



Initial Poverty and Social Assessment

Project Number: 37017
August 2007

BAN: Good Governance Program

An initial poverty and social assessment (IPSA) is prepared in the early stage of the project cycle to assess the significance of social issues for a project. In accordance with ADB's public communications policy (PCP, 2005), the IPSA is disclosed upon completion. The final summary social assessment is included as an appendix to the project's report and recommendation of the President.

Asian Development Bank

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country/Project Title: **BAN- Good Governance Program**

Lending/Financing Modality: **Policy-Based**

Department: **SAGF/SARD**

I. POVERTY ANALYSIS AND STRATEGY

A. Linkages to the National Poverty Reduction Strategy and County Partnership Strategy

1. There is a clear linkage between the proposed Program and the GoB's national poverty reduction strategy (NPRS) and ADB's Bangladesh Country Partnership Strategy. NPRS reaffirms that reducing poverty and accelerating the pace of social development are the most important long-term strategic goals. In addition, the NPRS aims to halve the number of poor people by 2015, and to achieve substantial improvement in all aspects of human development.

2. The NPRS, in addition to achieving progress on sectoral areas, also aims to foster good governance by improving government capacity, promoting local government, tackling corruption, enhancing access to justice for the poor, and improving security and public order. This is to be complemented by fostering partnerships between government, private sector, and civil society organizations to improve service delivery.

3. ADB's country strategic partnership, as stated in the Bangladesh CSP (2006-2010), aims to assist good governance area. ADB will address key governance issues on a sector and thematic basis as a crosscutting enabler. Hence, ADB will play a major role in supporting policy and institutional reforms to improve sector governance and increase sector efficiency (for example, in energy, transport, education, urban health and urban water supply and sanitation sectors).

4. The Caretaker Government that came to power in early 2007 has stated a vision of establishing a modern democratic Bangladesh free from corruption, discrimination, and exploitation. Key among the reforms prioritized by the Government include fighting corruption, and ensuring judicial independence from the executive. Albeit slow, the Government is making steady progress in addressing some of broad governance issues, including improving fiscal management, financial management, project documentation and processing, public sector management efficiency, and corporate governance in key sectors.

B. Poverty Analysis

1. Key Issues

5. The contribution of good governance to poverty reduction is well documented. As good governance creates an institutional environment that is characterized by principles of accountability, transparency, predictability and participation, it allows the poor to have a say in how decisions are made in government and how services are delivered. This voice mechanism ensures that governments become more responsive to the needs of the poor which creates an important linkage between good governance and poverty reduction. The experiences of civil society in Bangladesh in gearing service providers to be better attuned to the needs of the poor exemplify this.

6. The links between corruption and poverty are also well established. This link has a duality: on the one hand, corruption is often viewed as exacerbating conditions of poverty (such as in low income, low access to basic services, etc.) and on the other, a situation of chronic poverty invariably engenders systemic corruption. While corruption itself may not produce poverty, it does have direct consequences on economic and governance factors that, in turn, impact poverty if they are not managed properly. There is ample evidence to suggest that corruption hinders economic growth (by, e.g., dampening investment, decreasing tax revenues, etc.). Bangladesh would have been able to manage an even higher growth rate if the level of corruption could have been made lower than what it is today.

7. Corruption also affects poverty by influencing governance factors which have an impact on poverty levels. Corruption invariably weakens institutions and diminishes the quality of service delivery which impacts the poor disproportionately. They end up having to pay more for services, and worse, the level of public trust in Government weakens; this increases the vulnerability of the poor as they can rely less on Government to provide for their needs in an efficient, effective, and affordable manner. Thus, effectively combating corruption in Bangladesh directly contributes to alleviating poverty.

2. Design Features

8. Some important features of the Program are as follows:

- (i) it develops, for the first time in the country, a National Integrity Strategy (NIS) that will enable agencies to critically assess their vulnerabilities to corruption; the Strategy itself will be owned by Government at the highest level;
- (ii) the NIS will be aligned to the provisions in the UN Convention Against Corruption, which the Government has recently ratified;
- (iii) it cuts across institutions in different branches of government, and encompasses prevention as well as enforcement and sanctions;
- (iv) it adheres to the harmonized approach agreed by all development partners in Bangladesh; and
- (v) it is wholly aligned to the outcomes and new initiatives of the Government.

9. In addition, the component on Prevention under the Program includes several important pro-poor design/features:

- (i) Leakages will be checked so as to improve service delivery to citizens including the poor in selected sectors.
- (ii) Existing accountability mechanisms in the line ministries will be strengthened to minimize corruption opportunities at the sectoral/agency level.
- (iii) Establishment of an Ombudsman's Office will improve citizen's access to grievance redress mechanisms.
- (iv) Right to Information legislation will enhance transparency of government decisions.

