

PROTECT THE POOREST

Implement the National Social Security Strategy with the right mix of technology

SHAZIA OMAR

THE honourable Prime Minister Sheikh Hasina has promised to eradicate extreme poverty by 2021 and has made remarkable progress towards this goal. Over the past five years, an estimated 10 million people have made the catalytic leap out of extreme poverty and onto the first rung of the economic ladder. This has been possible because our government has recognized the extreme poor as a group very different from the poor, a group with different needs.

The extreme poor need livelihood support to 'graduate' out of extreme poverty, over and above monthly support such as safety net transfers to meet daily consumption needs. Successful livelihood programmes such as BRAC's CFPR and those nested within the LGRD ministry have contributed to the goal. To empower the remaining 15 million people (3 million families) to climb out of extreme poverty, we need scaled up livelihood programmes (for graduation) and effective safety nets that reach the poorest.

The government's formulation of a National Social Security Strategy (NSSS) is a positive step forward. The strategy highlights the need for a consolidation of safety net programmes, collaboration between ministries, a lifecycle approach to meet the changing needs of individuals and modern technology for efficient management overall.

Efficient targeting, selection and enrolment of the poorest

According to the Union Parishad Law, beneficiaries of safety net programmes should be picked at public assemblies (*ward shobhas*) by the community themselves. In reality, these meetings are irregular and the task of selection falls upon the union chairman who could just as well toss a coin to decide who should or should not receive support. In other countries, to facilitate fair and transparent selection, a single central registry of the extreme poor is developed with the help of com-

munity participation and clear targeting criteria. Perhaps, we too should develop a single central registry of the 3 million extremely poor families that need attention and support. A digital database of this sort can be used to identify what stage of the lifecycle extremely poor people are at, in order to match them to suitable safety nets.

Targeted support to deal with shocks

Even with regular safety net support, shocks such as floods, theft, eviction, illness, death and disability can throw a family back into the trenches of extreme poverty. These shocks need to be dealt with on a household by household basis. One NGO managed this challenge by empowering its field staff with mobile phones to collect data on households regularly so that support packages could be quickly delivered to families struggling to cope with shocks. This model could be replicated by empowering local government officers with smartphones and training to collect critical real-time data. Since health shocks are the most frequent cause of descent into

gaining popularity in Bangladesh and elsewhere. Perhaps the extreme poor should be brought into the fold of such services too.

Educational training coupled with social transfers

The extreme poor are predominantly uneducated so to ensure that government entitlements are used wisely, transfers should be accompanied by training. The World Food Programme (WFP) conducted a study this year with Vulnerable Group Development (VGD)/Vulnerable Group Feeding (VGF) that proved when transferring cash or food, if behavioural change communications (BCC) are included, the impact on the lives of the extreme poor is much greater. Shiree/ BRAC's models rightly recognise the importance of field officers who deal with 100-200 families each, often dedicating themselves with passion and commitment to provide support and coaching to ensure these families are able to graduate. EBK also has a strong field force, however, they have not had the same level of training that the donor-

driven field staff have had. In the future, mobile educational content may be a viable way to transfer knowledge around



the clutches of extreme poverty, health insurance and better delivery of free health care services need to be developed. Many mobile-based health solutions are

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key livelihood topics, both to train field officers and to directly educate beneficiaries.

Mechanism for impact monitoring

A major shortcoming of the previous safety net programmes was the absence of a monitoring and evaluation system. There was no formal mechanism for reviewing the performance of the programmes either at the national or individual level. NSSS has assigned this task to a Central Monitoring Committee under the Cabinet Secretary. When measuring the impact of safety nets on the extreme poor, multi-dimensional poverty indicators should be considered. This data can help identify what works and what does not, so successful programmes can be scaled up and unsuccessful ones, closed down. Performance measures can also be used to incentivise union chairmen and local government officers to better serve the poorest by attaching rewards to these measures.

Technology is not the panacea to all ailments in the fight against poverty but it certainly can improve the efficiency of large-scale programmes and should be applied to benefit the poorest! To increase the use of technology in managing and monitoring safety nets, local government access to technology needs to be increased through education and awareness. Fear and resistance to technology at a local, district and national level needs to be overcome. More user-friendly (Bangla/icon-based) materials need to be developed set in this context.

Thanks to the innovative Digital Bangladesh initiative and the efforts of the ICT ministry and A2I, Bangladesh is poised to take advantage of modern technology in a way that other SAARC or African countries are not. With creative technology, our current political will and a strategic implementation of the NSSS, Bangladesh can surge ahead to achieve the SDG goal of eradicating extreme poverty, by our 50th birthday, and WOW, what an achievement that would be!

