

# **Exclusion and Poverty: An Analytical Approach for Understanding Exclusion and Assessing Programmes Targeting the Very Poor in Bangladesh**

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# Abstract

Exclusion is a term that comes up often in association with poverty, social welfare and social injustice. Development interventions are designed with some notion of benefiting or including the excluded. This paper analyses the concept of exclusion using simple demand-supply tools. A simple framework is proposed, that separates the attributes and spaces of exclusion to help in assessing development interventions. Success of programmes may be scaled in terms of their achievements in making poor included in the mainstream (i.e. main product/service space), or in a segmented space (from either complete exclusion or from previous inclusion in lower quality space), or not being able to include the poor in relevant spaces in any meaningful way. The case of hardcore poverty is investigated to understand the different approaches used to address the exclusion, and the underlying assumptions made regarding the attribute-space links of exclusion. The case studies undertaken are meant to propose a simple framework of evaluating programmes targeting poor and/or hardcore poor, which is consistent with the analytical framework proposed.

# Introduction

## Entangled concepts and practices

Government and non-government agencies have traditionally engaged in addressing exclusion by targeting services towards those who they deem as deprived. In Bangladesh, examples of such programmes range from relief supports for the victims of natural disasters, health and sanitation services, microfinance for rural women, legal services for establishing citizens' rights and good governance, and more recently, programmes for the 'hardcore' poor who are considered left out of 'regular' programmes. Clearly, all these programmes have well defined targets, for example, residents of flood affected areas; rural women without a minimum level of assets; retrenched workers from state-owned enterprises, rape and acid victims, and the very poor identified in terms of some observables. All such programmes were presumably designed on the assumption that the target groups were outside the scope of (or, excluded from) regular (or, specialized) service delivery network - where the services were provided by the state, the private sectors, or NGOs.

Concerns with exclusion surfaced in various forms, and have inspired development practices. In academic literature of the more recent times, Rene Lenoir introduced the term 'social exclusion' (in 1974) in the context of France. He defined the socially excluded as those who did not have access to welfare programmes run by the state; and primarily addressed the exclusion of physically and mentally disabled. Reference to exclusion may also be traced in earlier literature – for instance, Adam Smith mentioned of the inability of some people to “appear in public without shame” as a form of deprivation (Sen. 2000). In all such references, the concern was with social exclusion; and the latter is widely perceived to belong to the domain of sociologists. When economists engaged in development discourse on exclusion, they dealt with poverty and deprivation, not always resorting to the basic tools in economics. There is however a literature on 'economics of exclusion', which surfaces primarily in the context of competition and anti-trust laws of developed economies.<sup>1</sup> The present study takes a more

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<sup>1</sup> Cartels create entry barriers which lead to exclusion of potential firms from entering the market. Antitrust laws are designed to prevent such cartel formation. For details, see Lopatka and Page, 1999.

pragmatic approach, and confines to simple economic concepts to define exclusion in broad terms<sup>2</sup>; and the analytics thus developed are used to assess programmes for poverty reduction, particularly those targeting the hardcore poor.

Poverty and exclusion are viewed to be closely related. Often they are perceived to be overlapping and at times even indistinguishable. It is however recognized that there are instances of exclusions, which exist in the absence of poverty; and there are instances of poverty, which may not be rooted in social exclusion. Once the concept of exclusion is broadened beyond social exclusion, one may hardly find an instance of poverty, which is not associated with some form of exclusion. Such a concept of exclusion is broad enough to include deprivations, and can be shown to provide new insights into our understanding of poverty and inequalities in the society. This would also lay a basis for programmes targeting the extreme (hardcore) poor, which has largely remained overshadowed by discourses on ‘targeting’.

### **Issues and outline of the paper**

Although there have been extensive studies on poverty in Bangladesh, there is no comprehensive study on exclusion. The initial task of the research undertaking was to map exclusion and programmes for the excluded in Bangladesh, which soon led to conceptualizing exclusion. This paper is an attempt to compile some of the thoughts on exclusion and offer a conceptual framework that facilitates the understanding of exclusion. The paper also looks into several programmes for the hardcore poor. It is proposed that the study of exclusion and our search for understanding poverty have overlaps, and the currently perceived relations between the two concepts may be further fine-tuned. Thus, the first part of the paper develops the analytical framework of exclusion, taking cue from a brief survey of literature on the subject. For obvious biases, the scope is confined to the spheres of economics.

Actions in the real world are often rooted in pragmatism, and programme assessments have had biases towards evaluating programme impacts on outcome variables, often marginalizing the process elements. The economics literature on targeting bring to fore the economic spaces over which programmes may be located to better reach the very poor. Such exercises come very close to identifying spaces from which some segments of the population are excluded and the characteristics of the population that are close correlates of such exclusions. However, for compulsions of running programmes, much of our efforts are spent in fine-tuning targeting on the basis of empirics. With a view to recast the issues within a simple analytical framework developed, the paper outlines the ways to

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<sup>2</sup> As will be evident later in the paper, we use the term exclusion to encompass all forms of exclusion, including social exclusion.

implement the latter in enhancing our understanding of the 'hardcore poor' and the programmes aimed at reaching them.

The paper further identifies a select group of programmes and presents case studies on them with a view to understand the relations between programme design and their impacts. The assessments are done on the basis of common understanding of the programme impacts drawn from the case studies and available research materials. The details pertaining to programmes are relegated to annexes. The conclusion summarizes the discussion and suggests future research areas.

# Understanding exclusion as an analytical category

## Brief literature review

It is commonly recognized that ‘social exclusion’ in the literature is rooted in social concerns in the developed (western) societies. A common thread in the recent literature on exclusion in developing countries is to redefine the originally western concept of exclusion for the developing world (e.g., Saith 2001, Sen 2000, Kabeer 2000). The dynamics that determine exclusion in the developed world are however different from those which determine exclusion in the developing world.<sup>3</sup> Since we differ significantly in our approach to exclusion, a brief review of current thoughts, particularly amongst economists, is called for.

To Amartya Sen, poverty is capability deprivation, i.e. lack of capability to live a minimally decent life; while social exclusion is considered both a constitutive part of capability deprivation and an instrumental cause of capability failures. Kabeer (2000) focuses on the exclusionary effect of institutionalization; and deals with the creation of relational differences, which is important in understanding the process of exclusion. Following Sen, Osmani (2003) considers social exclusion as a part of poverty. When poverty is defined in capability perspectives, exclusion only adds the relational aspect that enriches the analysis of poverty.<sup>4</sup> Osmani draws upon Sen’s broad explanation of exclusion to investigate on who are excluded and why; where exclusion is explained in terms of poverty.

Nevile (2007) argues that Sen’s concept of social exclusion assists researchers to tease out the complex, interconnected factors pertinent to particular experiences

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<sup>3</sup> Historically, exclusion from welfare services has dominated the exclusion literature in the west. Saith (2001) points to the fact that the differences in the social security arrangements between industrialized and developing countries require an alteration of the concept. A part of the more recent literature use this as a point of departure and argue why the welfare services is not a topic for exclusion in developing countries.

<sup>4</sup> Osmani recognizes at one point that individuals are often excluded independent of poverty. He does not however delve in reconciling this with his earlier assertion that ‘social exclusion is a part of poverty’.

of chronic poverty. He summarizes Sen's contribution in the following three areas: (i) Social exclusion is only a subset of poverty and it is only one of a number of reasons why an individual is unable to obtain adequate basic capabilities. This allows for other factors (such as, unfavorable inclusion) to cause poverty as well. (ii) Sen's distinction between forms of exclusion (or, unfavorable inclusion) which are in themselves a deprivation and those which are not necessarily negative but which can lead to deprivation allows the researcher to elaborate the causal chain. (iii) Sen's analytical distinction between active and passive forms of exclusion (and unfavorable inclusion) is useful in determining an appropriate policy response<sup>5</sup>. Nevile opines that "the concept of social exclusion does have something to offer those interested in the analysis of chronic poverty in developing societies".

There is a large body of empirical literature on exclusion. However, much of these studies usually focus on a single cause or dimension of exclusion, and are partial – some looking into dimensions (such as employment, education, health, housing etc.) where from people are excluded, while others focus on causes of exclusion. When identifying areas from which individuals are excluded, some authors (e.g. Figueroa 1999) distinguish between economic, social and political spaces. But the latter set of literature discusses mainly the outcome indicators of exclusion and the policy implications.

Country-specific studies (e.g., Saunders 2003) suggest that the concept of exclusion should be incorporated in the measurement of poverty and policy formulation. The scope of generalizing from these studies, however, is limited since the indicators of exclusion vary depending on the unique socioeconomic context. The indicators used in Saunders, such as inability to invite friends over once a month, are hardly applicable for a country like Bangladesh.

The definition of exclusion that one may adopt from the literature is aptly captured in Chakravarty's (2003) discussion on social exclusion: 'a person is excluded if he/she is unable to participate in the basic economic and social activities of the society in which he/she lives.' Exclusion, according to him, is the cause of fragmentation in social relations, and hence a lack of cohesion.<sup>6</sup> Of course, this leads to the valid question on what is 'basic'; and that leads one to the discussion on the spaces where exclusions are significantly observed.