C. Poverty Impact Analysis for Policy-Based Lending

Poverty Impact Analysis Matrix

Reform Summary							
1. Channel Effect		Effect on the Poor/Other Stakeholders					
General	Specific	Direct short run	Indirect short-run	Indirect medium run	Major groups affected	Key issues for poverty reduction and targeting	Mitigation or enhancement measures to avoid negative social impact, if needed
Labor Market	Formal Informal	Possibility of rightsizing impact			Port employees Laborers Daily workers	Ensure that any VRS (voluntary retirement scheme) has been shared with all affected employees in advance	Provision of retraining needs to be made for those that wish to re-enter the labor force
Prices and Income	-for consumers -for producers -for mediators/ transmission	Payment of bribe by consumers reduced in service delivery	Better reflection of true costs of service delivery	Leakage control contributing to lower prices Greater productivity enhances savings	Service users	Ensure that lower production costs are actually reflected in costs of access	
Access for Poor		Lower actual costs of services will improve access for the poor to many services		Greater trust in the public sector by the poor will have a positive impact on its ability to be more efficient and effective	All users of services	Program impacts do not filter down sufficiently to the poor	Government, supported by civil society, has to be vigilant that the poor are benefiting from reforms in the Program
Access to Assets	Physical Financial Human Social Natural Legal and entitlement	Quicker access to judicial services given separation of judiciary from Executive, particularly at the local level	More access to relevant information on the judiciary	Greater trust in the court system, and lower costs of judicial services	All those seeking judicial services	Ensure that legal services are accessible at lower cost	
Transfers	Private transfer Public transfer	--	--	--	--	--	--
Net Impact			The net impact is positive but will take some time to be evident				

Reform Summary							
1. Channel Effect		Effect on the Poor/Other Stakeholders					
General	Specific	Direct short run	Indirect short-run	Indirect medium run	Major groups affected	Key issues for poverty reduction and targeting	Mitigation or enhancement measures to avoid negative social impact, if needed
Information Basis or Crucial Assumption		1. That lower costs in public sector transactions will ultimately positively impact the lives of the poor		1. That greater trust in the public sector by the poor will enable them to continue to benefit from improvements in public service delivery			
Brief Narrative							
The poverty impact of the proposed Program is expected to be reflected in two particular streams: (i) in the short-term, lower costs to access services (as a result of not having to pay rents in addition to regular service costs) will positively impact the lives of the poor and marginalized populations; and (ii) in the medium to long term, a more efficient and effective public service will ensure that economic growth is sustained at a high level, and this will ultimately positively impact the poor. The conceptual basis of (ii) is grounded on the positive impact of anticorruption on growth.							

II. SOCIAL ANALYSIS AND STRATEGY

A. Findings of Social Analysis

Key Issues

10. The key socioeconomic issues that are evident in the Program deal with the adverse impacts of corruption and mismanagement of public resources on the economy as a whole and on the lives of the citizens (largely through poor service delivery and greater costs of accessing services). While rent-seeking incentives cannot be entirely done away with in any system, the Program attempts to reduce the incidence of corruption by strengthening not only preventive measures but also measures associated with enforcement and sanctions. These will have positive economic as well as social aspects, including a greater level of public trust in Government, and more efficient and effective service delivery.

11. Primary beneficiaries of the Program will be the citizens that interact with the public sector on a daily basis, but other beneficiaries will include businesses, NGOs, bureaucrats themselves, and others. All the stakeholders have the same demand: that the public sector provides better services more efficiently and effectively (i.e., costs charged do not increase beyond the true costs of provision). The primary constraint to this occurring at the moment is the gap in existing policies, laws, rules and regulations that inhibits effective enforcement and sanctions of those involved in corruption. Finally, there is in evidence a critical lack of capability in key government agencies to combat practices that lead to mismanagement and corruption, a gap that this Program specifically addresses.

B. Strategy to Address Social Issues

1. Consultation and Participation

12. Stakeholder groups engaged in the Program formulation process include: Anticorruption Commission, Cabinet Division, central level Government ministers and senior level decision makers, Chittagong Port, sectoral agencies (such as Railways, Power, Shipping Ministry), and others outside Government (such as NGOs and Development Partners). The decisions made through C&P processes included those on how to structure the National Integrity Strategy, how to best meet the gaps in organizational resources, how best to engage NGOs, and how to secure buy-in from top political and bureaucratic levels. Moving forward, the C&P processes will involve getting buy-in from all stakeholders on the NIS, and on implementation of the UNCAC provisions. Further, a National Integrity Advisory Committee will ensure that there is broad-based buy-in from Government, particularly on the NIS, which is the anchor for the Good Governance Program.

