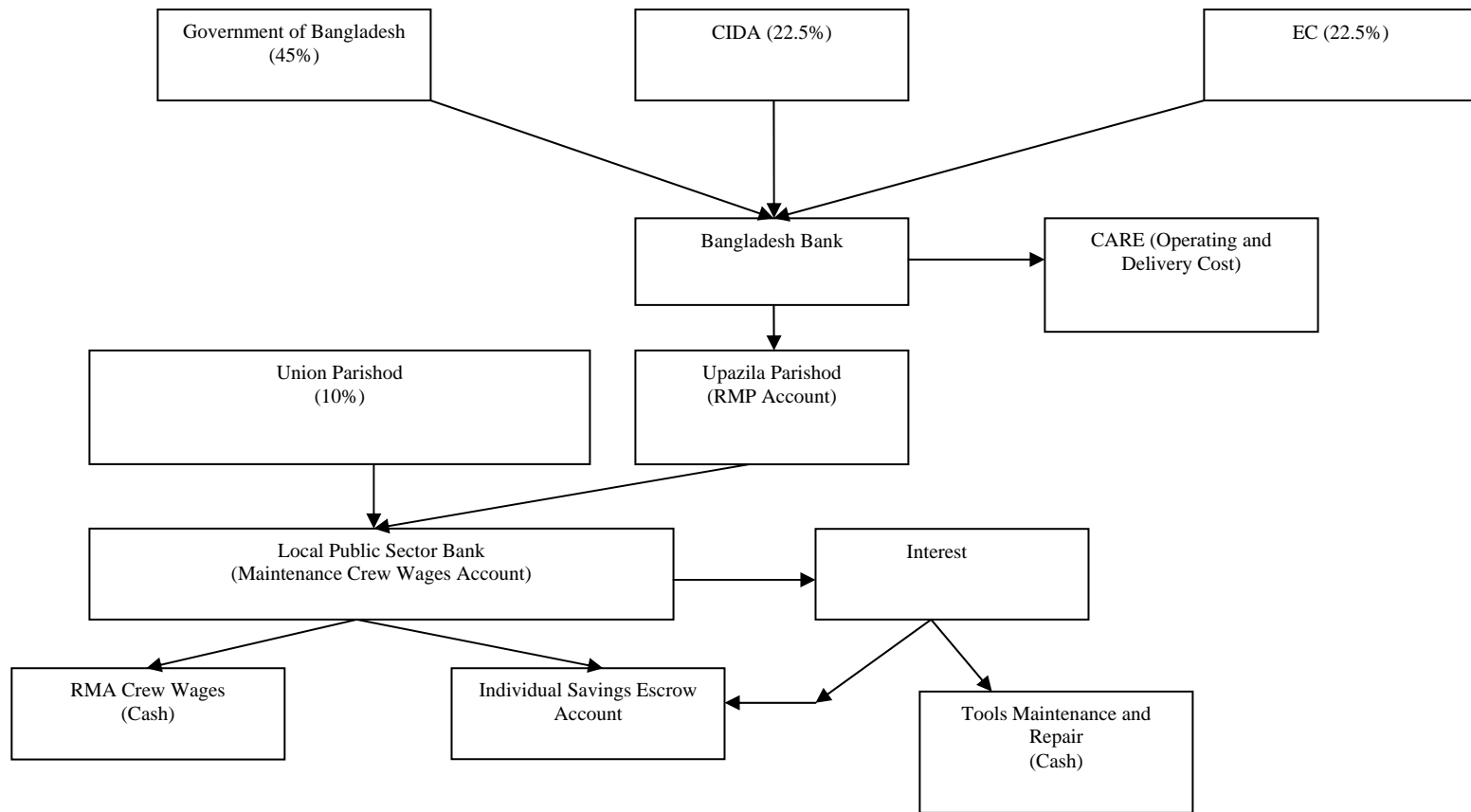
Agents	Duties and Responsibilities
Department of Primary and Mass Education	1. Overall policy, planning and directing.
Directorate of Primary Education	1. Coordinating the implementation
Project Implementation Management Unit	1. Implementing the project
District Commissioner	1. Assisting the implementation and providing direction
Divisional Deputy-Director	1. Implementing the project within the guidance of the Project Implementation Management Unit
Divisional Monitoring Officer	1. Supervising and monitoring all concerned 2. Delivering reports to the Project Implementation Management Unit and to the Directorate of Primary Education 3. Evaluating progress in bi-monthly coordination meeting
District Primary Education Officer	1. Supervising and monitoring all concerned 2. Inspecting beneficiary schools 3. Evaluating progress in monthly coordination meeting
District Monitoring Officer	1. Fixing date for distributing the benefit in consultation with the banks 2. Inspecting beneficiary schools 3. Delivering report to the Project Implementation Unit 4. Investigating complaints
Upazila Nirbahi Officer (UNO)	1. Approving the list of beneficiaries 2. Monitoring distribution of benefits 3. Signing as controller of stipend bills
Upazila Education Officer (UEO)	1. Approving the list of beneficiary students and preserving the list 2. Delivering the list to the UNO for counter-signing and send copy thereupon to the bank. 3. Delivering the final list to all concerned
Assistant Upazila Education Officer (AUEO)	1. Assessing the list of beneficiary students 2. Explaining the importance of the program and motivating 3. Explaining the methods of getting benefit and causes of postponement and cancellation of the program 4. Preparing bill for stipends and deliver to the UEO for approval and to the bank for informing
School Management Committee (SMC)	1. Selecting and preparing of list of beneficiary students jointly with the School Head Master 2. Delivering the approved list to the Upazila Education Office
Head Master	1. Cooperating and preparing list of beneficiary students jointly with the SMC 2. Keeping all sorts of registrar up to date and delivering on demand
Beneficiary Student's Parent	1. Opening bank account 2. Collect Benefit 3. Assisting the students to learn
Beneficiary Student	1. Remain present for learning at the school for 85% of school days 2. Obtaining not less than 40% of marks in the yearly examination