For the purpose of the present paper, we choose to take the broader definition and attempt to reconstruct the concept of exclusion within a framework with

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<sup>5</sup> Interestingly, Sen's deliberations on 'passive' and 'active' forms of exclusion are set in the context of policy objectives and outcomes, rather than on natural response of various agents in the society. This aspect will be discussed later.

<sup>6</sup> While Chakravarty moves into quantifying exclusion, our focus remains on the process and reasons of exclusion.

traditional economic tools of demand, supply and goods and services – often broadening the concepts underlying such analytical categories.

### **Defining exclusion in terms of space and characteristics**

The discussion of exclusion for this paper began with a focus on Bangladesh. A child who cannot go to school because she lives too far from the nearest school, a woman who cannot engage in certain kinds of jobs because of social taboo and a minority community with no access to electricity because of political under-representation; these are some familiar cases of exclusion in Bangladesh. Many children in Bangladesh find it difficult to go to school due to the lack of public transportation and inadequate number of schools. Gender inequality and social norms often force women to remain secluded from certain occupations, and accept lower wages. Ethnic groups are inadequately represented in the parliament, which means investment in infrastructure is lowest in their constituencies. In all these cases, individuals are deprived (or excluded) from access to certain essential services, often perceived as basic rights as citizens of the country. The first step in clearly analyzing each of these cases is to ask the basic questions: Who is excluded? What is she/he excluded from? A more central question however is: why is someone excluded?

In searching for the answers to these questions, we distinguish the two dimensions. The child in the first case is excluded from access to education. And this occurs due to her distance from the nearest school. A child living in a remote area answers the first question (who is excluded), while access to education answers the second (what is she excluded from?). The first dimension is a characteristic of the individual that leads to exclusion from the second dimension, i.e. access to education. We call the first dimension the ‘attribute’ and the second dimension the ‘space’ of exclusion. For the other cases mentioned earlier, the attributes are gender, and ethnicity, while the spaces are employment, access to electricity and political participation. If an exhaustive list of all those who are excluded in a society were available, it would be possible to generate a complete list of attributes and spaces related to exclusion.

In the above discussion, attributes are considered characteristics of individuals (or households or communities) that lead to exclusion in one or more spaces. Individuals may be born with these attributes (for example ethnicity), or these attributes may be acquired. Some of these attributes may be permanent (such as physical disability) or temporary (such as low endowment of assets). Several attributes that are cited as important in explaining presence of exclusion include inherited or acquired asset (physical, social and financial)<sup>7</sup>, health condition,

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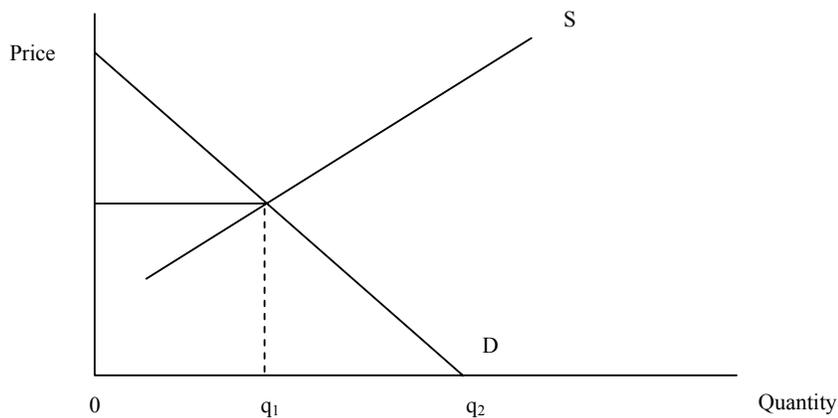
<sup>7</sup> Physical assets are tangible productive assets such as agricultural land, property or housing.

religion, age, ethnic/cultural background, geographical location, and gender. Similarly, spaces where exclusion is more prominently observed include education service, health service, employment/occupation, housing, financial services, and access to other markets<sup>8</sup>. For programme design purposes, the nature of the attribute (temporary or permanent, inherited or acquired) is important to take into account, as well as the key spaces exclusion wherefrom the target population is excluded.

### **Towards a broader definition of exclusion: an analytical framework**

We take cue from the simple construct of market and market demand for (and supply of) goods and services. The idea of exclusion of a person, a household, or a community from a space (such as a market place, a cultural sphere, politics, etc.) is meaningful only if the person (or household/community) is keen on being included. If it were the case of absolute unwillingness to enter the 'space', there would possibly be no concern for their exclusion. In the context of a market of goods and services, exclusion (or inclusion) may arise from both ends – as suppliers, or as consumers demanding goods & services. We take the latter as the initial entry point for illustrating exclusion and the various ways exclusion may be dealt with.

**Figure 1. Illustration with demand-supply construct**



<sup>8</sup> Reference is made to ability to participate or enter into markets for regular goods and services without any discrimination. In case of investment opportunity, this would be similar to the anti-trust laws which occupies much space in the economic discourse on exclusion in developed countries.

Consider the market for education services. We focus on the potential or actual exclusion of people who want to avail this service – that is, there are positive satisfactions to be gained by accessing education. For transparency in our illustration, we dig deep into the simple construct of market demand and supply. Figure 1 shows a market for (homogeneous) education service with demand (D), supply (S) and an ‘equilibrium’ price (P). Suppose the service (Q) considered is primary education. Several illustrations are provided to lay out the framework used to address the three interrelated questions on exclusion, *who, wherefrom and why*.

#### *Illustration # 1*

Suppose the demand curve shown in Figure 1 covers all potential consumers who derive positive satisfaction from sending their children for primary education. With a market price of P for the service, only  $0q_1$  are ‘included’ and  $q_1q_2$  are ‘excluded’. By design, the reason for such exclusion is obvious – the excluded consumers are unable to pay the market price. One may consider two options to ‘include’ them: (i) subsidize education so that the consumers have to pay lower price (zero price in the extreme case); and/or (ii) introduce a differentiated product (possibly a lower quality education) that can be supplied cheaply to those originally left out.

The issue of differentiated product does raise a related question: what price are we referring to? It could be price set by the provider at 10 miles away from one’s residence or it could be for education provided at a school of mixed gender where one may find it unsafe to send one’s daughter. For all these, there is an observed price that consumers pay, and there is an additional price (cost) that they pay (incur). Following the tradition in economics, one may therefore consider location-specific differentiated products<sup>9</sup>. To give an example, credit offered at the institutional (formal sector) banks and microcredit delivered (and dealt with) at group level (in the vicinity of the borrowers’ residence) are two different products, whose prices (interest rates) are specific to two different locations.

#### *Illustration # 2*

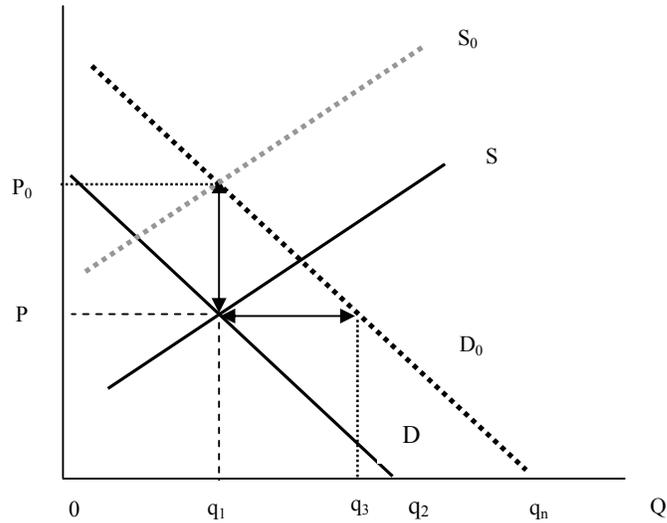
Other than in a location that involves zero transaction cost (both financial and non-financial) for the consumers, market demand in all other locations for the (otherwise) same product will fail to capture the potent demand, which is not the same as the unrealized demand, identified as ‘excluded’ due to positive price in

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<sup>9</sup> Here, the term ‘location’ is used not in the sense of horizontal spatial difference, nor is it in terms of vertically tiered markets. It is rather in the context of having markets at smaller geographical (or population) units versus markets that operate for larger units. The term ‘product’ is used to include services as well.

Figure 1. Considering  $D_0$  as the potent demand curve associated with zero transaction cost to consumers, Figure 2 illustrates several aspects why exclusions may persist, and identifies possible ways (pitched at a general level) to reduce the size of exclusion. In what follows, we assume that the cost of getting 'included' by an otherwise 'excluded' group is equal to the transaction cost captured in the Figures<sup>10</sup>.