13. What level of consultation and participation (C&P) is envisaged during the project implementation and monitoring?

Information sharing Consultation Collaboration Empowerment

14. Was a C&P plan prepared? Yes No

15. No specific C&P plan is prepared, however, there will be formal Terms of Reference (TORs) of the National Integrity Advisory Committee, as well as TORs for participation of NGOs in various Program-related activities, such as reviews and evaluation.

2. Gender and Development

(i) Key Issues

16. There is empirical evidence to show that women have to pay more in bribes than men; that women have to wait longer than men to see officials, and that when they do they are three times more likely to be 'queue-jumped' than men. By addressing the problem of corruption, the Program will have indirectly maximized impacts on women, which studies have shown bear an unequal burden of the corruption problem.

(ii) **Key Actions.** Measures included in the design to promote equality between men's and women's/girls' access to and use of relevant services, resources, assets, or opportunities:

Gender plan Other actions/measures No action/measure

17. There are no specific actions/measures that are needed in the Program to ensure that gender issues of anticorruption measures are taken into effective consideration. The policy level changes are expected to have an impact across the gamut of issues on anticorruption, of which gender is one.

C. Social Safeguard Issues and Other Social Risks

Issue	Significant/Limited/ No Impact	Strategy to Address Issue	Plan or Other Measures Included in Design
Involuntary Resettlement	There are no specific involuntary resettlement issues inherent in the Program	---	<input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input type="checkbox"/> Resettlement Framework <input checked="" type="checkbox"/> No Action
Indigenous Peoples	There are no specific issues in the Program that relate to indigenous people	---	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> Indigenous Peoples Framework <input checked="" type="checkbox"/> No Action
Labor <input checked="" type="checkbox"/> Employment opportunities <input checked="" type="checkbox"/> Labor retrenchment <input checked="" type="checkbox"/> Core labor standards	<p>Issues are likely to emerge about employment opportunities for women and marginalized populations, and also that there might be labor retrenchment at the Chittagong Port as part of a larger program of reforms in Port operations.</p> <p>There will be some civil works in the Program.</p> <p>Given that the Program will involve some public sector reform (including the possibility of revision of the civil service law), legislation relating to the civil service will need to be specific about the particular conditions for entry and exit into the civil service.</p>	<p>The EA will, to the extent that it is necessary and possible, ensure that women and men are given equal opportunities for employment, and contractors will also be required to ensure equal payment for equal work.</p> <p>In Chittagong Port, a voluntary retirement scheme could be in place as part of the CPA's move towards greater productivity.</p> <p>In reviewing the quota system in the Bangladesh Civil Service, and in tightening the merit requirements for entry into the civil service, care will be taken to ensure that merit principles and justifiable quota arrangements are not flouted.</p>	<input type="checkbox"/> Plan <input checked="" type="checkbox"/> Other Action <input type="checkbox"/> No Action
Affordability	There are no issues of affordability in the Program as there is no cost to participate in it. Also, the benefits of the Program will not only flow primarily to non-poor consumers, hence poor groups are not likely to remain underserved or excluded from the service.	---	<input type="checkbox"/> Action <input checked="" type="checkbox"/> No Action
Other Risks and/or Vulnerabilities <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human trafficking <input checked="" type="checkbox"/> Others, pls. specify	1. There are no major risks or vulnerabilities to the poor and marginalized populations as a result of this Program. There is a	1. One way of dealing with the issue is to ensure that the marginalized populations have access to voice opportunities. This is	<input type="checkbox"/> Plan <input checked="" type="checkbox"/> Other Action <input type="checkbox"/> No Action

Issue	Significant/Limited/ No Impact	Strategy to Address Issue	Plan or Other Measures Included in Design
	<p>possibility that they may not see the direct benefits of the anticorruption program in the short-run as policy reforms take some time to embed themselves and be evident in improved service delivery and low rent-seeking tendencies.</p> <p>2. Lack of capacity of the EAs and implementing agencies for Program implementation is a potential risk.</p>	<p>reflected in the Program; not only will there be greater room for voicing grievances against public sector agencies against poor service delivery but there will be also be provisions for an Ombudsman's Office to ensure that there is a institutionalized mechanism in place to give voice to the marginalized populations.</p> <p>2. The strategy to mitigate the risk is to use the TA component of the Program to develop the said capacity.</p>	

D. Monitoring and Evaluation

18. Social indicators have been included in the Program Framework to facilitate monitoring of social development activities and/or social impacts during Program implementation. These include: measures of satisfaction of public access to services, public perception of good governance, perception of successful anticorruption drives, ready access to information on the judiciary and its activities, and citizens' report cards and their uses. Reviews and evaluation in the Program will also be done, in some instances, by independent NGOs so that a more unbiased view is formed of the Program outcome.