**Appendix Figure 5: RMP Delivery Chart**



*Source: Author's own drawing based on various documents on Rural Maintenance Program published by GOB and CARE, Bangladesh.*

**Appendix Figure 6: RMP Summary Funds Flow Diagram**



*Source: Author's own drawing based on various RMP related documents*

**Appendix Table 5: RMP Delivery Mechanism: Duties and Responsibilities at a Glance**

Agents	Duties and Responsibilities
Ministry of Local Government, Rural Development and Cooperatives	<ol style="list-style-type: none"> <li>1. Policy determination and coordination among agencies</li> <li>2. Ensuring transfer of funds in time</li> <li>3. Evaluating and assisting issues and problems</li> </ol>
LGD RMP-Cell	<ol style="list-style-type: none"> <li>1. Act as executing agency of the Ministry</li> <li>2. Preparing budget</li> <li>3. Directing, evaluating and coordinating the program</li> <li>4. Assist CIDA and CARE</li> <li>5. Prepare and report to the higher agencies</li> </ol>
Deputy Commissioner	<ol style="list-style-type: none"> <li>1. Coordinating</li> <li>2. Encouraging fund generation for contribution</li> <li>3. Assisting Upazila and Union bodies and resolutions for problems</li> <li>4. Prepare and report to the higher agencies</li> </ol>
Upazila Nirbahi Officer	<ol style="list-style-type: none"> <li>1. Raising and depositing 10% fund in time</li> <li>2. Selecting roads for the program</li> <li>3. Monitoring and assisting Union bodies and resolutions for problems</li> <li>4. Prepare and report to the higher agencies</li> </ol>
Union Parishod	<ol style="list-style-type: none"> <li>1. Maintaining selected roads in quality and quantity</li> <li>2. Raising and depositing 10% fund in time</li> <li>3. Monitoring works by the RMA</li> <li>4. Providing RMA with all sorts of assistance</li> <li>5. Providing CARE with all sorts of assistance</li> </ol>
Bank	<ol style="list-style-type: none"> <li>1. Maintaining Union Maintenance Crew Account and Escrow Accounts</li> <li>2. Honoring RMAs cheque in time</li> </ol>
CARE	<ol style="list-style-type: none"> <li>1. Assisting in selecting roads for maintenance</li> <li>2. Monitoring quality and quantity of work</li> <li>3. Providing training to the RMA members</li> <li>4. Providing working tools to the RMA</li> <li>5. Prepare and report to the higher agencies</li> </ol>
RMA	<ol style="list-style-type: none"> <li>1. Contracting with the Union Parishod</li> <li>2. Working in group and maintaining selected roads in quality and quantity</li> <li>3. Resolving problems within the RMA</li> </ol>
Beneficiary	<ol style="list-style-type: none"> <li>1. Working as per contract</li> <li>2. Saving from wages</li> <li>3. Taking training</li> <li>4. Graduate with an effort to initiate income generating activity</li> </ol>

**Appendix Table 6: RMP Tools**

RMP	Other information
1. Work tools for the RMA	Each Union Parishod will receive from CARE: 6 spades, 2 tampers, 2 pitchers, 2 sickles from UP: 10 baskets
2. Monitoring expenses for the PMC, which includes: a. Remuneration, b Transportation cost c. Stationary for record keeping and reporting.	

*Source: RMP Operations Manual, CARE-Bangladesh*

**Appendix Table 7: Comparative Uses and Names of Bank**

IGVGD	PESP	RMP
		<ul style="list-style-type: none"> <li><i>Funds monetized from CIDA Food Aid</i> is deposited in the Bangladesh Bank account</li> <li><i>Funds generated by EC</i> is placed in a separate Bangladesh Bank account</li> </ul>
	<ul style="list-style-type: none"> <li><i>To deliver cash benefit:</i> Public sector bank, mostly SONALI Bank is used. Also RAKUB is used in the Rajshahi division, BKB, JANATA and AGRANI.</li> </ul>	<ul style="list-style-type: none"> <li><i>To deliver cash benefit:</i> Public sector bank, mostly SONALI Bank is used. Also RAKUB is used in the Rajshahi division, BKB, JANATA and AGRANI.</li> </ul>
		<ul style="list-style-type: none"> <li><i>To maintain beneficiary's savings:</i> Public sector bank, mostly SONALI Bank is used. Also RAKUB is used in the Rajshahi division, BKB, JANATA and AGRANI.</li> </ul>
<ul style="list-style-type: none"> <li><i>To use for other banking need, particularly for delivery of Transportation and Ancillary Expenses:</i> Public sector bank, mostly SONALI Bank is used.</li> </ul>		
		<ul style="list-style-type: none"> <li>If UP's participation in RMP is discontinued, the local bank transfers the remaining maintenance crew account balance to AGRANI Bank.</li> </ul>

