

PROGRAM BRIEF¹

Old Age Allowance

Bangladesh has seen significant declines in fertility and mortality following remarkable improvements in human development. The country's population pyramid, once with a wide base representing a very large young population, is starting to see a burgeoning elderly population (defined as those ages sixty two and older) who represented about 5 percent of the population in 2011ⁱ and is expected to grow to a staggering 20 percent of the population by 2050.ⁱⁱ Thus safety net programs to provide old age support for the poor elderly will be playing an increasingly important role. This policy brief discusses the program details, current challenges and reform areas, and way forward for the Old Age Allowance, the country's largest anti-poverty cash transfer for the elderly.

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¹ The Program Brief series discusses major safety net programs that the Government of Bangladesh implements. The series includes notes on the Old Age Allowance; Allowances for the Widow, Deserted and Destitute Women; and Allowances for the Financially Insolvent Disabled by the Ministry of Social Welfare; Employment Generation Program for the Poorest; Food for Work; Work for Money; Test Relief; and Vulnerable Group Feeding by the Ministry of Disaster Management and Relief; and the Child Benefit Scheme. Many of these programs are supported by the World Bank.

BACKGROUND

Until the late 1990s, the only form of old age pension was the Government’s civil service pensions (Pensions for Retired Government Employees and their Families) which covered about 5 percent of the labor force and 1 percent of the elderly population.ⁱⁱⁱ Pensions programs for those employed in the formal sector, let alone the informal sector, are yet to be developed. Therefore, the vast majority of Bangladeshi work force had no access to old age support other than informal networks based mostly on kinship. Meanwhile, economic development and rapid urbanization had already begun to influence modern lifestyles. Nuclear households had started breaking away from joint families, rendering traditional social and family support structures inadequate for the welfare of the

elderly population. In recognition of these issues, the Old Age Allowance (OAA) program was introduced by the Government of Bangladesh in FY98 to provide old age support for the poor elderly.

The OAA is an unconditional cash transfer allowance program administered by the Department of Social Services (DSS) under the Ministry of Social Welfare (MoSW). The program aims to target poor and vulnerable elderly (sixty-two years and older for women; sixty-five years and older for men). Initially a program with only rural coverage, the OAA reached out to only five men and five women per ward,^{iv} paying BDT 100 (US\$ 2.1 as of FY98) per month to each of 400,000 beneficiaries across the country.

Table 1: Key features of the Old Age Allowance (OAA)

Number of beneficiaries	4 million
Amount of monthly allowance	BDT 500/ US\$ 6
Eligibility	Means-tested and age-based targeting
Agency	Department of Social Services, Ministry of Social Welfare

Over time, the benefit amount and coverage of the program has expanded (figure 1). The number of OAA beneficiaries has multiplied almost nine times and the benefit amount in nominal terms has increased fivefold. As of FY19, the OAA provides BDT 500 (US\$ 6.0) per month to each of 4 million beneficiaries across rural and urban areas, which covers approximately one third of the elderly population.^v The level of benefit represents about 30 percent of the average monthly per capita consumption of the lowest expenditure quintile.^{vi}