**Figure 2. Illustration of reducing exclusion through differentiated products**



*Proposition 1*

There are broadly two types of exclusion – (i) in an existing market with a mix of providers, some potential consumers cannot participate in the market (or avail the services) because of the prevailing price; and (ii) due to absence of providers in appropriate market locations, there are additional costs (in the form of transportation or opportunity costs of commuting time) to some potential consumers who are therefore unable to avail services from the existing market. In Figure 2, for a price  $P$ , the former is  $q_1q_2$ ; and the latter is  $q_1q_3$ . With parallel

<sup>10</sup> Reducing the concepts of exclusion (including that of social exclusion) to tractable cost equivalence does not undermine the importance of processes that generate exclusion. But the subject of exclusion is of interest to development practitioners since the latter believe that one can 'include' the 'excluded' ones; and they appear to agree that there is a cost for all attempts towards inclusion. Therefore, the supply curve shifts upward due to the increased costs of making the product more accessible to those previously excluded.

relations between  $D$  and  $D_0$ , total exclusion is the sum of the two at all prices;  $q_1q_2 + q_1q_3 = q_1q_n$

One may consider a third element of exclusion, which arises due to lack of awareness and presence of decision-making with inadequate and/or distorted information. It is quite possible that there are people who do not perceive education for their children to be important even if they are able to afford it at one or both of the two (location-specific) markets. In some instances of exclusion (such as, from participating in microcredit programmes), many such decisions to remain excluded may reflect perfect awareness, whereas choice to remain excluded from education services (even at the 'zero transaction cost market') are generally perceived as rooted in lack of awareness.

### *Proposition 2*

Most discussions on (social) exclusion, including those of the economists contributing towards enriching development practices, start off with the identification of socio-cultural (and often political) conditions that cause certain groups of people to be excluded from the 'regular' set of providers (or markets)<sup>11</sup>. Within the structure of our illustration in Figure 2, the search by this group of researchers has been into why  $D_0$  differs from  $D_1$ , beyond the usual issues discussed in the literature. Regrettably, there has been little focus on the failures in markets to emerge that could ensure delivery of services to the excluded groups, even though development practitioners are primarily engrossed in dealing with precisely such alternatives. The problem is further illustrated below by introducing differentiated products whose supplies require differential costs.

In Figure 2,  $S_0$  is a hypothetical supply curve to the market with zero additional cost to consumers. In our abstraction, where the existing market imposes an additional cost of  $(P_0-P)$  to the consumers, the current providers perceive the unit costs of providing same quality of services to the 'zero additional cost' market to be at the least equal to  $(P_0-P)$ . If the supply curve is above  $S_0$ , then the market for the differentiated product will not develop, since the transaction costs faced by the consumers for engaging in the existing market is lower than the costs faced by suppliers for providing a location-specific product. With that understanding, four alternative ways of addressing exclusion may be identified. These are:

1. New providers may emerge who are able to deliver the same quality of services to the 'zero additional cost' market, either due to innovation in marketing, or because of public (including donor) policies to subsidize such (targeted) initiatives, or both. This is shown in Figure 3 with two

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<sup>11</sup> The earlier discussion, identifying the spaces and attributes and the mappings of the latter onto the former, is also in line with the mainstream discourse.

hypothetical supply curves,  $S_1$  and  $S_2$ , both of which assume segmentation between the two location-specific markets and consider a given price to prevail in the existing market.

2. This approach has been the most common feature of most development initiatives undertaken for the poor and excluded in Bangladesh. Various NGO initiatives with supports from donor fund are too well known. Microcredit is a case for innovation in delivery system that takes the transaction point closer to rural people (previously excluded from formal financial services).<sup>12</sup>
3. Market sizes grow to a level such that more micro-level engagement by providers becomes financially viable.
4. This happens when population with effective demand (and hence market size) increases in (say) remote areas, which previously had to avail services from hubs located in distant towns. With improved communication infrastructure, the size of such exclusion is also likely to be reduced.
5. Emergence of new providers in one ('zero additional cost') market reduces the cost of delivering another service at 'zero additional cost' markets.
6. This approach is a result of the dynamics set in by an initial network built around (say) microcredit. The apex body in the network (i.e. microcredit institution) is then able to use the contacts and its staffs at field levels to engage in delivery of other services (say, education, targeted supports during slack seasons, health services for the ultra poor, etc.) at a cost lower than that otherwise possible<sup>13</sup>.
7. Cost of delivering a service is realized by changing the quality of the service so that an otherwise excluded group can be reached. In such instances, the quality-specific service may have self-targeting elements to ensure market segmentation to benefit the previously excluded group.
8. This is a classic case of products differentiated by quality, which is very common in the service market. When it comes to quality, which normally has unique relation with cost and (often) with providers, essential services are availed by potent consumers from different providers. To what extent, it is a choice, and to what extent it is an outcome of exclusion from higher quality markets is a matter of empirical investigation. Moreover, as noted above, such exclusions may be socially (with all the other non-financial

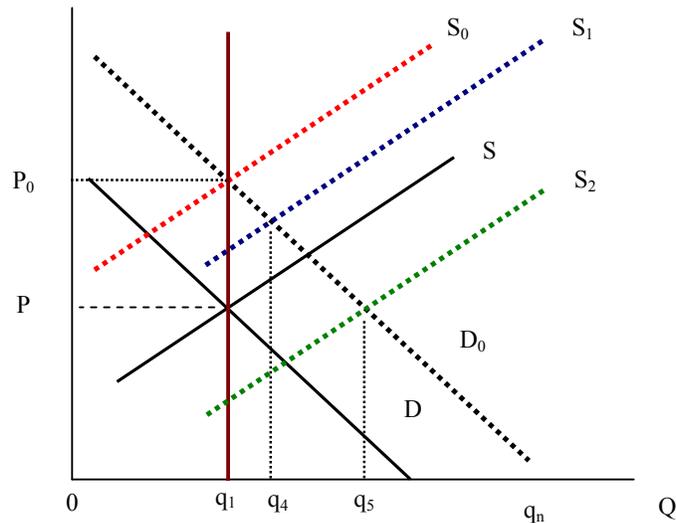
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<sup>12</sup> With the proposed framework one may show why higher interest rates charged by the microcredit institutions are compatible with increased volume of credit transactions in the market. It is equally important to recognize that many of the microcredit borrowers were availing credit from informal sources, including moneylenders.

<sup>13</sup> Evidence of such cost reductions are noted in Zohir (2001), Murdoch (2002) and Zohir (2006).

connotations to the term) imposed, or price-driven. Education sector in Bangladesh is a prime case of segmented markets – and different providers have created a niche for their services – religion-based schools are no exceptions.

**Figure 3. Illustrations on various ways by which size of exclusion may reduce**



*Illustration # 3 Exclusion in labour market*

Unlike the exclusion of potential consumers in a service market, exclusion in the labour market involves potential suppliers of labour services - those who cannot participate in the formal wage market. They may not be able to participate because of their particular attributes, which set them apart from the mainstream workers. The demand for labour is derived on the assumption of diminishing marginal productivity of labour, and therefore the demand curve is downward sloping. The supply of labour is upward sloping. Two hypothetical cases are considered: the first involves social exclusion where both potential employers and employees perceive the actual labour productivity similarly, but employers perceive additional cost of engaging a socially stigmatized group – could be one from the minority, a person with HIV, a female labourer, etc. The second is a case, where some people, either because of old age or disability, have lower than average productivity; and the labour demand is not sufficiently high to absorb them even if they are keen on being employed.

**Figure 4. Illustration of exclusion in the labour market**

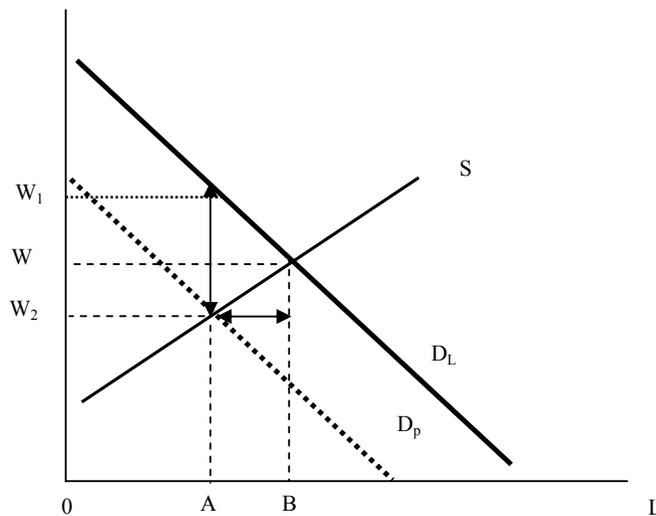


Figure 4 illustrates the first case. Had there been no exclusion and employers did not perceive additional cost of engaging a socially stigmatized group, the potential demand for workers would have been higher as depicted by  $D_L$ . In the presence of social exclusion, even if labour productivity is similar across excluded and the non-excluded groups, employers either perceive lower productivity of the former, or fear incurring additional cost in case the ‘excluded’ ones are employed. The demand curve under such perception is given by  $D_p$ . The size of exclusion is given by  $OB-OA = AB$ . Furthermore, the labourers with attributes of ‘excluded group’ receive a wage  $W_2$ , while the ‘non-stigmatized’ group receives  $W_1$ , higher than the equilibrium wage rate ( $W$ ) in the absence of exclusion!<sup>14</sup> Interestingly, while the society loses out, the employers often gain out of the extra rent ( $W_1 - W_2$ ), or shares it with parties whose activities reinforce social exclusion. Addressing social exclusion will lower the gap between the two demand curves and thereby reduce the size of rent. It will also reduce the discriminatory practices in the labour markets.

<sup>14</sup> Unlike the rigid perspective on exclusion, the real world does engage the so called excluded ones on the margin. Our illustration also provides a case of equilibrium wage discrimination.