*Source: Author's preparation based on survey.*

## Appendix Table 8: Comparative Training Schemes

**Planned for the Year 2003-2006**

### **Panel A: BRAC-IGVGD Training**

Total Hours	Issue	Issue Classification	Component	Hours	Cost per head
22 hours social awareness training	Social Awareness Training	Health Related Issues	<ul style="list-style-type: none"> <li>• Personal Hygiene and Sanitation</li> <li>• Environmental Hygiene and Sanitation</li> <li>• Maternal Health and Nutrition</li> <li>• Child Health and Nutrition</li> <li>• Diarrhoea and ORS</li> <li>• Immunization</li> <li>• Night Blindness and Vitamin A</li> </ul>		Taka 60 per IGVGD member
44 hours social awareness refreshers training		Social Development Related Issues	<ul style="list-style-type: none"> <li>• Early Marriage</li> <li>• Marriage and Registration</li> <li>• Birth Registration</li> <li>• Divorce</li> <li>• Dowry</li> <li>• Disaster Preparedness</li> </ul>		
20 hours IGA training	Employment and Enterprise Development Training		<ul style="list-style-type: none"> <li>• Poultry</li> <li>• Livestock</li> <li>• Agriculture</li> <li>• Non-farm Enterprises (such as bread vendor, cosmetics vendor, small shops to sell retail products)</li> </ul>	05 days	Taka 771 per IGVGD member
64 hours IGA refreshers			05 days 05 days 05 days		

*Source: Project Proposal, Income Generation for Vulnerable Group Development Program (IGVGD), January 2003 – December 2004, BRAC.*

### **Panel B: RMP CARE Training**

Year	Issue	Strategy
1 <sup>st</sup> Year	<ul style="list-style-type: none"> <li>• Training on group dynamics, roles and responsibilities of RMAs and other parties, road maintenance criteria and techniques;</li> <li>• Training on health (Personal hygiene and first aid);</li> <li>• Numeracy (orientation to money counting);</li> <li>• Performance monitoring of RMA, PMC, UP and Bank.</li> </ul>	<ul style="list-style-type: none"> <li>• CARE-RMP staff will provide training to RMA during first quarter of RMA's recruitment. Total 7 to 10 pre-fixed training sessions will be conducted on the topic.</li> </ul>
2 <sup>nd</sup> Year	<ul style="list-style-type: none"> <li>• Training on human rights and gender equity;</li> <li>• Numeracy (writing numbers from 1-1000, writing own name)</li> <li>• Performance monitoring of RMA, PMC, UP and Bank.</li> </ul>	<ul style="list-style-type: none"> <li>• CARE-RMP staff will provide training to RMA during the second year of RMA's recruitment. Total 5 to 7 pre-fixed training sessions will be conducted on the topic.</li> </ul>
3 <sup>rd</sup> Year	<ul style="list-style-type: none"> <li>• Training on health (food and nutrition, female diseases)</li> <li>• Numeracy (writing numbers from 1000-10000, addition and subtraction, calculation household expenditure)</li> <li>• Performance monitoring of RMA, PMC, UP and Bank.</li> </ul>	<ul style="list-style-type: none"> <li>• CARE-RMP staff will provide training to RMA during first quarter of RMA's recruitment. Total 7 to 10 pre-fixed training sessions will be conducted on the topic.</li> </ul>
4 <sup>th</sup> Year	<ul style="list-style-type: none"> <li>• Training on small business planning and operations.</li> <li>• Performance monitoring of RMA, PMC, UP and Bank.</li> </ul>	<ul style="list-style-type: none"> <li>• CARE-RMP staff starts training to RMA during 2<sup>nd</sup> quarter of 4<sup>th</sup> year (this timing could be 1<sup>st</sup> or 3<sup>rd</sup> quarter in extreme cases). Total 9 to 12 training sessions will be conducted on the topic.</li> <li>• During last six months of RMAs job tenure CARE-RMP staff will provide counseling and guidance to RMA members on their business operation and problem solving. RMA will perform road maintenance work three days in a week and remaining days of the week will be granted for operating their planned IGAs.</li> </ul>
5 <sup>th</sup> year	After graduation follow-up to the RMA women.	<ul style="list-style-type: none"> <li>• For a year, CARE-RMP staff will quarterly basis provide group counseling.</li> </ul>

*Source: RMP Operational Manual, 2001. Draft, RMP Cell, CARE, Bangladesh.*



**Appendix Table 9: Comparative Conditionality to Receive Benefit**

IGVGD	PESP	RMP
<ol style="list-style-type: none"> <li>1. Must satisfy the VGD selection criteria as mentioned in the selection criteria</li> <li>2. Each VGD Cardholder must save Taka 25 per month or more. These savings has to be made by the cardholder herself</li> </ol>	<ol style="list-style-type: none"> <li>1. Must be student from the poor family as mentioned in the selection criteria</li> <li>2. Must be present at the school for 85% of the school days</li> <li>3. Must have obtained 40% numbers in the final examination of the school (except in class one)</li> <li>4. Selected school must have 10% of its students appearing in the Class Five Scholarship Examination</li> <li>5. Selected School must have conducted examinations and conducted on schedule</li> <li>6. Student must have appeared in the scheduled examinations unless serious reason.</li> <li>7. In case of bad weather, there must be at least 60% students attending the school</li> <li>8. Government approved Ebtedayi Madrasaa must have 100 students.</li> </ol>	<ol style="list-style-type: none"> <li>1. Must save Take 10 per day from her daily wages.</li> <li>2. Road work of 20 KMs, should not exceed this length, to be maintained by the RMA</li> <li>3. No single individual of the RMA is taken independently; the entire group will be responsible to complete the earthen road work.</li> <li>4. No member of a RMA can delegate, in a temporary basis, her work for more than 20 days in a year</li> </ol>

**Source:**

1. *Implementation Manual, Union Parishod VGD Program, Ministry of Women and Children Affairs, Government of Bangladesh, September 2002.*
2. *Memo No.: PraGoBi/Pori-2/5/2002/516, November 28, 2002, Department of Primary and Mass Education, Bangladesh Secretariat, Government of the People's Republic of Bangladesh,(Bangla).*
3. *Memo No. TraPoA/KaBiKha/RMP-203 (part-4)93/735, Directorate of Relief and Rehabilitation, February 8, 1994, Government of the People's Republic of Bangladesh, 2. Other documents.*