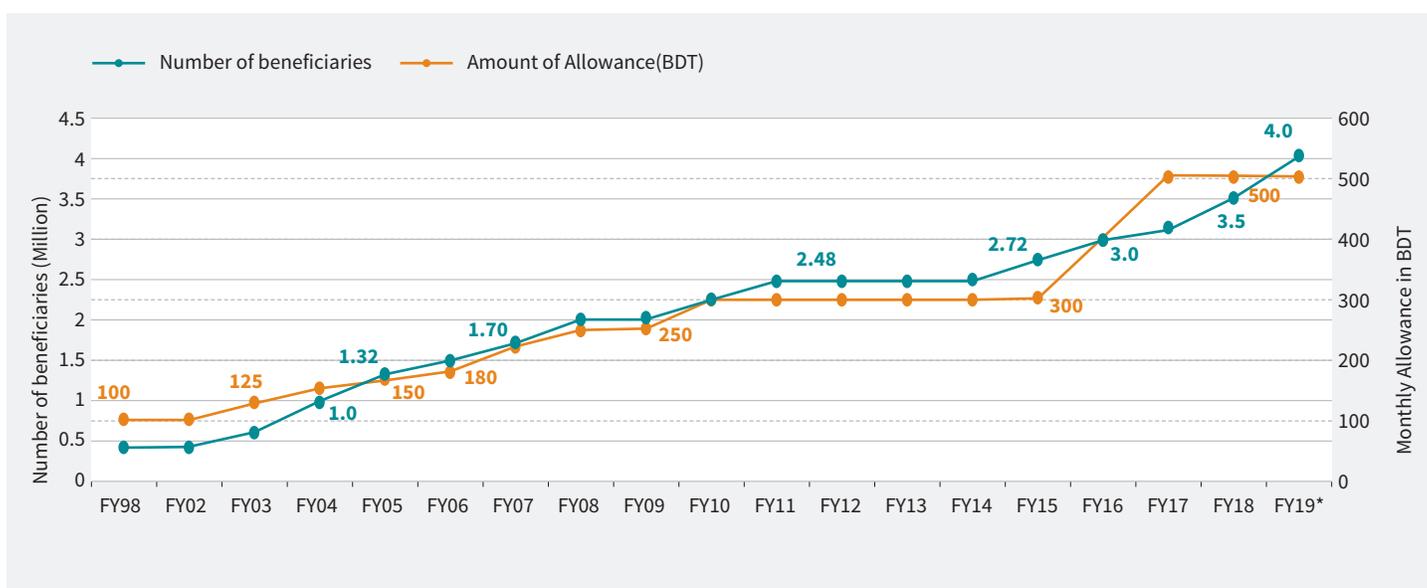


Figure 1: Growth of beneficiaries and benefits under OAA

Source: Budget Archives, Finance Division, Ministry of Finance

At the same time, the budget allocation for this program has been increasing (figure 2). The total national budget allocation to OAA in FY19 is about BDT 24 billion (approximately US\$ 289 million), which is 3.7 percent of the national social protection budget for FY19 and close to 0.1 percent of the country's GDP. The Government has expressed a vision of universal coverage of all old age citizens of the country. However, given the fiscal pressures associated with universal coverage, the priority has been on adjusting the benefit level and identifying the more deserving poor for effective old age poverty reduction.

Today, the OAA is one of the largest anti-poverty safety net programs in the country.^{vii} The program aims to work on the following aspects for the old age population:

- Socioeconomic development and social protection;
- Improved status in the family and society;
- Enhanced morale; and
- Improved nutrition and health care.

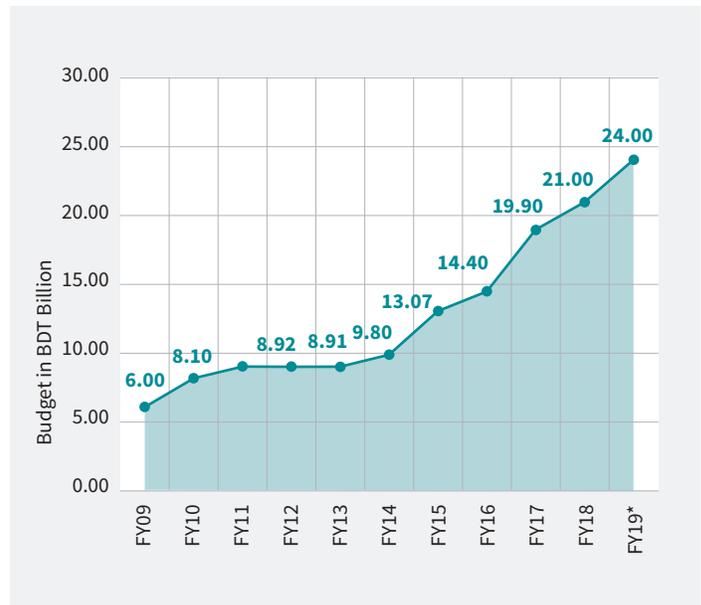


Figure 2: Annual Budget Allocation to OAA, FY09 – 19

Source: Budget Archive, Finance Division, Ministry of Finance

The total national budget allocation to OAA in **FY19** is about **BDT 24 billion**

(approximately US\$ 289 million),

which is **3.7%** of the national social protection budget for FY19 and close to 0.1% of the country's GDP.