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Is the Renminbi ready to go global?

Pressure from the IMF suggests that, with time China will indeed move towards a more open capital market. But that creates other challenges for Asia's largest economy.

SHARJEEL HAQUE

TOWARDS the end of this year, the International Monetary Fund (IMF) will decide on whether to include the Chinese Renminbi (RMB) in its basket of currencies represented by the Special Drawing Rights (SDR). The SDR is an international reserve asset comprising of an elite league of currencies - the U.S. Dollar, Pound Sterling, Japanese Yen and the Euro. Acceptance into this league means China will become the first emerging economy to play host to a global reserve currency. Most importantly, it will substantiate China's growing leadership role in the international monetary system. But taking on this role needs to be supported by economic fundamentals - does China merit this coveted status from an economic standpoint?

Traditionally, the RMB has been carefully managed by the People's Bank of China (PBoC) and its 1.9 percent devaluation on August 11 was the largest one-day drop since 1994. This was followed by further rounds of devaluation the very next two days. This critical decision to devalue the currency was fueled by two major factors. First - to meet the IMF's market-based pricing demands for inclusion into the SDR basket; second, to revive its fledgling economy. There is little argument against the fact that China's conventional investment-export economic model seems to have run out of steam and growth has entered shaky terrains. It will take quite some time before the government is successful in transitioning the economy to the much healthier consumption-based model. In such a scenario, would central banks be better off with the RMB as part of their reserves given that it would bring along significant country-specific risk?

The true characterisation of an international reserve currency is earned

when investors feel safe in putting their wealth in it, especially during global volatility. Is that the case for the RMB? Investors will be aware that this is not a temporary slowdown in China. After all, China refused to devalue the RMB during the global and the Asian financial crises. It is a testament to the severity of the downward growth trajectory that has prompted the central bank to undertake this historic change in exchange rate policy. Also, one cannot rule out further episodes of depreciation in China. This in turn will make Renminbi-denominated assets less attractive to investors, leading to lower foreign investments and possibly, capital outflows.

The issue of capital flows raises a key requirement of a global reserve currency - it has to be "freely usable". This necessitates full capital account liberalisation. China's capital account, although has become relatively more open in recent years, still does not match the level of openness that one would associate with a global reserve currency. Trade credit, offshore borrowing, inward and outward portfolio investments are all subject to control at varying degrees. The interest rate is not market-determined.

Pressure from the IMF suggests that, with time China will indeed move towards a more open capital market. But that creates other challenges for Asia's largest economy. With growth slowing and an impending U.S. Federal funds rate hike, the country will face significant risk of net capital outflows. This will hurt the economy even more, compelling the government to intervene - the very concept the potential reserve currency holder is trying to move away from.

China's long history of regulatory intervention will now be put to the test as PBoC tries to make the RMB reserve-currency material. Transitioning to an



intervention-free exchange rate regime any time soon is unlikely since the RMB is still overvalued. Especially since the U.S. Dollar has significantly strengthened in recent months and the RMB has been pegged to it throughout. Essentially, the RMB has appreciated as well against other currencies. This implies that allowing the exchange rate to float would lead to further devaluation. China would want to avoid a devaluation scenario comparable to the recent one, given that it could lead to currency wars with major trade partners and other advanced economies. Such episodes would be politically harmful for the country at a time when it is trying to gather support from much of

the world in its bid to take on greater share of global financial leadership; meaning, intervention would still be necessary.