**Appendix Table 10: Comparative Non-Compliances and Consequences**

IGVGD	PESP	RMP
<p>1. Food aid will be cancelled or suspended if any of the following factors are observed:</p> <ol style="list-style-type: none"> <li>Irregularity in the selection of beneficiary</li> <li>Food is resold or food is distributed among women who are not selected or money is paid by the beneficiaries to collect VGD card or less than 30 KGs of wheat are distributed against any VGD card</li> <li>Records on Food Receipt and Distribution is not properly maintained and submitted in time</li> <li>Savings are kept by the Union Parishod Chairperson or Members without prior approval from the Upazila Nirbahi Officer or Savings Registrar and Bank Statement is not properly maintained or if the VGD women cannot withdraw their savings in time</li> </ol> <p>2. If this is proved during joint inspection that Union Parishod Chairperson or Secretary or Members have pilfered or stolen or misappropriated wheat in transit from LSD to the center, then District Commissioner will fine collaborators of the Directorate of the Women Affairs or Directorate of the Relief and Rehabilitation twice the value of the pilfered or stolen wheat. If the fine is not paid within a month, the district Commissioner will take legal actions against collaborators.</p> <p>3. Wheat must be distributed by the fifteenth day of the month upon withdrawal from the LSD. If in consecutive two months, wheat is not distributed within the fifteenth day of the month, the Upazila Nirbahi Officer will arrange alternative method of delivery</p> <p>Remarks:</p> <ol style="list-style-type: none"> <li>Savings is a fundamental requirement of the IGVGD program. Yet, nothing is mentioned if women fail to save in a month. It seems that it is assumed unless saving is made by a VGD woman, no wheat will be distributed to her.</li> <li>Training is an all important aspect of this IGVGD program. Yet, nothing is mentioned if women do not take part in the training program</li> <li>No complain and appeal procedure is mentioned.</li> </ol>	<p>1. If either of the conditions 2, 3 and 6 mentioned in the <i>Table: Comparative Conditionality to Receive Benefit</i> are not satisfied, the beneficiary student will not get any stipend. The beneficiary student will be warned.</p> <p>2. If either of the conditions 4, 5 and 7 mentioned in the <i>Table: Comparative Conditionality to Receive Benefit</i> are not satisfied, the beneficiary school will not get any stipend. The school will be warned.</p> <p>3. If a family has more than one student studying in classes between one and five must taken to put together in one school. If the family has children studying at different schools and has not informed the authorities, the stipend will be cancelled.</p> <p>4. Schools classified as “D” grade, as mentioned in Memo No.: PraGoBi/Prosha-4/4Gha-1/97/796, October 22, 1997, Department of Primary and Mass Education, Bangladesh Secretariat, Government of the People’s Republic of Bangladesh, will not be included into this program</p> <p>Remarks:</p> <ol style="list-style-type: none"> <li>The punishment in item 1 above does not mention the length of time for which this suspension of stipend is valid.</li> <li>No complain and appeal procedure is mentioned.</li> </ol>	<ol style="list-style-type: none"> <li>If any personal information is disclosed or falsified, the RMP women will loss her eligibility to remain employed.</li> <li>For any reason RMA can dismiss any of its ten member but must be voted by 80% of the RMA members.</li> <li>If the quality of work of the Union Parishod monitor is not satisfactory, Union Parishod can immediately dismiss the monitor.</li> <li>RMA will be dismissed if the quality of or the size of work is not satisfactory.</li> <li>One RMA can be punished financially, where all the RMA members 14 day equivalent wages are deducted, once only in its four year term.</li> <li>A Union can be punished by being loosing its eligibility to participate in the program if a Union fails to take punitive action against its RMA when the RMA fails to comply with the satisfactory level and quality of work twice in a single year.</li> <li>Once a Union is punished, it will not be able to participate in the program for two years.</li> <li>If the Union Parishod does not contribute its 10% share of crew wage, the Union will be ineligible.</li> </ol>

**Source:**

- Implementation Manual, Union Parishod VGD Program, Ministry of Women and Children Affairs, Government of Bangladesh, September 2002.*
- Memo No.: PraGoBi/Pori-2/5/2002/516, November 28, 2002, Department of Primary and Mass Education, Bangladesh Secretariat, Government of the People’s Republic of Bangladesh,(Bangla).*
- Memo No. TraPoA/KaBiKha/RMP-203 (part-4)93/735, Directorate of Relief and Rehabilitation, February 8, 1994, Government of the People’s Republic of Bangladesh.*
- Other documents*

**Appendix Table 11: Comparative Changes in the Benefit Structure  
Early 90's to the Current Time**

IGVGD		PESP		RMP	
Date	Change	Date	Change	Date	Change
Current	a. 30KGs of Wheat per month b. Taka 25 per month mandatory savings	Current	a. Taka 100 (One Student Family) b. Taka 125 (More than One Student Family)	Current	a. Taka 51 wage per day b. Taka 10 per day mandatory savings from wages of Taka 51
1991	a. 31.25 KGs of Wheat per month b. Taka 25 per month mandatory savings			1993	a. Taka 23 wage per day b. Taka 5 per day mandatory savings from wages of Taka 23.
<i>Note</i>	<i>a. There were changes in the size of the program period cycle.</i>	<i>Note</i>	<i>No previous record except correspondence to prior Food-for-Education program.</i>	<i>Note</i>	<i>a. There were many changes in between above two dates. b. There were changes in the size of the program period cycle.</i>
<i>Sources: Various IGVGD related documents</i>		<i>Sources: Various PESP related documents</i>		<i>Sources: Various RMP related documents</i>	