## Summary on the analytical framework

### *Attributes and spaces*

The illustrations in the preceding sub-section have focused on four different kinds of exclusion that surface in economic exchanges mediated through markets. These are:

- *Exclusion from entry into an output market as provider (investor/supplier)*, which is an issue discussed in the literature on anti-trust laws, and has received very little attention in the context of developing countries. Barriers to entry, either through cartels or supported by (uncoordinated) systemic coalition against segments of the society are common phenomena in developing countries as well. For example, poor fishermen are discriminated against in credit markets and lease markets which provide access to lease right on water bodies.<sup>15</sup>
- *Exclusion of entry into an input market as a potential consumer/buyer*. This has close correspondence with the first case, since a buyer in the input market is often a seller in the output market. Beside the example of water body mentioned above, other productive assets are equally important for addressing poverty reduction.
- *Exclusion of potential consumers from the (output) market of goods and services*, which has received great deal of attention in the context of safety net programmes in developing countries. The services may constitute direct consumables (e.g., relief food) or investment on human capital (e.g., education and health) having long-term implication for livelihood.
- *Exclusion from wage employment* or any other forms of employment having direct/immediate implication for livelihood. This is a case of deterring entry into the input market as a provider.

The above spaces wherefrom some people may be excluded are by no means exhaustive, but these are the ones which have direct implications for the livelihood of the poor, and these also happen to be the spaces where much effort are given to reduce poverty, particularly, chronic poverty. Exclusion from other spaces, such as social, cultural and political are no less important; and some of these either underlie or are closely associated with exclusions from economic spaces that we have discussed. For example, women's access to market places and mobility are critical in ensuring their access to employment as well as to the output markets as providers. Sometimes, programmes are designed from such

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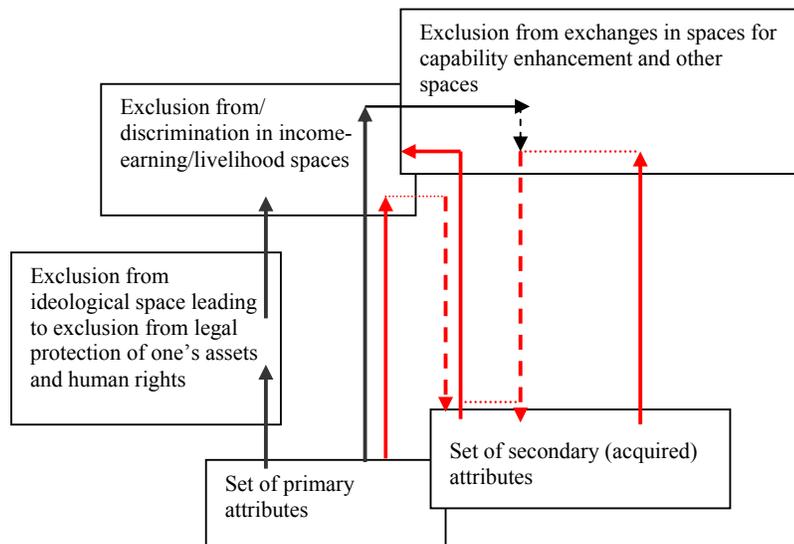
<sup>15</sup> While this has not been illustrated adequately, the relevance is taken into cognizance in subsequent empirical analysis.

perspective; for instance, separate bus services and market places for women entrepreneurs have already been experimented with in Bangladesh.

A neglected element in the discussion is the market institutions. Discussion on institutions has, however, surfaced with reference to social structures, which are perceived to direct the process of exclusion. One may conceivably include informal exchanges mediated through social relations as a segment of all possible market and non-market exchanges. Such perspective is consistent with the presence of segmented markets and many programme interventions for the ‘excluded’ people are inherently operating within certain segments of the broad canvass of informal exchanges.

The correspondence between the attributes that define a segment of population and the space(s) from which this population is excluded is by no means unique. For instance, a physically disabled person (attribute: health condition) may be unable to travel and thus be excluded from schooling (space: education service). This will in turn affect his/her education level (attribute), which will further exclude him from other spaces like employment. Addressing specific cases, one may address the issue by distinguishing between primary exclusion and secondary exclusion, which many programmes aimed at the poor recognize. Without further elaboration, these intricate relations are generalized in Figure 5.

**Figure 5. Links between primary and secondary attributes**



*Note:* Primary attributes include those normally considered under social exclusion; gender, ethnicity, religion, etc. Even endowment of physical assets is acquired in the long-term and one may consider this as a primary attribute for short-term analysis. Human capital is included in the secondary attributes.

## Addressing exclusion – generic approaches

While we now proceed to discuss the broad approaches one observes in practice, some of the derivatives of the proposed framework are highlighted here.

- There are broadly two ways to reduce exclusion. First, economic prosperity distributed across all people will reduce exclusion working its way through both sides of the market; increase in purchasing power will allow more to be ‘included’, and enlarged market size will induce providers to be more competitive and innovative to reach out to a wider set of clients. The second has been to reach out to the excluded with a mix of subsidy and differentiated products. The latter has been the norm in current development practices, often marginalizing the long-term concern.
- In all cases, attempts to address exclusion in cost effective ways will require market segmentation<sup>16</sup>. Where subsidy is provided to include only the otherwise excluded ones, ensuring market segmentation is a prerequisite so that those who were already included cannot get a share of the subsidy since this was only meant for the excluded group. This has surfaced in the literature under the guise of ‘targeting’. Segmentation also arises in case of differentiated products; and the literature has often guised it under ‘self-targeting’. An essential dichotomy that we confront under such situation is the fact that reduction in exclusion is brought about not by increasing inclusion in the original set of markets, but by creating another space (a market of differentiated products and services) for the excluded ones. This aspect has hardly drawn any attention in the literature even though its implications for the dynamics in the society could be enormous.
- Dynamics of providers (employers in case of labour market) are important in understanding the prospect of reducing exclusion. Synergies derived from providers’ engagements in multiple spaces may reduce their delivery cost in each of those spaces, thus making it feasible for the erstwhile excluded ones to access the newly established markets. It also suggests that market institutions, once subsidized, may become self-sustainable at a later period. Thus, policies towards institutions are no less important in addressing exclusion.

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<sup>16</sup> All can be included if the price (cost to consumers) can be set to zero; and the route is obviously a costly one!

# Alternative approaches to address Hardcore poor: probing beyond the outcomes

To relate the proposed analytical framework of this paper with existing programmes in Bangladesh, we looked at a list of government and non-government interventions targeting the poor. Obviously, the programmes/projects had not been designed following the framework proposed in this paper. However, the design (targeting criteria, intervention, etc.) shed some light on the underlying assumptions made regarding the attributes and spaces for identifying the excluded in Bangladesh. The details from the field study are relegated to annexes at the end; and only the basic thread of arguments is outlined herewith.

## **Observations on attributes and spaces from programmes for the poor**

The targeting criteria applied by various government and non-government agencies in implementing pro-poor programmes/projects and the spaces where these programmes apparently intervene are compiled in Table 1. While targeting quite often explicitly accounts for the attributes and the programme design suggests intervention spaces, there is no explicit mention of which spaces the target population may have been excluded from prior to the programmes. Thus, the rationale for the choice of intervention spaces (in terms of how such interventions would ensure non-exclusion in the post-intervention phase) is not established. Summaries in Table 1 include a separate column on hypothetically conjectured exclusion space.

Since targeting is the core concern in most project designs, the ‘attributes’ are found to be distributed across three broad groups. At one extreme are individual and household characteristics (such as old age, no or little asset, etc.), while the other extreme has occupational/activity spaces (beggars, poor fishermen, etc.). Some are in between, such as, working children and street children, which may be considered as individual attributes as well as physical spaces where the target population is concentrated (children in the street or at work place). There is a general recognition that ownership of no land or little land, absence of (non-land) productive asset and absence of any adult working man in household

(synonymous with female-headed household and often causing irregular income) are commonly considered as correlates of hardcore poverty. Some of the programmes, such as those for destitute women, may appear to be addressing gender, but they are not. Other than some of the programmes on asset transfers, none listed addresses the primary exclusions – arising due to gender, ethnicity and religion.

The wide range of intervention spaces implicit in the programme designs include food, financial activities, labour, health, education, housing/shelter, etc. Those identified as hardcore poor (HCP) may be presumed excluded from certain spaces, but the programmes designed may not be intervening in those spaces (see, Annex 2 for a discussion on the definition of hardcore poverty). For example, poor having no access (or irregular access) to labour market/employment may be offered food (as in VGF and VGD), or someone without asset may be offered health services. In other cases, there is a close correspondence between the space excluded from and the space where intervention takes place. For assessing programmes, it is therefore critical to assess the implications of the various types of programme interventions – both in terms of having direct or indirect impact on inclusion in the appropriate spaces, and the nature of such inclusion. The latter is addressed under two broad themes – inclusion in a homogeneous product/service space (which is perceived as equivalent to ‘mainstreaming’), and inclusion in a differentiated space with increased segmentation. These are some of the issues addressed in detail later in the paper.