PROGRAM DETAILS

1) Outreach

According to the implementation guidelines of the program, widespread awareness campaigns should be carried out to invite applications for the OAA, and to gather community members and conduct community vetting to finalize the list of beneficiaries. The guidelines are not clear about the frequency of such campaigns. In reality, however, awareness campaigns are limited to announcements through local mosques and 'mic-ing', if at all, and are utilized more ahead of a payment cycle rather than the application period. Limited efforts for awareness campaigns to invite applications are mostly due to the following reasons:

- **Managing expectations** – The OAA continues to be a means-tested, targeted program with budget limitations. With no exit rules, the list of beneficiaries is not updated unless replacements take place due to beneficiaries' death or budget increases to absorb more persons. The concern that widespread awareness about the program may invite a large number of applications, every year, beyond the ability of the OAA's capacity discourages active outreaches.
- **Financial** – Dedicated budget allocations for awareness generating activities are largely absent at the union level.
- **Administrative** – DSS has one staff, the Union Social Worker (USW) at the union level, tasked with administering all programs of DSS in that union. Carrying out meaningful awareness campaigns therefore becomes difficult.

With limited outreach campaigns, individuals acquire program information mostly by word of mouth. Union Chairmen and Ward Members as well as USWs along with social networks including neighbors often serve as sources of information. Studies suggest that the media was found to be a source of information for the non-poor and less for the poor. It was noted from the evaluation that greater access to information on program eligibility, entitlement and selection process might enhance the chances of more pro-poor selection of beneficiaries and also help reduce leakage.

2) Eligibility Criteria and Intake

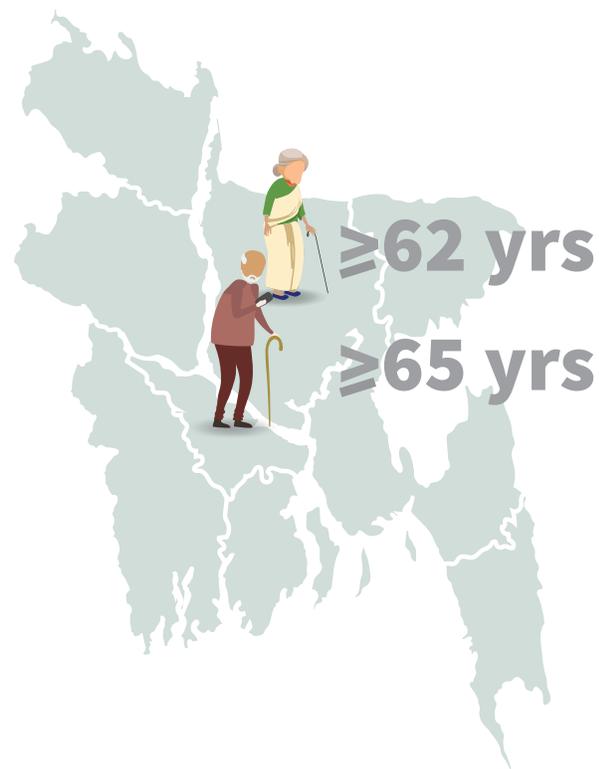
As stated in the implementation guidelines of the OAA, beneficiaries are selected based on the following eligibility criteria:

- **Nationality:** Bangladeshi;
- **Minimum age in years:** 62 for women and 65 for men;
- **Permanent residency:** in Bangladesh; and
- **Annual income:** less than BDT 10,000 (US\$ 120).

Eligible applicants shall be prioritized if they are:

- among the oldest of applicants;
- unable to work and/or, ill or weak; and
- landless (own less than 0.5 acre) and/or destitute.

An applicant shall be considered ineligible if he or she receives Government pension or regular safety net benefits or grants from the Government, NGOs or any other source. While participation of multiple members of the same household was not originally limited by the implementation guidelines, the single-benefit-per-household criteria was introduced via an instruction in the mid-2000s.



Step 1 Application

- Applications submitted to Upazila Social Service Officers (USSOs) (rural) and District Social Service Officers (DSSOs) (urban), using the designated form.

Step 2 Initial listing of Applicants

- USSOs and DSSOs prepare ward wise lists of potential beneficiaries and present them to the Union Committee and Municipality/City Committee for rural and urban wards respectively.

Step 3 Union (rural) and Municipal (urban) Committees' approvals

- Union Committee (rural) and Municipal Committee (urban) select potential beneficiaries and send three separate lists to the Upazila Committee/District Committee: 1. Ward wise lists of applicants; 2. List of selected potential beneficiaries; 3. Waitlist of potential beneficiaries.