*Sources: Author's preparation based on various program related documents.*

**Appendix Table 12: BRAC-IGVGD January 2003 – December 2004, Summery Budget**

Description	Amount (Taka )
1. Training	
1.1 Social Awareness training for 292,200 VGD members, funded by GOB/WFP @ Taka 60/member	17,532,000
1.2 IGA training for 240,000 VGD members funded by BRAC donor consortium @ Taka 771/members	185,073,407
1.3 IGA training for 52,200 VGD members funded by GOB/WFP @ Taka 771/members	40,246,200
<b>Total Training, Follow-up and Supervision Cost</b>	<b>242,851,607</b>
2. Loan fund required for 292,200 VGD members by BRAC	770,062,500
<b>Grand Total of Project Cost</b>	<b>1,012,914,107</b>
Project Finance from:	
I) BRAC Donor Consortium	185,073,407
II) BRAC	770,062,500
III) GOB/WFP	57,778,200

*Source: BRAC, Project Proposal for IGVGD, 2004.*

**Appendix Table 13: Quarterly number of borrowers and credit disbursement  
January 2003 to December 2004**

Period	Number of Borrowers		Credit Disbursement		
	1 <sup>st</sup> Loan	2 <sup>nd</sup> Loan	1 <sup>st</sup> Loan (Taka 2,500)	2 <sup>nd</sup> Loan (Taka 5,000)	Total Disbursement
Q1 (Jan-Mar 2003)	-	-	-	-	95,000,000
Q2 (Apr-Jun 2003)	38,000	-	95,000,000	-	297,500,000
Q3 (Jul-Sept 2003)	119,000	-	297,500,000	-	272,750,000
Q4 (Oct-Dec 2003)	109,000	-	272,750,000	-	175,250,000
Q5 (Jan-Mar 2004)	26,100	22,000	65,250,000	110,000,000	375,000,000
Q6 (Apr-Jun 2004)	-	75,000	-	275,000,000	325,000,000
Q7 (Jul-Sept 2004)	-	65,000	-	325,000,000	295,000,000
Q8 (Oct-Dec 2004)	-	59,000	-	295,000,000	
Total	292,000	221,000	730,500,000	1,105,000,000	1,835,500,000

*Source: Source: BRAC, Project Proposal for IGVGD, 2004.*

**Appendix Table 14: Beneficiary Determination and Benefit Target**

Item	Value
2001-2002 Food-for-Education Beneficiary Students	2,075,021
2001-2002 Primary Education Stipend Program Students	3,279,470
Ebtedayi Madrasa Beneficiary Students (40% of total 395061)	158,024
Total	5,512,515
Number of Families with More than One children	275,626
Number of Families with One children	4,991,263
Total	5,236,889
Requirement for Families with One children	Taka 5,953,515,600
Requirement for Families with More than One children	Taka 413,439,000
Total	Taka 6,366,954,600

*Source: Project Summary, Primary Education Stipend Project, Department of Primary and Mass Education, July 2002.*

**Appendix Table 15: RMP: Allocation and Division of the Sanctions in the  
Annual Development Plan for the year 2003-2004**

*(Values in 000 Taka)*

<b>Code No.</b>	<b>Revenue Allocation</b>	<b>Government of Bangladesh</b>	<b>Project Aid (Via Government)</b>	<b>Total</b>
4500	Salary of Officers	45		45
4600	Salary of Employee of the Institution	160		160
4700	Allowances	293		293
4800	Supplies and Services	402		402
4900	Maintenance, Preservation and Rehabilitation	600		600
6600	Block Allocation (Local Administrative Expenses of CARE)		218068	218068
	<b>Total Revenue Allocation</b>	<b>1500</b>	<b>218068</b>	<b>219568</b>
	<b>Capital Allocation</b>			
6800	Assets Purchase/Collection			
6900	Land Requisition/ Purchase			
7031	Crew Wages	263868	263868	527736
7901	Customs Duty and VAT	18000		18000
7980	Other Capital Expenses			
	<b>Total Capital Allocation</b>	<b>281868</b>	<b>263868</b>	<b>545736</b>
	<b>Total Project Allocation</b>	<b>283368</b>	<b>481932</b>	<b>765300</b>

*Source: Memo No.: LGD/Monitoring-1/RMP-2/Orthochchar/2002/236, Dated September 28, 2003,  
Ministry of LG,RD, &C, Government of Bangladesh, Bangladesh Secretariat*

**Appendix Table 16: IGVGD: Benefit Rationale and Impact of Leakage**

**Panel A: Benefit delivered by the program per month**

Leakage (%)	Wheat			Kilo Calorie	
	KGs Benefit	1KG=1000 Grams	Grams Benefit	Kcal Per Gram	Total Kcal Benefit
0	30	1000	30000	3.46	103800
0.01	29.7	1000	29700	3.46	102762
0.05	28.5	1000	28500	3.46	98610
0.10	27	1000	27000	3.46	93420
0.15	25.5	1000	25500	3.46	88230