**Table 1. Target groups under various pro-poor programmes**

Targeting criteria	Attributes	Spaces (from which HCP are assumed to be excluded from)	Spaces (where programmes intervene)	Programmes
Individual/ Group characteristics (1)	Irregular income	Labour market, Goods and services market (from the demand side)	Food security	VGF, VGD
	Absent/lack of productive assets	Goods and services market (supply side), Financial market, Labour market	Food security, Capacity building, Financial market, Labour market, Health service, Awareness	VGF, VGD, OAA, PIME, HPIFF, F-f-W, RMP, TUP, Show Factory (BRAC), ASA, Shabolombi, RMP
	Physical disability	Financial Market, Labour market	Food security, Financial market	VGF, HPIFF, ASA
	Female-headed household	Financial market, Labour market, Health service, Goods and services market (from the demand side)	Financial market, Health service, Labour market, Goods and Service Market, Awareness, Capacity Building	TUP-BRAC, Shoe Factory (BRAC), RMP, ASA, Shabolombi.
Old age Deserted, widowed and destitute women		Labour market, Financial market		OAA, PIME
		Financial market, Labour market, Goods and services market	Financial market, Labour market	AWDDW, PIME, F-f-W and RMP
Mix of (1) & (2)	Working children	Education/Capacity building	Education/Capacity building	BSTP
	Street children	Education, shelter	Education, shelter	ARISE
Concentrated in particular spaces (2)	Beggars	Labour market, Financial market, Capacity building, Goods and services market	Financial market, Capacity building, Labour market, Health service, Awareness	PD, PIME, TUP-BRAC, Shoe Factory (BRAC), Shabolombi
	Fishing households	Common Property, access to water bodies	Property rights	CBFM 2

Note: VGF = Vulnerable Group Feeding; VGD = Vulnerable Group Development; OAA = Old Age Allowance; AWDDW = Allowance to the Widowed; Deserted and Destitute Woman; PIME = Programmed Initiatives for Monga Eradication; CBFM2- Community-based Fisheries Management; PD = Project Dignity; HPIFF = Honorarium Programme for Insolvent Freedom Fighters; F-f-W = Food for Works; RMP = Rural Maintenance Programme; BSTP = Basic Skills Training Programme; TUP – Targeting Ultra Poor.

## Perspectives on comparing programmes

Our entry point into the issues raised in this paper had been exclusion; and the latter concept was recast in terms of loosely defined concept of market with potent demand and supply. Of the various primary attributes identified, review of literature and of programmes in Bangladesh reveal four to be important. These are, gender, religion, ethnicity and disability; and in most instances, none of these attributes of individuals are likely to change over one's lifetime. A fifth is added to the set of primary attributes – ownership of assets – since its acquisition by the poor in the short-term is unlikely to materialize in natural ways. The set of secondary attributes includes those acquired – such as, education, health, etc. A third set of attributes, particularly, the demographic ones, are elements of life cycles, and applies to people of all wealth groups. The discussion so far refrained from engaging in the broader debate on which agency (state, community, family, or a mix) is better suited to address exclusions arising from having the third set of attributes.<sup>17</sup> Thus, the discussion has largely confined to the first two sets.

Programmes for the HCP may be perceived to aim at removing (or reducing the degree of) exclusion of the latter from certain spaces. For assessing these programmes, one may therefore pose a set of sequentially linked questions stated below:

- Have these programmes succeeded to reduce or eliminate exclusion of the target groups from relevant spaces?
- If yes, what is the nature of the 'inclusion'? Is it in the main product/service space (treated synonymously with 'mainstreaming'), or, is it through creation of segmented space(s)?
- In either case, do supports have to be provided perennially to ensure inclusion? Or, are these time-bound?

Answering these questions also calls for explanations. A number of issues may be identified in this regard:

- Were the targets appropriately set, asking one to revisit targeting criteria?
- Were there faults in the design (or presence of other factors) that led to mis-targeting?
- Were the interventions made in appropriate spaces?
- Is intervention needed in additional spaces in order to realize maximum sustainable impacts?

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<sup>17</sup> We have not also addressed exclusion out of ignorance where advocacy and awareness programmes have roles to play.

The study, including the field visits, did not have the proposed perspective to begin with. In fact, the current study was designed to develop fresh ideas through interactive reflections on current practices; and therefore findings presented in this report are only tentative and meant mostly for illustration purpose. The following sub-section summarizes our observations on the programmes for the HCP. The study methodology and programme details are summarized in Annex 3. The conclusion of the paper relates these observations in line with the main issues described in this paper.

### **Summary observations on the alternative programmes**

The important spaces for the HCP are employment/labour market, market of staple food, housing/shelter, health service, education service, and access to financial services. Based on responses received from the FGDs and interviews of programme staff, the findings on the three basic questions are summarized below in Table 2. It is important to note that the cost of undertaking a programme has been ignored. Thus, in terms of impacts on target population, asset transfer programme under the agriculture enterprise component was found to perform better. So did the wage employment programme. In most instances, however, inclusions take place in segmented markets.

**Table 2. Summary findings**

Questions	Asset Transfer	Wage Employment	Credit in Kind	Credit in Cash	RMP
<i>Did it reduce exclusion in</i>					
Food	Yes	Yes	Yes/ -	During need	Yes
Employment/Labour	Self-employment	Yes	-	-	Yes
Access to Productive assets	Yes	-	Yes	-	-
Financial services	Yes	Yes	Yes	Yes	Yes
Housing/shelter	Yes	Yes	-	-	-
Health service	Yes	Yes	-	-	-
Education services	Yes	Yes	-	-	-
Exclusion in ideological space	Marginally	No	No	No	No
<i>If included, is it segmented?</i>					
Food	No	No	Yes/ NA	No	No
Employment/labour	Yes initially	Yes initially	NA	NA	Yes
Access to Productive assets	Yes	NA	Yes	NA	NA
Financial services	Yes	No	Yes	Yes	Yes
Housing/shelter	-	-	NA	NA	NA
Health service	Yes	Yes	NA	NA	NA
Education services	Yes	Yes	NA	NA	NA
<i>Does inclusion require sustained external support?</i>					
Food	No in many instances	No in many instances	-	-	Yes, mostly
Employment/Labour	Not beyond initial years	Yes, till skill is acquired	NA	NA	Yes
Access to Productive assets	Yes, mostly	Nap	Yes, mostly	NA	NA
Financial services	No	No	Yes	No	Yes
Housing/shelter					
Health service	Yes	Yes	NA	NA	NA
Education services	Yes	Yes	NA	NA	NA

\* NA – Not Applicable

\*\* ‘ - ’ – Not Clear

## Concluding observations

The literature on exclusion and on poverty, with its various characterizations, has followed two distinct paths. There have, however, been attempts to find areas of their convergence – mostly from those finding exclusion as a relevant concept in understanding poverty. Even though only briefly, this paper noted that analytical categories used to articulate exclusion (largely referring to social exclusion) are rooted in the cross-section of sociology and development studies. In contrast, there has been a growing body of literature on economics of poverty, a significant portion of which is devoted to the broader issues around targeting and programme packaging. Both sets have responded to programmes put into practice, and in course, have influenced programme designs. This paper recognizes the importance of insights into both exclusion and poverty derived from these engagements, but chooses to adopt an alternative perspective to raise fresh issues – both for programme designs and on the criteria one may desirably choose to assess programmes addressing poverty and the poor. The perspective developed uses the basic tools of demand and supply in ‘potent’ markets of goods and services.

The relations between excluded and poor have so far been raised with a focus on social exclusion only. Since we broaden this concept in terms of exclusions from numerous spaces, it could be argued that the poor are only a subset of the excluded, and not all excluded people are poor, while all poor are excluded from one or more spaces. This assertion has important implication for programme prioritization. Often programmes for the excluded may be promoted which have little or no implication for the poor. The analytical category called ‘exclusion’ however helps us to view poor and programmes for the poor within a different setting; and this paper tried to give light on the alternatives.

Validating the proposed framework on exclusion with empirical observations was beyond the scope of this paper. However, several conclusions are drawn from limited field studies and based on findings of several other studies undertaken by the Economic Research Group. One tentative conclusion of the paper is: gender, ethnicity, religion and disability are the primary attributes which define segments of population who are excluded primarily from the ideological/cultural spaces, subsequently leading into other forms of exclusion. While there are advocacy programmes (not discussed in this paper), no significant improvement can be

traced other than the fallouts (in terms of limited empowerment of rural women) of microcredit and NGO-initiated social mobilization programmes. And the (largely urban) advocacy programme had a setback during the revisions of the PRSP chapter on women – allegedly due to the coalition with religious groups<sup>18</sup>. No clear policy initiative is visible in the areas of religious minorities and ethnic groups – rather the forces of the market and globalization have been marginalizing the weaker parties. Limited evidence on religion-specific education figures and the persistent land-grabbing (by the state and private individuals) raise alarms on the state of exclusion in Bangladesh.

In the absence of adequate data and analyses, the above statements largely remain as conjectures, and future research may attempt to look into these in greater depth. At a general level, the focus was on various kinds of exclusion, following which, criteria for assessing programmes for the poor were developed. It followed logically since the poor constitute a subset of all excluded people. Barring for the limitations in definitions, it was shown that the hardcore poor are more likely to be excluded from some important spaces (of human activities/exchanges). This is no new finding – even before a programme is put in place, people excluded from one space, may be participating in a similar but differentiated space (different in quality and price). This has so often been discussed in the literature on microcredit (i.e. switching from moneylenders) and the present research takes cue from such happenings to explain why it happens. By the same reasoning, it is argued that any intervention in the name of hardcore poor is likely to introduce new segments in the spaces where services are delivered. Thus, success of programmes may be scaled in terms of their achievements in making poor included in the mainstream (i.e. main product/service space), or in a segmented space (from either complete exclusion or from previous inclusion in lower quality space), or not being able to include the poor in relevant spaces in any meaningful way. The criterion of finite-period intervention has been noted, but not looked into.