Step 4 Upazila Committee's (rural)/City Corporation Committee's (urban) approval

- The Upazila Committee (rural) and the District Committee (urban) finalize the list of potential rural beneficiaries, and waitlist of potential beneficiaries and seek approval of the local Member of Parliament.

Figure 3: Process of beneficiary selection of OAA

According to the implementation guidelines of the OAA, inviting applications and selection of beneficiaries follows a four-step process (figure 3).

Multiple evaluations have found that the targeting process of the OAA has loopholes. Figures for targeting errors (share of the non-poor) which infer non-compliance of existing beneficiaries to the eligibility criteria, range between 20 and 50 percent, as cited by various studies.^{viii} Moreover, the OAA has no precedence of disqualifying a beneficiary on grounds of ineligibility that is revealed following enrolment; or graduation out of poverty.^{ix}

There is however some annual change due to increase in budgetary allocations and the demise of existing beneficiaries. According to DSS, about 10-15 percent of beneficiaries are new due to replacements or additions. The waiting list is the main source of new applicants for replacements and additions.

Despite clear eligibility criteria and procedures described in the implementation guidelines, there are several challenges in the field in beneficiary selection. The brief discusses three main issues that need to be considered going forward:

- Subjectivity of beneficiary selection:** While the implementation guidelines of the OAA indicate a clear eligibility criteria and prioritization of the fragile and sick oldest citizens, it is difficult to select beneficiaries in an objective manner. Enforcement of eligibility criteria especially regarding the means test would be difficult due the lack of formal documentation about land ownership or income statements. Also, given that the local committees select beneficiaries, prioritization rules are not always clear.
- Under-representation of urban areas:** While the implementation of OAA beneficiary selection with various committees' roles and composition at the union, upazila, and district levels for rural areas, is in line with the guidelines, the urban process widely varies. For instance, Ward Committees for urban areas seem to play an important role, but their roles are not defined in the implementation guidelines. Moreover, the urban selection process of the OAA is yet to be clearly defined especially since the urban poor move frequently and are hard to track. The variability of the selection process in urban areas, in relation to the program guidelines, is also revealed by some World Bank field work.^x The NSSS (2015) highlights the need to strengthen the OAA program in urban areas as almost all OAA beneficiaries (94 percent) come from rural areas despite the fact that one third of the population lives in urban areas.
- Complementarity with Widow Allowances (WA):** The eligibility of OAA overlaps with that of WA. The WA began around the same time as the OAA and caters to a broader age spectrum of vulnerable women. Indeed poor, vulnerable, widowed, old women (aged sixty-two years and above) can be eligible for both OAA and WA. While they are unable to receive duplicative benefits, there is no clear rule of assigning individuals to one over the other program. As a result, the assignment is determined based on the availability of budget at the union

level.^{xi} Thus looking only into OAA may bias the coverage and selection errors of the program for vulnerable elderly women. The NSSS has an inclination towards transitioning eligible beneficiaries from other programs to the OAA once they qualify by age, it is yet to take effect.

3) Enrolment

Within seven days of the approval of the final list of beneficiaries, the Upazila Social Services Officers (USSOs) and District Social Services Officers (DSSOs) are expected to issue a 'passbook' to each beneficiary, with the beneficiary's photo attested by a Government official, and arrange to open the beneficiary's account^{xii} with a bank designated to provide payments for OAA – currently, Sonali, Janata, Agrani, Bangladesh Krishi Unnayan and Rajshahi Krishi Unnayan Banks or any other DSS designated payment service provider (PSP). The beneficiary account number is labelled 'Old Age' for ease of identification. USSOs/DSSOs maintain a register of beneficiaries which is updated every quarter – i.e. to note any dropouts, deaths, and replacements, prior to making payments.

4) Payment

The beneficiary payment process under OAA has two parts like other cash transfer programs: "cash-in" (fund deposit to individual bank accounts by government) and "cash-out" (cash withdrawal from individual bank accounts by beneficiaries). The cash-in process starts with release of funds from MoSW followed by Treasury allocation to (State-owned) Sonali Bank for the amount of benefit payments budgeted for a quarter. Sonali Bank then transfers the funds to four other state-owned banks and each of these five banks then transfer funds to their upazila or district branches based on advice from DSS. At the local branches, the funds are deposited in an account, jointly administered by UNO and USSO for rural areas, and by the Deputy Director (DD), Social Services, and DSSO for urban areas. Based on the list of beneficiaries received from the USSO and DSSO, the local bank branch then transfers benefits to individual beneficiary accounts. The entire cash-in process (figure 4) often takes months every quarter.