**Panel B: Number of days covered by the Benefit and Size of Impact of Leakage**

Leakage (%)	Hard Ultra Poor <1600Kcal	Hardcore Poor < 1805Kcal	Absolute Poor < 2122Kcal	Hard Ultra Poor <1600Kcal	Hardcore Poor < 1805Kcal	Absolute Poor < 2122Kcal	Hard Ultra Poor <1600Kcal	Hardcore Poor < 1805Kcal	Absolute Poor < 2122Kcal
	01 Member Family			02 Member Family			03 Member Family		
0	65	58	49	32	29	24	22	19	16
0.01	64	57	48	32	28	24	21	19	16
0.05	62	55	46	31	27	23	21	18	15
0.10	58	52	44	29	26	22	19	17	15
0.15	55	49	42	28	24	21	18	16	14
	04 Member Family			05 Member Family			06 Member Family		
0	16	14	12	13	12	10	11	10	8
0.01	16	14	12	13	11	10	11	9	8
0.05	15	14	12	12	11	9	10	9	8
0.10	15	13	11	12	10	9	10	9	7
0.15	14	12	10	11	10	8	9	8	7

**Source:** Author's calculation based on various assumptions. Note: 1. Panel A: Kcal per gram of wheat based on Helen Keller International Bangladesh, 2001, Towards the Goals of the 1990 World Summit for Children. Dhaka, Bangladesh. 2. Panel B: Poverty classification based on the HIES, Bangladesh Bureau of Statistics, 2000.

## Appendix Table 17: PESP: Benefit Rationale and Impact of Leakage

### Panel A: Opportunity Taka Cost of Child Labor

Gender of Primary School Student	Monthly opportunity cost per child			
	Per capita expenditure tercile			All
	Low	Middle	High	
	[1]	[2]	[3]	
	127	87	18	103
Boys	164	84	24	135
Girls	68	92	16	70

### Panel B: Monthly Taka Impact of Leakage Per Child

Leakage	Benefit for 01 Student per family	Benefit for > 01 Student per family
0	100	125
0.01	99	123.75
0.05	95	118.75
0.10	90	112.50
0.15	85	106.25
0.20	80	100.00
0.25	75	93.75
0.30	70	87.50

**Source:**

1. Panel A is adopted from Ahmed, 2004, *Assessing the Performance of Conditional Cash Transfer Programs for Primary and Secondary Education in Bangladesh*, IFPRI's Report to World Bank.
2. Panel B is author's calculation based on various assumptions.

## Appendix Table 18: RMP: Benefit Rationale and Impact of Leakage

(Taka per day)

Leakage	RMP Official Wage	RMP Wage after leakage	National Average Agricultural Labor Wage	Deviation (National Wage- RMP Wage)
0.00	41	41.00	46.2	5.20
0.01	41	40.59	46.2	5.61
0.05	41	38.95	46.2	7.25
0.10	41	36.90	46.2	9.30
0.15	41	34.85	46.2	11.35
0.20	41	32.80	46.2	13.40
0.25	41	30.75	46.2	15.45
0.30	41	28.70	46.2	17.50

**Source** Author's calculation based on various assumptions.

**Notes:** National Agricultural Labor Average Daily Wage (without food) is considered proxy for rural wages for women.

Data source: Statistical Yearbook of Bangladesh-2000, Bureau of Statistics.

## **Appendix B: Banking Sector in Bangladesh**

Bangladesh has two-tiered banking system. At the first tier stands the central bank, which is the Bangladesh Bank. The Bangladesh Bank is the supervisory and regulatory authority of all the banks.

In the second tier, Banks in Bangladesh can be classified into five categories. The first category is the public sector or nationalized commercial banks meaning owned by the government or the major shareholder is the government. Second, specialized banks are those banks which are created and owned by the government to perform specific functions. Third, foreign private sector commercial banks are those banks that are owned by foreign countries and function as a commercial bank. Fourth category is the domestic private sector commercial banks meaning banks which are owned by the local owners. The fifth category is Islamic banks which are banks based on Islamic financial doctrine that forbids interest. This fifth category has a combination of both local entrepreneurs and combination of local and foreign entrepreneurs. In each of these categories the numbers of banks are four, twenty six, nine, five, and six respectively.

The design of the second tier bank is branch banking. Each of the 50 banks has a number of branches. These banks are free to open branches both in the urban and rural areas. The Bangladesh Bank sanctions the right to open a branch under Section 32 of the Banking Companies Act 1991. Banks are encouraged to open branches at locations outside the capital city. A bank does not require prior permission to relocate its branch if the branch continues to operate within the same rural union or City Corporation or municipality as per the Bank Regulation and Policy Department Circular number 07, March 18, 2003.

The total number of bank branches has increased over time. But the numbers of nationalized commercial banks have stopped increasing in recent years due principally to the government initiative of closing down loss-generating bank branches. This phenomenon of not making profit is mostly prevalent in the case of rural branches. This is illustrated in Appendix Table 19: Number of Scheduled Bank Branches Operating in Bangladesh and Appendix Table 20: Long Run Statistics of Nationalized Commercial Bank Branches presents this data.

It is observed in the banking sector that 81 percent of the deposits are generated from the urban area and 19 percent from the rural areas. It is also observed that the advances made by the banks in the urban area are 88 percent and the rest 12 percent to the rural area. This demonstrates that from the profit goal, there are more opportunities for banks in the urban areas than the rural areas.

Private commercial banks are more profitable compared to nationalized commercial banks. This is followed by foreign commercial banks. Interesting differences are found in the profit and manpower structures in the different categories of banks. Foreign banks make more than twice the profit per branch compared to its nearest competitor, the private commercial banks. Profit per branch for nationalized commercial banks and specialized commercial banks are more or less the same but about ninety-nine times less than the foreign banks. Both the foreign banks and the commercial banks consider urban area as preferred habitat. On the other hand, foreign banks have more employees per branch compared to any other categories. But, it is necessary to mention that population per branch for urban areas are significantly high for any foreign banks.