Evidence on education and health suggest segmentations in service market<sup>19</sup> – with several providers in each of these markets whose services are not homogenous. Relative association of urban poor with madrasa education (which is interestingly, similar across all expenditure groups in rural areas) and relatively a greater dependence on homeopaths/ayurveds amongst rural poor are the only clear associations one could find from the existing data. It is quite possible that current statistics fail to identify the segments in service markets that are in line with the pricing and locations presented in the proposed framework. Other data

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<sup>18</sup> Reference is made to the first PRSP.

<sup>19</sup> The background paper had dealt with the statistics, which have not been presented in this report.

sets may be analyzed in future to identify appropriate service/products and verify if any strong relations exist between various segments and the very poor.

Case studies on two areas with high incidence of poverty revealed five alternative approaches that are currently pursued to address hardcore poor. Ignoring the elements of cost, one finds the asset transfer (where the assets generate sustained flow of net earning) and wage employment in factories (that generate skills which can be sold in mainstream market as well) have an edge over other three programmes in reducing the degree of exclusion amongst hardcore poor. Growth that expands markets and ability of the poor to participate in markets – either as providers or as consumers – is clearly pro-poor. Unfortunately, such statements remain tautologies till such growth paths can be identified and realized. Once, capitalist path of development was perceived to have that magic touch which would embrace all into the folds of the markets. Countering such monolithic development, there are proponents of the “small” as well as of diversity. Unfortunately, the real world resembles neither of the two. Decades of development experiments in Bangladesh – particularly those aiming to reduce poverty – have clearly expanded their coverage and size of the delivery market. At the same time, however, they have introduced new segments in these markets and (also) in the society at large. It is possibly high time that we revisit the issues before engaging in another round of segmenting the society.

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# Annex

## Annex 1. Limited information on hardcore poor

National level statistics on poverty and poor normally distinguish between ‘absolute poverty’ and ‘extreme poverty’. The traditional practice of measuring incidence of poverty had been the Direct Calorie Intake (DCI) Method. Based on cut-offs in kilo calorie per capita per day, three measures are introduced – absolute poverty with the threshold of  $\leq 2122$  kcal/capita/day; hardcore poverty with the threshold of  $\leq 1805$  Kc/capita/day; and ultra poverty with the threshold of  $\leq 1600$  Kcal/capita/day<sup>20</sup>. Recent estimates reported in the Household Income and Expenditure Survey (HIES) 2005 primarily make use of Cost of Basic Needs (CBN) method. Under the CBN method, the cost of a fixed food bundle providing minimal nutritional requirements corresponding to 2,122 kcal per day per person was estimated<sup>21</sup>. This was added to an allowance for non-food expenditure in order to estimate the poverty line income. The upper poverty line, using the ‘upper non-food allowance’ provides the threshold for estimating ‘absolute poverty’, while the lower poverty line, using the ‘lower non-food allowance’ provides the threshold for ‘extreme poverty’. None of the poverty statistics referred to above corresponds exactly with the notion of ‘hardcore poor’.

In general, our perception of who the poor are remains largely defined in the income scale – an equivalence of purchasing power to avoid hunger. Yet, for practical policy targeting, hardcore poor are generally identified as individuals and/or households with certain characteristics (attributes); that enable policies to target them and implementing agencies to locate and reach them in various spaces.

If one goes by BBS definition based on direct calorie intake method, almost one-fifth of total population are hardcore poor and 7.8% are ultra poor (Table A.1). Concentration of both these groups is relatively higher in urban areas, even though the total size of hardcore and ultra poor is higher in rural areas, given the high share of rural population in total population.

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<sup>20</sup> See BBS 2006.

<sup>21</sup> The fixed food bundle consists of eleven items: rice, wheat, pulses, milk, oil, meat, fish, potato, other vegetables, sugar and fruits, as recommended by Ravallion and Sen (1996), based on Alamgir (1974).

**Table A.1. Incidence of poverty (Head count ratio) using DCI method**

	National	Rural	Urban	National	Rural	Urban	National	Rural	Urban	
	Absolute Poverty, ≤ 2122 kcal/capita/day			Hardcore	Poverty, ≤ 1805 kcal/capita/day			Ultra Poverty, ≤ 1600 kcal/capita/day		
2005	40.4	39.5	43.2	19.5	17.9	24.4	7.8	6.7	11	
2000	44.3	42.3	52.5	20	18.7	25	8.2	7.3	11.7	
1995-96	47.5	47.1	49.7	25.1	24.6	27.3	-	-	-	
1991-92	47.5	47.6	46.7	28	28.3	26.3	-	-	-	

Source: BBS 2005.

The conceptual framework proposed in this paper raised the issue of segmentation and had suggested two alternative ideas in understanding exclusion: (i) exclusion from one market does not necessarily preclude one from another market of similar (but with different characteristics) nature; and (ii) programmes to address exclusion very often lead to introduction of differentiated products and market segmentation. Several statistical exercises were undertaken with national-level survey data (such as, the Household Income Expenditure Survey of BBS) to assess clustering of attributes and exclusion spaces in Bangladesh, as well as on the degree of segmentation in the markets of certain social services. These exercises estimated the shares of providers in the markets of education and health services in Bangladesh, and found limited evidence on their associations with attributes that may suggest of segmentations. For example, a significant proportion of urban poor send their children to Madrasas; compared to others rural poor are more likely to avail NGO-delivered health services; and generally the poor tend to consult (relative to others) homeopaths and ayurvedic practitioners more frequently. Designs of current empirical studies partly limit any attempt to verify the proposition drawn from the approach to exclusion proposed in this study.

**Annex 2. Target groups under various pro-poor programmes**

Programmes	Implementing Agencies	Selection Criteria
Vulnerable Group Feeding (VGF)	Ministry of Food & Disaster Management.	<ol style="list-style-type: none"> <li>1. Day labourer whose income is low or irregular.</li> <li>2. Landless or those who have less than 0.15 acres of land.</li> <li>3. Autistic persons or wife of physically disabled person.</li> <li>4. Destitute poor women/men affected by natural disaster.</li> </ol>
Vulnerable Group Development (VGD)	Ministry of Children & Women Affairs in collaboration with WFP.	<ol style="list-style-type: none"> <li>1. Landless or households with not more than .15 acres of land.</li> <li>2. Monthly household income is less than 300; depend upon seasonal wage employment.</li> <li>3. Lack of Productive Assets.</li> <li>4. Day labourer or temporary workers.</li> <li>5. Women must be aged between 18- 49.</li> </ol>
Old Age Allowance	Ministry of Social Welfare.	<ol style="list-style-type: none"> <li>1. At least 65 years of age.</li> <li>2. Income not more than Tk. 2000 per year.</li> <li>3. Must not have worked in the formal sector.</li> </ol>
Allowance to the Widowed, Deserted and Destitute Women.	Ministry of Social Welfare.	<ol style="list-style-type: none"> <li>1. Poor, helpless left by their husbands.</li> <li>2. Women who are widowed.</li> </ol>
Programmmed Initiatives for Monga Eradication	PKSF. Donor: PKSF's own fund and DFID, Food Security Programme of EC	<ol style="list-style-type: none"> <li>1. Women and children-headed households, especially widows and divorcees who have no income-earning member.</li> <li>2. Families with limited assets.</li> <li>3. Elderly persons and disabled.</li> <li>4. Beggars.</li> <li>5. Women with newborn babies and children suffering from malnutrition.</li> <li>6. Day labourers.</li> <li>7. Those prone to frequent migrations to other areas for jobs.</li> </ol>

[Continued...]

## Annex 2 (Continued...)

Programmes	Implementing Agencies	Selection Criteria
Community Based Fisheries Management Project II	1. World Fish Center 2. Department of Fisheries Donor: DFID	1. Poor fishing households.
Project Dignity	Padakhep Manabik Unnayan Kendra. Donor: Grameen Trust, Citi Group.	1. Beggars.
Financial Services for the Poorest (FSP)	PKSF Donor: WB	Based on observables used by partner organizations during PRA
Honorarium Programme for Insolvent Freedom Fighters.	Ministry of Freedom Fighters Affairs.	1. Disabled or partially disabled FF. 2. Landless or Unemployed FF. 3. None in the family to depend upon.
Fund for Housing for the Distressed. ( <i>Grihayan</i> programme)	Housing Fund authority in association with NGO.	1. Rural poor, low income & homeless family. 2. Household affected by natural disaster and fire.
Food –for-Works (Rural Infrastructure Development Programme)	DLGED & DSS.	1. Functionally landless. 2. Lack of productive assets. 3. Day labourer or temporary workers. 4. Family headed household where women is widowed, deserted and destitute.

[Continued...]