The cash-out process involves the physical presence of beneficiaries arriving at the bank branch with their passbooks. In case a beneficiary is unable to come due to sickness, disability or cultural restrictions on female beneficiaries, a nominee can collect the payment, authorized by a locally elected representative for every payment cycle. Following the

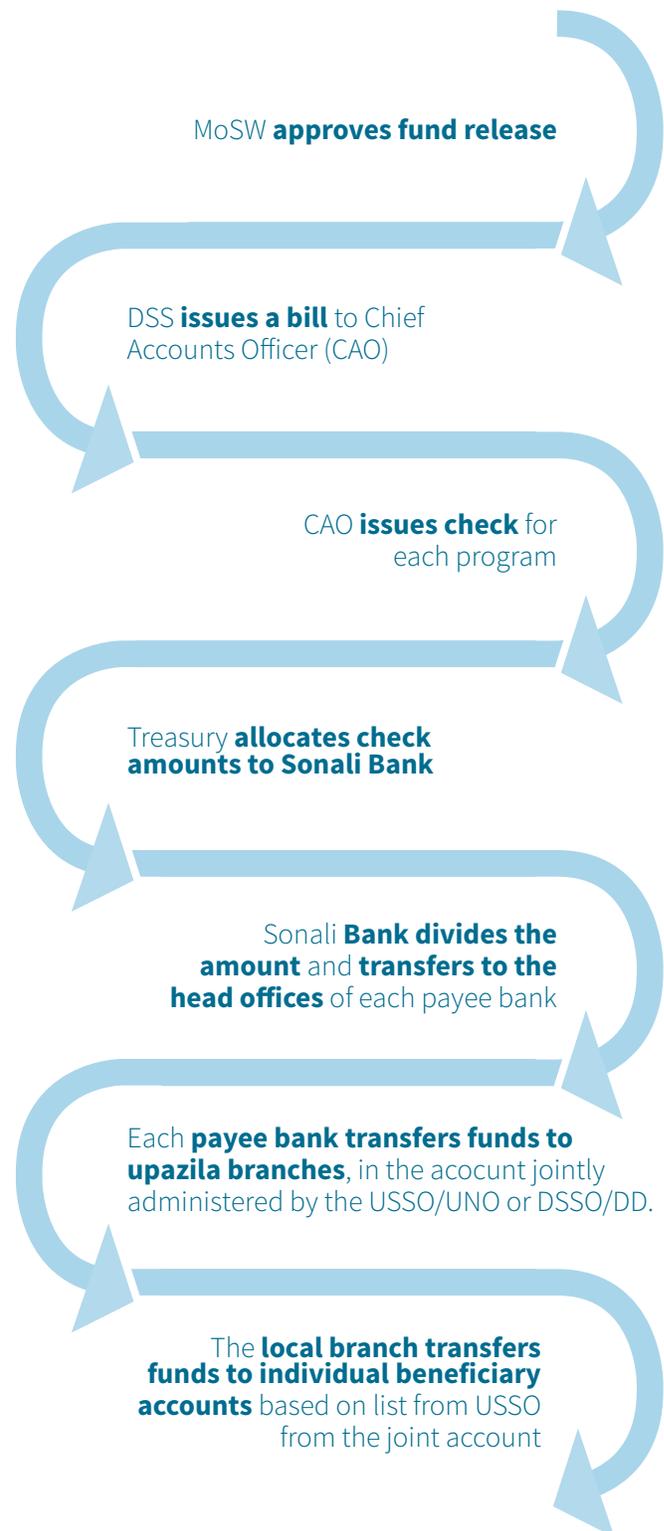


Figure 4: Payment (cash-in) process of OAA

death of a beneficiary, the nominee can also collect payments for three months (including the month of death) to facilitate funeral expenses.