But the rural bank branches effectively channelize money out of the rural areas to the urban economic activities. This is visible in the Appendix Table 21: Basic Indicators of Banking Sector in Bangladesh.



**Appendix Table 19: Number of Scheduled Bank Branches Operating in Bangladesh**

At the end of quarter	Nationalized Commercial Banks			Specialized Banks			Foreign Banks	Private Banks			All Banks		
	Urban	Rural	Total	Urban	Rural	Total	Total (Urban)	Urban	Rural	Total	Urban	Rural	Total
Oct-Dec 98	1336	2281	3617	146	1029	1175	29	838	312	1150	2349	3622	5971
Jan- Mar 99	1335	2280	3615	146	1029	1175	31	840	312	1152	2352	3621	5973
Apr-Jun 99	1336	2280	3616	146	1029	1175	31	849	311	1160	2362	3620	5982
Jul-Sept 99	1336	2280	3616	146	1329	1175	31	855	311	1166	2368	3620	5988
Oct-Dec 99	1336	2280	3616	147	1030	1177	31	898	316	1214	2412	3626	6038
Jan- Mar 00	1337	2271	3608	149	1036	1185	32	909	318	1227	2427	3625	6052
Apr-Jun 00	1337	2270	3607	149	1036	1185	33	913	318	1231	2432	3624	6056
Jul-Sept 00	1336	2270	3606	149	1042	1191	34	925	320	1245	2444	3632	6076
Oct-Dec 00	1336	2272	3608	150	1063	1213	34	940	324	1264	2460	3659	6119
Jan- Mar 01	1336	2273	3609	150	1065	1215	33	945	329	1274	2464	3667	6131
Apr-Jun 01	1338	2274	3612	150	1065	1215	33	959	337	1296	2480	3676	6156
Jul-Sept 01	1335	2271	3606	149	1066	1215	33	970	339	1309	2487	3676	6163
Oct-Dec 01	1335	2271	3606	149	1067	1216	33	985	342	1327	2502	3680	6182
Jan- Mar 02	1337	2271	3608	149	1152	1301	31	1002	351	1353	2519	3774	6293
Apr-Jun 02	1321	2251	3572	149	1160	1309	31	1011	355	1366	2512	3766	6278
Jul-Sept 02	1313	2174	3487	150	1160	1310	31	1027	359	1386	2521	3693	6214
Oct-Dec 02	1313	2170	3483	150	1160	1310	31	1044	363	1407	2538	3693	6231

*Source: Scheduled Banks Statistics, Bangladesh Bank. Various issues.*

**Panel B: Number of Population per Branch**

Population/ Branch	101599	61475	38300	889333	115000	101832	4303226	127778	367493	94812	82561	36122	21409
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*Source: Author's calculation based on above data where numerator is population. Population value is 13.34 Crore which is projected for 2003 as per the Bangladesh Economic Review, 2003.*

**Appendix Table 20: Long Run Statistics of Nationalized Commercial Bank Branches**

Year	Total Number of Branches of Scheduled Banks	Total Number of Branches of Nationalized Commercial banks
1973-74	1512	1336
1974-75	1611	1442
1975-76	1774	1598
1976-77	2057	1868
1977-78	2756	2532
1978-79	3261	2979
1979-80	3821	3376
1980-81	4378	3789
1981-82	4470	3799
1982-83	4603	3740
1983-84	4817	3837
1984-85	4943	3346
1985-86	5114	3399
1986-87	5224	3446
1987-88	5345	3522
1988-89	5451	3545
1989-90	5539	3565
1990-91	5621	3587
1991-92	5692	3595
1992-93	5740	3605
1993-94	5780	3611
1994-95	5813	3620
1995-96	5874	3619
1996-97	5911	3617
1997-98	5952	3616
1998-99	5983	3607
1999-00	6056	3612
2000-01	6156	3572
2001-02	6278	3572
2002-03 (Feb)	6233	3482

*Source: Economic Trends, Statistics Department, Bangladesh Bank, various issues.*

**Appendix Table 21: Basic Indicators of Banking Sector in Bangladesh**

Item	Particulars	As On							
		Dec. 31, 2002		Dec. 31, 2001		Des 31, 2000		Dec 31, 1999	
1.	Number of Banks	50	(%)	51	(%)	49	(%)	49	(%)
2.	Number of Bank Branches	6,231		6,182		6,119		6,038	
3.	Deposits:								
	Total	1,005,293,700,000		886,481,200,000		771,200,600,000		650,939,700,000	
	Urban	816,362,500,000	0.81	712,633,700,000	0.80	620,739,500,000	0.80	503,480,700,000	0.77
	Rural	188,931,200,000	0.19	173,847,500,000	0.20	150,461,100,000	0.20	147,459,000,000	0.23
	Number of Accounts	30,892,889		30,134,125		28,915,020		27,692,816	
	Average Deposits Per Account	32,541		29,418		26,671		23,506	
	Weight Average Rate of Interest (%)	6.49		6.75		7.08		7.26	
4.	Advances:								
	Total	830,308,300,000		727,490,800,000		631,722,600,000		563,982,200,000	
	Urban	727,330,700,000	0.88	627,198,500,000	0.86	539,364,000,000	0.85	468,066,200,000	0.83
	Rural	102,977,600,000	0.12	100,292,300,000	0.14	92,358,600,000	0.15	95,916,000,000	0.17
	Number of Accounts	7,519,783		7,348,201		7,041,570		6,744,739	
	Average Deposits Per Account	110,417		99,003		89,713		83,618	
	Weight Average Rate of Interest (%)	13.09		13.42		13.75		13.98	

*Source: Schedule Bank Statistics, various years, Statistics Department, Bangladesh Bank.*