## Annex 2 (Continued...)

Programmes	Implementing Agencies	Selection Criteria
Rural Maintenance Programme	DLGED, CARE.	<ol style="list-style-type: none"> <li>1. Less than 30 decimals of land.</li> <li>2. Destitute family circumstances.</li> <li>3. Family headed household where women has 18-35 years of age.</li> <li>4. Widowed or separated at least one year.</li> <li>5. No other income and not participating in other targeted programmes.</li> </ol>
Basic Skills Training Programme. Vocational Education	UCEP	<ol style="list-style-type: none"> <li>1. Working children living in urban slums, shanties.</li> </ol>
ARISE	Department of Social Services.	<ol style="list-style-type: none"> <li>1. Street children.</li> </ol>
Rural Poverty Alleviation Programme (RPAP)	BRDB	<ol style="list-style-type: none"> <li>1. Moderate poor</li> </ol>
Palli Pragati Prakalpa	BRDB	<ol style="list-style-type: none"> <li>1. Moderate poor</li> </ol>
Targeting Ultra Poor (TUP)	BRAC Donor: DFID, EU	<p>Exclusion indicators (needs to dissatisfy all) Any member of the household has current NGO participation. Any member of the household receives benefit from GoB programmes. No physically able woman in household.</p> <p>Inclusion indicators (needs to satisfy any two) Owned land of household including homestead less than 10 decimals. No adult working man in household. School-going aged children working. Adult woman selling labour. No productive assets.</p>

### **Annex 3. Scope of the field study and summary findings**

#### **Note on field study**

Two districts were selected purposively, namely Nilphamari<sup>22</sup> and Netrokona<sup>23</sup>. Nilphamari, located in North Bengal, is traditionally identified as a poor area with the main cause of poverty being river erosion. Netrokona, on the other hand, suffers from poverty due to a lack of investment and employment opportunities.

The study categorizes the NGO programmes for extreme poor into five approaches upon observing the different programmes run by various leading NGOs in the country. These approaches are described in this paper as alternative models of service delivery and named as follows: asset transfer, wage employment, credit in kind, credit in cash, and Rural Maintenance Programme (RMP).

The study draws upon extensive interviews and focused group discussions (FGD). Interviews administered in 2005 were taken among selected programme planners, programme officers and 10 randomly selected beneficiaries from each approach from the selected areas. FGDs were conducted at two levels. First, in each location, a FGD was conducted among the programme officers of the five selected approaches. Second, for each programme, FGDs were conducted among beneficiaries in both locations. Details on the programmes are presented in this Annex.

In search of real life examples of the categories used in the study, field investigations centered around activities under Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor (CFPR-TUP) of BRAC for asset transfer; shoe factories under TUP-BRAC for wage employment; Shabolomby's credit-in-kind programme; ASA's credit programme for credit-in-cash; and the RMP. The components of each of these programmes are as follows: asset transfer and wage employment (TUP-BRAC) – training, stipend, awareness, health service, education service, savings, village elite; credit-in-kind (Shabalomby) - training, stipend, awareness, emergency fund, savings, social network; Credit-in-cash (ASA) – awareness, savings, village elite; RMP – awareness, savings and social network.

#### **Description of the programmes studied**

##### ***Asset transfer***

This programme seeks to improve the livelihood of the HCP by directly increasing their access to various types of productive assets. The types of assets that are suitable for transfer to HCP are largely limited by their skills levels and their consequent capability to effectively utilize those assets. Therefore, the assets to be given to the HCP are often in the form of domesticated animals, with the view of engaging HCP households in livestock rearing or poultry. Assets are also transferred in the form of “user rights”, in which case agricultural land or water bodies are leased to HCP to be used for income

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<sup>22</sup> 61.18% of the population lives below the poverty line.

<sup>23</sup> 53.32% of the population lives below the poverty line

generation. Other small assets may also be given to those who wish to undertake small scale non-agricultural production.

Asset transfer is often seen as a more viable programme for the HCP than engaging them in any form of microcredit schemes, since they often do not have a regular source of income and are therefore ineligible for credit. If the HCP were given cash grants instead of credit, these are most likely to be used for urgent consumption purposes, rather than being invested in income generating activities. Hence, such grants will not have any long term impact on poverty alleviation. From a management point of view, non-repayable cash grants are very difficult to monitor and the chances of misuse of such funds are quite high. The idea of giving grants in kind, in the form of physical assets or access/user rights to such assets overcomes such difficulties and has more potential.

### ***Wage employment***

Field observations reveal that the HCP have little or no education and their level of skills is very low. Most of them depend on seasonal employment, which is the root cause of their poverty. A secure source of income is necessary to bring these people out of poverty. In order to achieve this, programmes have been designed to provide training to members of HCP household in particular skills, and subsequently arrange employment for them at local factories. This provides a permanent and regular source of income without the risks or hassle involved with asset transfer (i.e. the livestock may be diseased or inadequately nourished if enough income is not generated from them).

### ***Credit in kind***

Opponents of asset transfer argue that, since the grants are unconditional and non-repayable, there is no pressure on the recipients to use the assets efficiently. Such initiatives may also create dependence. On the other hand, if the same assets are purchased and given to the HCP on credit, then they are liable to repay the purchase price of the asset through weekly installments. This will not only ensure that the assets are used efficiently so that the installments can be paid, it will also familiarize these groups with microcredit norms. This will increase the likelihood of their participating in regular micro finance programmes once their extreme poverty condition is overcome.

Credit in kind might also be more effective than credit in cash since female headed households (which are predominant among the HCP), face social constraints to market access and therefore may not be able to use the cash productively.

### ***Credit in cash***

The HCP are not eligible for microcredit because their earnings are inadequate to meet the weekly repayments. However, if the installment payments can be made on a monthly basis, they may be able to use the cash to generate sufficient income and meet the monthly repayments from their savings. Credit in cash might also be preferred to credit in kind from the point of view of the beneficiaries, since cash gives them the freedom of use. The beneficiaries can identify their areas of interest and choose an income generating activity according to their comparative advantage, which would increase efficiency.

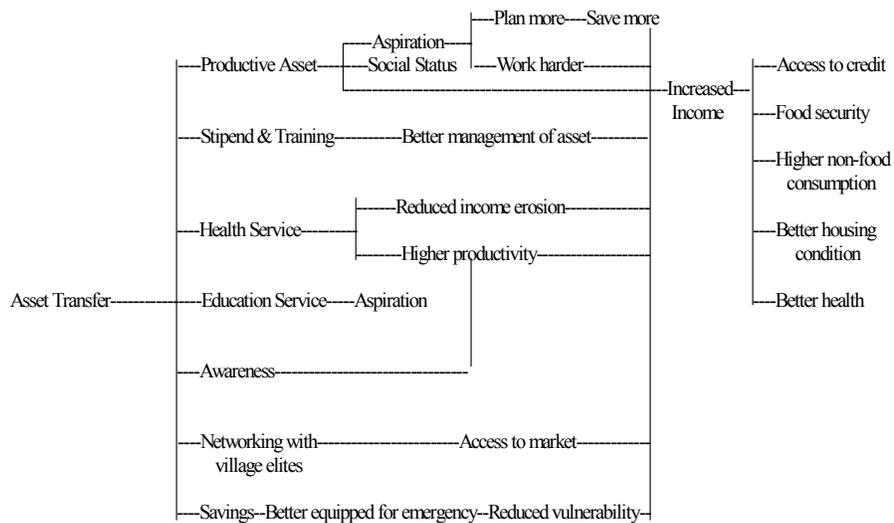
**Rural maintenance programme (RMP)**

While secure employment may be the key to improving livelihoods of the HCP, providing job opportunities through construction of factories in rural areas will not be financially feasible if the programmes are to be undertaken on a large scale. As an alternative to permanent employment creation, the RMP provides employment for female members of HCP households in maintaining rural earth roads, for a period of four years. During this time, they are also encouraged to save and take credit from NGOs in order to engage in other more sustainable income generating activities. Therefore, the RMP can be thought of as a supplement to the Wage Employment programme.

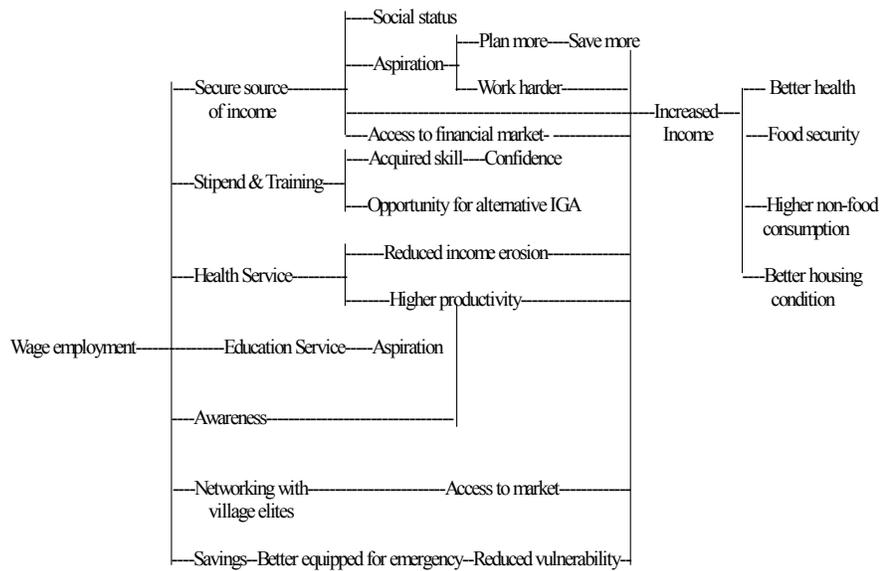
**Impact path and findings**

The approaches discussed above attempt to reach the HCP and address the poverty issue in different ways. The paths taken by the different approaches are shown in Figure A.1 to A.5 and the findings on their impact are shown in Table A.2. In reality, evidence of such a smooth route to recovery for any programme is rare if at all existent. During implementation, it is often seen that not all the components can be delivered as planned. Changes are adopted for convenience and even success of the programme. As such, distortions come about both at implementation and impact. The table below illustrates some of the field observations. While some components are provided as planned, there are many deviations as well at all levels, namely targeting, enterprise selection, components and therefore impacts.

