

The Old-age Allowance Programme in Bangladesh: Challenges and Lessons

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The Old-age Allowance Programme of Bangladesh was introduced in 1998 to provide a means-tested monthly cash payment to older people to help reduce their vulnerabilities and income insecurity. The programme was created and promoted by the government and is financed from the government's revenue budget. Between 1998 and 2012 the number of beneficiaries increased more than sixfold, the monthly allowance rate threefold, the budget allocation more than 18-fold, and its share of gross domestic product (GDP) increased from 0.02 per cent to 0.13 per cent. Under this programme the monthly allowance is currently BDT300 (less than USD4),¹ there are about 2.5 million approved beneficiaries, and the annual budget allocation is BDT8.9 billion.

Impact of the programme

Although the monthly allowance is low at BDT300, various studies have indicated that this assistance has multidimensional impacts on the lives of older people. Nearly all the beneficiaries belong in poor households and spend the money on food, thereby improving the food security of the entire household. After food, this money helps them to access health care. The regular receipt of the allowance money has a positive effect on ensuring recipients' psycho-social well-being; it helps them reduce, among other things, their loneliness, insecurity, social deprivation and neglect by their children.

Challenges:

- There are significant inclusion and exclusion errors in the targeting approach currently used.
- Beneficiary selection needs to be improved to enhance the selection process by putting higher weights on priority criteria.
- The size of the benefit is too small and therefore, insufficient to meet basic needs of elderly.
- Benefit payment mechanisms need to be improved to take into account the conditions faced by elderly (i.e. difficulty for them to go to banks).
- Weak administrative capacity such as the ineffectiveness of local-level committees, a lack of a consistent committee structure, weak coordination among implementing agencies, absence of monitoring and evaluation to feed the programme, and, above all, there persists a severe shortage of manpower in all the implementing agencies, which affects the programme's efficiency.

- Scaling up the programme: this may appear a near impossible task for a poor country such as Bangladesh, but estimates suggest that this may not be so in reality. Estimates for 2010 show that to give a pension to all people aged 65 or over at the current monthly rate of BDT300, the country would require about 0.34 per cent of GDP. A decent allowance of BDT600 would double the share to 0.68 per cent of GDP. Such expenditure is possible if the political will is there. The calculations further suggest that such a universal pension is a sustainable measure in the country, as the country's economy is growing at 6 per cent and has the potential to grow even at a higher rate in future.

Lessons from Bangladesh experiences:

- Even a low pension allowance can have a meaningful and significant impact on the lives of older people and their families.
- A country can start with a low allowance to begin a support provision for older people and their families, with a view to moving to a larger benefit over time.
- Old-age allowance increases the empowerment and dignity of the older people, and—far from undermining family support—such social assistance may strengthen the relationship between older people and their families.
- Social pension appears to benefit women more, who are more vulnerable in countries such as Bangladesh than men.
- Estimates suggest, a universal pension for older people may be affordable for poor countries such as Bangladesh, provided there is political will.
- Old-age allowance programme can be very popular and easily gain political support.

Reference:

Begum, S. and D. Wesumperuma (2012). 'Old Age Allowance Programme in Bangladesh: Challenges and Lessons' in S.W. Handayani and B. Babajanian, eds. *Social Protection for Older Persons: Social Pension in Asia*. Manila, Asian Development Bank: pp. 187-213

Note:

1. BDT77.71 = USD1.