Even though beneficiaries can draw benefits any day in theory, the practice is not encouraged by local banks to manage transaction schedules and plan workload. They designate specific days to issue payments to beneficiaries, each quarter. The withdrawal date is announced through words of mouth from USSOs, USWs and others involved. However, with a large number of beneficiaries per union, not all beneficiaries queuing up for payment may be served on the same day and many of them have to return the next day, inflicting additional financial costs and physical exertion. Long queues also mean that beneficiaries have to wait several hours with little or no food, and no place to rest, which may be significant burden to the elderly.

Such capacity constraints and manual processes also hamper banks' ability to verify beneficiary details while issuing payments, sometimes resulting in erroneous payments. The timely update of payment records is also lacking, which makes it difficult for beneficiaries to collect allowances for payment cycles they have missed to appear for. Moreover, reconciliation hardly takes place and DSS is not refunded the leftover amount due to banks' inability to account for how many beneficiaries have actually collected payments. Such constraints could create systemic loopholes for leakage and scope for rent seeking by those involved in the payment process.

5) Grievance

Complaints can be filed with the Union or Ward Committee that undertakes the primary selection of beneficiaries; implying a conflict of interest. If the Committee fails to come up with a mitigation measure, the grievance escalates sequentially upto the central level; though the implementation guidelines do not define specific procedures. Anecdotal evidence suggests that complaints are few and those filed are usually lodged with Ward Members or Union Chairmen. However, there is little evidence of their resolution.

There was an effort to empower citizens for better accountability and a grievance pilot -- Strengthening Government Social Protection Systems for the Poor (SGSP), implemented by a national NGO Manusher Jonno Foundation (MJF) and twelve partner NGOs across a hundred union parishads and eight municipalities -- is a good example. The

intervention mostly focused on forming citizen and civil society forums that work to generate awareness of rights, play the role of a neutral oversight body over safety net operations and also collate concerns and grievances from marginalized people for ten of the large safety net programs of the Government including OAA. This pilot has yielded important lessons on the need for such interventions to be integrated with existing Government channels for more effective grievance redress.

PROGRAM OUTCOMES

Multiple evaluations on the OAA provide suggestive evidence of several positive outcomes of the program, despite the relatively low amount of allowance. Some of those outcomes are described below (figure 5).^{xiii}

Food consumption: Most of the allowance amount is reportedly spent on food consumption, and many beneficiaries reported an increase in their household food consumption, with a greater protein intake in comparison with non-beneficiary households. Increase in body mass was also cited as an outcome by many beneficiaries.

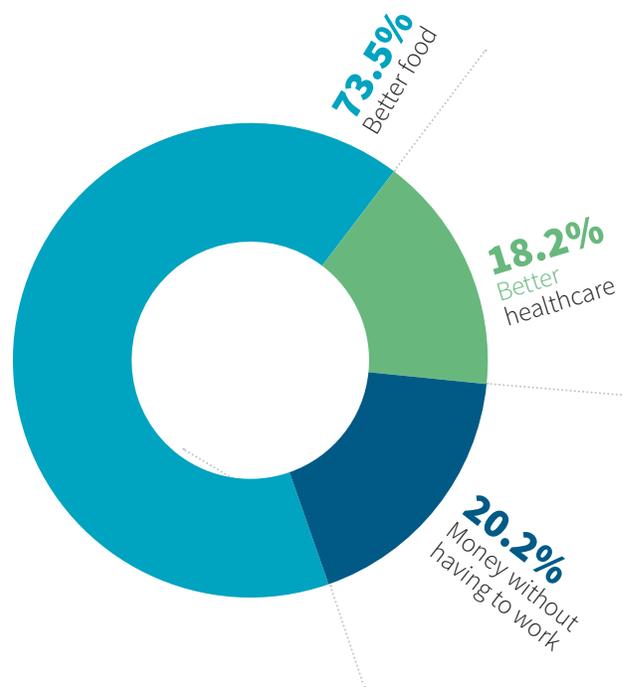


Figure 5: Reasons for satisfaction of OAA beneficiaries
Source: Paul-Majumder and Begum 2008

Health care: It was reported that following the allowance there is greater health awareness and beneficiaries spend more on health care than non-beneficiaries. Beneficiaries are also more likely to self-report illnesses than non-beneficiaries.

Income generating activities: Some beneficiaries^{iv} reported investing their benefits for income generating activities.