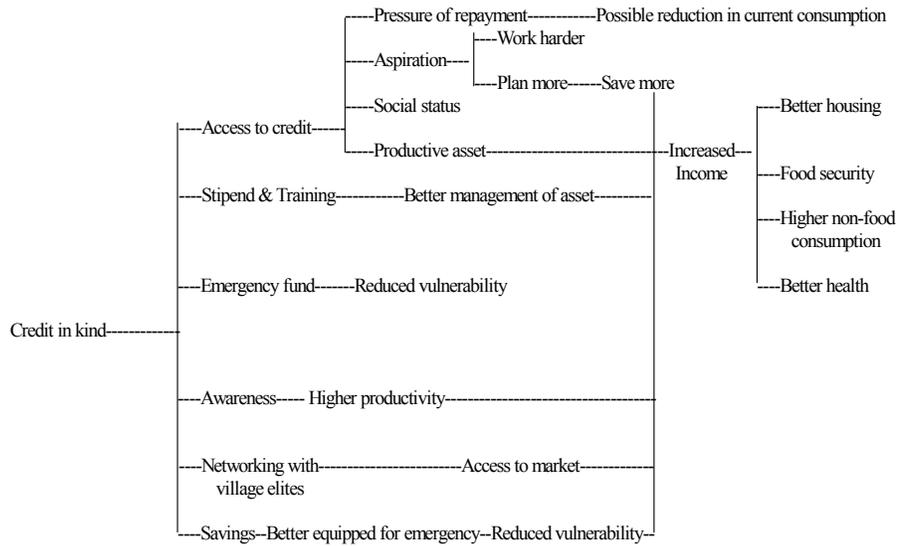
**Figure A.1. Road map of asset transfer**



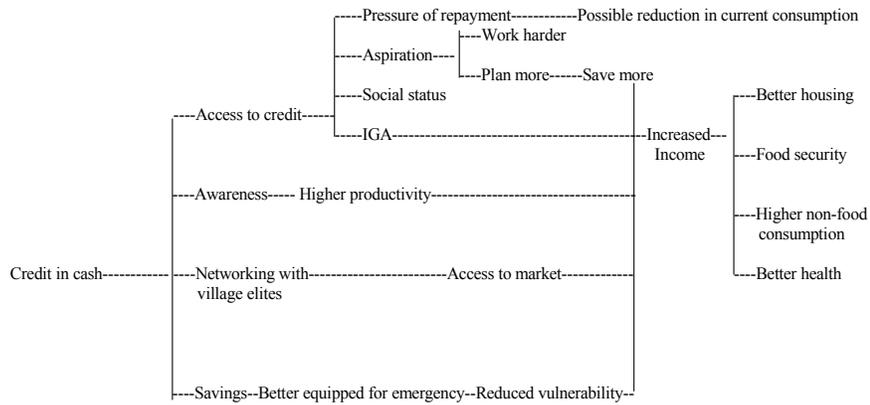
**Figure A.2. Road map of wage employment**



**Figure A.3. Road map of credit in kind**



**Figure A.4. Road map of credit in cash**



**Figure A.5. Road map of RMP**



**Table A.2. A comparative analysis based on field observations**

	Asset transfer	Wage employment	Credit in kind	Credit in cash	RMP
Targeting criteria	- Apart from few rare occasions mis-targeting is rare. - This approach can only address a particular subset of HCP with working aged female and school going children in the household.	- To make the shoe factory sustainable they sometimes take in employees who are adept but do not belong in the poorest strata of the community. - This approach includes the HCP who are quick learner and willing and able to work outside.	- Beneficiaries fulfill targeting criteria in most cases. However, selection is done on the basis of the households' ability to use the asset productively as it is a credit programme. - Again those among the HCP who have the ability to put assets to productive use are selected.	- Mis-targeting is minimum. - This approach do not target the poorest as there has to be an earning member in the household.	- Targeting is most efficient in this approach as the moderate poor will self exclude themselves as this job is considered demeaning.
Enterprise selection	Productive asset is arbitrarily fixed by the NGO and given to HCP households irrespective of their preference of the enterprise.	Access to regular labour market is not created. HCP are employed in a subsidized factory.	Enterprise is selected by the NGO on the basis of the household's ability.	There is no interference from the NGO when it comes to use of credit in this programme.	
Implementation of components	Stipend – In some cases it was observed that the NGO retained the stipend as a form of forced saving. Health and Education – Free health and education services are given to only those beneficiaries	Health and Education – Free health and education services are given to only those beneficiaries who live close to areas with existing NGO schools and hospitals. Awareness – Mechanisms of	Emergency fund – It is a unique component not evident in any other programmes. It is created a buffer against adverse shock. Social network – This component connects the	Awareness –Mechanisms of effective implementation of issues discussed in the awareness programme are not evident. For example, tubewells	Awareness – Mechanisms of effective implementation of issues discussed in the awareness programme are not evident.

[Continued...]

Table A.2 (Continued...)

	Asset transfer	Wage employment	Credit in kind	Credit in cash	RMP
	<p>who live close to areas with existing NGO schools and hospitals. Where there are no NGO schools and hospitals beneficiaries are connected to the nearest government facilities.</p> <p>Awareness –Mechanisms of effective implementation of issues discussed in the awareness programme are not evident. For example, tubewells and latrines within a close vicinity of HCP households are not ensured.</p> <p>Village elite – It is used for east access of NGO into the village rather than connecting with the beneficiaries.</p> <p>Savings – Savings is forced in nature and withdrawal is very difficult.</p>	<p>effective implementation of issues discussed in awareness programme are not evident. For example, tubewells and latrines within a close vicinity of HCP households are not ensured.</p> <p>Village elite – It is used for east access of NGO into the village rather than connecting with the beneficiaries.</p> <p>Savings – Savings is forced in nature and withdrawal is very difficult.</p>	<p>beneficiaries to the market effectively. Awareness – Mechanisms of effective implementation of issues discussed in the awareness programme are not evident. For example, tubewells and latrines within a close vicinity of HCP households are not ensured.</p> <p>Savings – Savings is forced in nature and withdrawal is very difficult.</p>	<p>and latrines within a close vicinity of HCP households are not ensured.</p> <p>Village elite – It is used for east access of NGO into the village rather than connecting with the beneficiaries.</p> <p>Savings – Savings is forced in nature and withdrawal is very difficult.</p>	<p>For example, tubewells and latrines within a close vicinity of HCP households are not ensured.</p> <p>Savings – As the programme is short-term in nature the beneficiaries save aggressively.</p>

[Continued...]

Table A.2 (Continued...)

	Asset transfer	Wage employment	Credit in kind	Credit in cash	RMP
Impacts	<ul style="list-style-type: none"> <li>- Owning a productive asset largely enhances aspiration.</li> <li>- Assets handed over were not immediately productive. Therefore sustaining the asset becomes an additional expenditure which could lead to a decrease in net income.</li> <li>- Those who get free health and education services benefit more as they enjoy reduced expenditures.</li> <li>- Owning a productive asset increases social status of individuals within the community.</li> </ul>	<ul style="list-style-type: none"> <li>- Wage employment ensures increased and secure income.</li> <li>- This enables beneficiaries to access informal credit.</li> <li>- It increases the current consumption.</li> <li>- As they receive training for factories they gain in skill and confidence. But the acquired skill is redundant outside the programme as there are no other shoe factories in the vicinity.</li> <li>- Those who get free health and education services benefit more as they enjoy reduced expenditures.</li> <li>- Factory jobs are considered more prestigious.</li> </ul>	<ul style="list-style-type: none"> <li>- In this programme the received asset is immediately productive as repayment has to be made from the very beginning. Therefore there is a definite increase in income. However, weekly repayment coupled with forced savings often creates a negative pressure on the current consumption.</li> <li>- The compulsion on repayment make the beneficiaries work harder and save more. - The provision of emergency fund reduces vulnerability of these groups against any adverse shocks.</li> </ul>	<ul style="list-style-type: none"> <li>- The credit is often used for immediate need fulfillment rather than IGA.</li> <li>- Here too exists the pressure for repayment which creates a negative pressure on current consumption.</li> </ul>	<ul style="list-style-type: none"> <li>- This programme ensures increased and secure earnings for the beneficiaries.</li> <li>- This allows them access to the credit market.</li> <li>- As the job is for a limited period of time the beneficiaries are compelled to save more and plan for the future. Thus despite increased earnings there was little positive impact on current consumption.</li> <li>- Secure income and inclusion in financial market add aspiration to their lives.</li> </ul>