## Appendix C: Conversion to Cash and New Packing Method

### Conversion to Cash

Food distribution systems can be converted to cash distribution. With respect to IGVD, this is because:

- a. The small sample survey that supplemented this study finds that in the case of IGVD program 43.8 percent of the beneficiaries are in favor of cash and 10 percent of the beneficiaries are in favor of mix of cash and kind. 100 percent of the PESP beneficiary and 97.5 percent of the RMP beneficiary are content with cash as benefit.
- b. Two fundamental causes of leakage in the food distribution are: i) various phases of transportation and storing of wheat from the CSD to the beneficiary level and ii) imperfect and not reliable weighing mechanism. Cash delivery can overcome this shortcoming.
- c. 50 percent of the transportation cost from the LSD to the Union distribution center is covered from the sale of the used large sacs used at present. This saves annually about Taka 21,206,430. But the cost of leakage is higher as because if only 1 percent of wheat (which is three KGs) is leaked during weighing costs Taka 30 (3 KGs X Taka 10) at market prices per month per person or if 1 percent of the total wheat in the program is leaked costs about Taka 20,689,200. It appears that cost for bank fees similar to that of PESP program is cheaper than the opportunity cost of leakage in this food distribution.
- d. Bangladesh is far more self-sufficient in food than it was and that the need for food imports has fallen greatly. In fact, Bangladesh gained sufficiency in basic food requirement by its domestic production since 2000. It is also that the price of food grain is stable and both nominal and real cereal price inflation has fallen. Moreover, cash transfer does not directly distort prices (Rawlings, 2004; Tabor, 2002).
- e. Beneficiaries have no or little capacity in handling cash. Cash delivery will empower them with the capability of cash management. Such independent functions required for collecting benefit will also enhance women's intrinsic capacity to set up micro enterprise.
- f. Imposed and involuntary sharing of benefit can be eliminated by direct transfer of cash. It is observed that poor women not selected as VGD participant gathers at the center on the day of distribution.
- g. Beneficiaries will gain freedom of use of benefit. This will possibly enhance the intended goal of savings into the program by increasing their capacity without borrowing for mandatory savings or selling wheat benefit.

Cash based program will preferably use bank for distribution of cash. With the use of banks to deliver cash, the following issues to be taken into account:

- a. Cash will be directly transferred to the account of the beneficiary. There cannot be any other middle point where the cash will require passing through. If there is no bank in some exceptional remote areas, post offices or other financial institutions can be used.
- b. Banks can be motivated by incentives to provide the delivery services free from any charges as is in the case of RMP or at the lowest possible charges similar to PESP.
- c. Cash can be delivered as a group to the treasurer or in her absence to the sub-treasurer. Such cash will be distributed by the treasurer immediately on the spot. This will reduce cost to the delivery agency in one hand and on the other hand increase beneficiary's group formation competence.

- d. Savings from the beneficiary members will be automatically deducted at the time of distributing benefit as cash. If otherwise beneficiary is required to make savings, there should be option to the savers for more than one frequency of savings in a month. At present this is restricted to once in a month frequency.

### **Food Packing Method**

- a. Strategies for possible improvements are identified in section six mentions the need for conversion of food aid to cash aid. An interim method of food distribution based upon the lessons learned is discussed here.
- b. The current method of delivering food from a large capacity sac is a principal avenue of leakage and escalation of actual delivery cost. It is also that each individual beneficiary's share is weighed and delivered individually under the current method. This initiates the problems of weight tampering, scale tampering, transit loss, moisture loss, and handling loss. This also increases the implicit cost of delivery.
- c. Food to be delivered in unbreakable sealed sacs from the central distribution center only to be opened by a single beneficiary or, less preferably, by a group of beneficiaries. Such initiative will create a check at the loss occurring during the movement of wheat from the CSD to the location of final delivery.
- d. In the case of single beneficiary based sacs, food requires to be delivered in 30KGs (or 7.5 KGs) sac. Therefore a beneficiary will receive 1 (or 4) sac of wheat each month as benefit. The incremental savings made from smaller packets in case of single beneficiary based distribution will have to be measured in terms of cost of such packing. Such small packs will also ensure quality of wheat.
- e. In the case of group beneficiary based sacs, sac of 90 KGs can be introduced. Each such sac will be shared by a group of three beneficiaries and to be shared by each of them in a revolving manner at each one's location on the day of delivery.
- f. Single beneficiary based delivery is preferable to group on the basis of portability by the beneficiary. These sacs will be returnable to and resalable by the union authority. Size of the sac is also important as because large sacs may lead to leakage or sharing distribution.
- g. If in case this proposed single beneficiary based or group beneficiary based sacs cannot be introduced, changes can be made to the existing delivery mechanism:
  - Instead of current method of Union Parishod distributing the wheat, NGOs can be assigned to do the job of distribution. To gain NGOs willingness to do the job of distribution, government requires to take the responsibility that the food grain reaches NGOs distribution center at the rural locations. This will not increase the cost of delivery since at the current method wheat is transported up to the point of delivery at the Union level and the NGO member of the VGD committee remains present at the time of distribution.
  - Food is being measured at the distribution center by a whole range of methods. Most of these methods are traditional and substantially imperfect. There must be a unique method of weighing at the final distribution center. Replacement or purchase or procurement of correct scale should be considered mandatory on the part of the Union Parishod to participate into the program. Such replacement or purchase or procurement of scale must be made from predetermined and authorized vendors of scale.
  - There can be integration between training session and delivery of wheat. It is possible that training can be arranged at least once in a fortnight and benefit is delivered in smaller sacs after the training session. This possibly will also increase efficiency of delivery and attendance in training.