Focus on women: Social norms in Bangladesh infer that women are dependent on male members of the family for their economic and social wellbeing. Women's economic activities and the ability to save for old age are therefore limited. At old age, women's vulnerability increases further especially when traditional sources of family support erode. Moreover, women tend to live longer inferring a longer old age with relatively higher physical and mental health vulnerabilities than those of men. As a result, the OAA favors women more by including women aged sixty-two years and up as opposed to the sixty-five-year minimum age for male beneficiaries.

Social esteem: A smaller share of beneficiaries reported suffering from loneliness, social deprivation, negligence by children than non-beneficiaries. Many were also receiving more attention and care from family members and better food in most instances. It appears that a significant boost in self-esteem emerged from the access to cash for personal use, especially during times of crisis; improved ability to contribute to the household enhanced their sense of usefulness. One study found that in rural areas, half the beneficiaries were still the head of the household and were able to use the allowance for subsistence needs of the family.

CHALLENGES AND WAY FORWARD

The OAA has been a commendable initiative in Bangladesh with important and potentially greater impacts. Nevertheless, challenges continue to affect program effectiveness. Most of them have been discussed throughout the document. Overall, the program needs to transition to a centralized, automated, and rule-based decision-making system to improve governance and beneficiary experience. Below is a summary of the key challenges:

- The beneficiary selection process has scope to be more objective and pro-poor. There is also significant scope for wider availability of information to further improve the application and selection processes.
- The payment process has scope for more efficiency and transparency, to enhance the convenience of the old, often sick beneficiaries, by increasing the number of payment access points, closer to where beneficiaries live. Moreover, transparency of the payment process can be enhanced by greater security measures such as biometric authentication.
- The grievance process can be strengthened to be more accountable and provide reassurance to potential complainants about timely resolution and minimal chances of backlash.

WORLD BANK SUPPORT

In recognition of such needs, the Government of Bangladesh, with the financial and technical support from the World Bank, has initiated the Cash Transfer Modernization Project. The Project was approved by the Bank's Board of Executive Directors in January 2018.

The Project aims to improve the transparency and efficiency of OAA and other major cash transfer programs for vulnerable populations by modernizing service delivery. The Project provides technical assistance to DSS and financial support for the OAA program.

ⁱ Population aged sixty-two years and above, Population Census, 2011

ⁱⁱ World Population Projections; Bos, Massiah and Bulatao, 1994

ⁱⁱⁱ ADB, 2012.

^{iv} Part of Union, the lowest tier of the administrative hierarchy.

^v The National Social Security Strategy (NSSS) 2015, based on Household Income Expenditure Survey (HIES) 2010, estimated that about 30 percent of the old age population of Bangladesh are covered by pensions.

^{vi} Analysis based on HIES, 2016, BBS.

^{vii} Based on the government's classification for social security program, the civil servant's pension (Pensions for Retired Government and their Families) and Honorarium for Freedom Fighters are larger social security programs than the OAA. However, these programs are not poverty targeted and thus not part of the anti-poverty program.

^{viii} BIDS, IFPRI, and Maxwell Stamp

^{ix} Shirin 2008; RED/BRAC 2007

^x The Old Age Allowance program of Bangladesh: An evaluation BIDS, 2013; The Status of Food Security in the Feed the Future Zone and other Regions of Bangladesh: Results from the 2011-12 Bangladesh Integrated Household Survey, IFPRI, USAID.

^{xi} Information from DSS, 2018

^{xii} The account is opened with BDT 10 as part of a Bangladesh Bank's initiative for to increase financial inclusion. This account, requiring only the minimum initial balance of BDT 10 to be maintained, and is becoming a standard bank account for poor and vulnerable individuals in Bangladesh.

^{xiii} Paul-Majumder and Begum 2008

^{xiv} Begum, 2010

^{xv} about 12 percent of male and 16 percent of female beneficiaries reported such investment according to a study -- Small Scale Old Age and Widow Allowances for the Poor in Rural Bangladesh: An Evaluation, July 2008, Research Monograph Series No. 36, BRAC



For more information:

<https://bit.ly/2stPrtU>

Overview on Bangladesh's safety net program:

World Bank. 2016. Bangladesh Social Protection and Labor Review: Towards Smart Social Protection and Jobs for the Poor. Bangladesh Development Series, no. 33; World Bank, Dhaka, Bangladesh. © World Bank.

<https://bit.ly/2TWWx9>

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