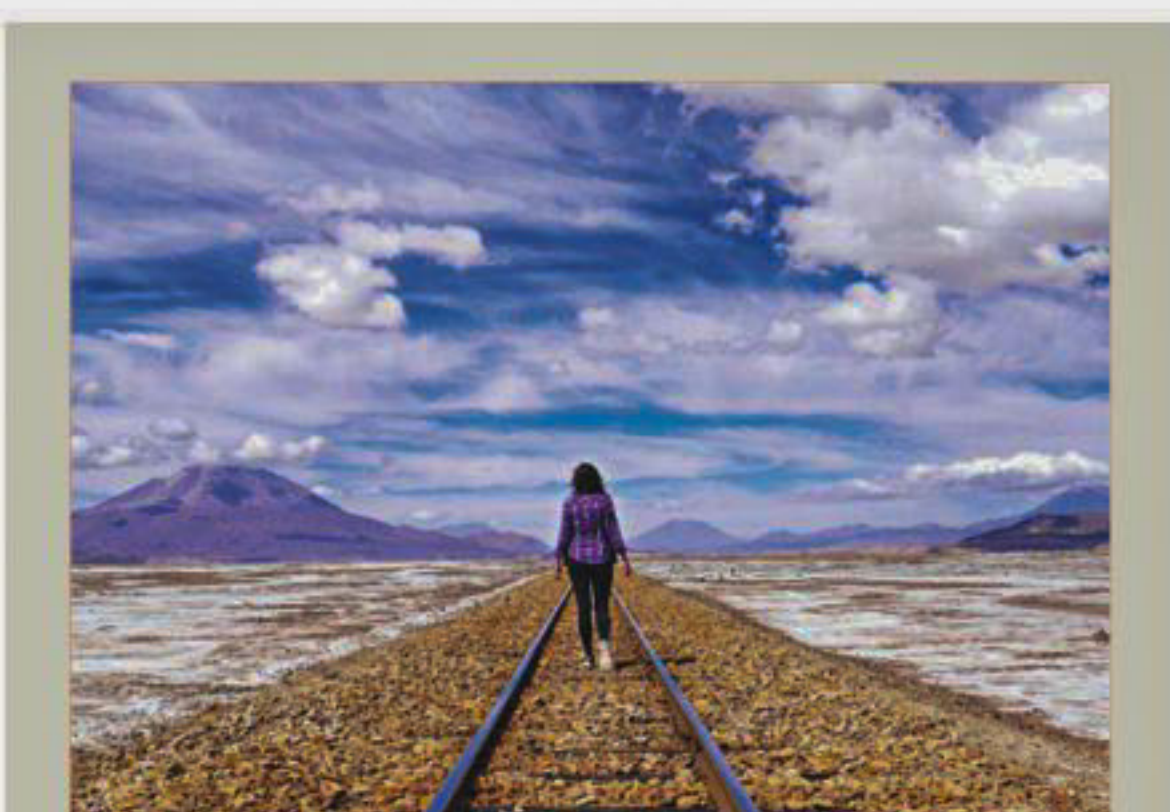
Finally, a potential reserve currency needs to be backed by mature financial markets. However, China's equity market still does not possess quality institutional investors like other reserve-currency holders. According to Reuters, 85 percent of trade in the equity market is retail. This is mostly individuals who do not have the investment acumen necessary to make prudent calls and end up contributing to equity price volatility. On top of that, China's bond market is only 51 percent of GDP, as of March 2015. The figure for the United

States is around 220 percent. Former U.S. Fed chairman Ben Bernanke warned that China's bond market needs to have much more depth for the country to have a viable reserve currency.

As a takeaway, we need to remember that internationalisation of a currency has its fair share of responsibilities in terms of establishing stability in the global monetary system. These responsibilities will be challenging to fulfill if the host economy itself is not supported by economic fundamentals. The story does not end at just getting the status and a symbolic victory.

The writer is a macroeconomic analyst based in Washington D.C.

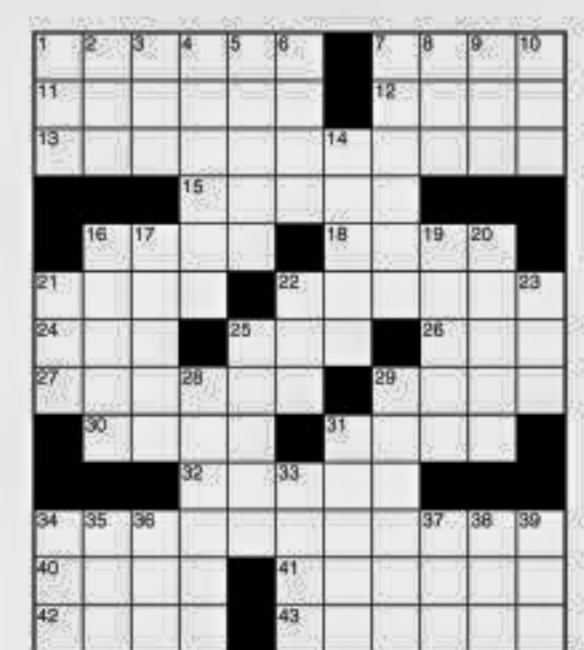
A WORD A DAY



AGROMANIA
An intense desire to be alone or out in the open

CROSSWORD BY THOMAS JOSEPH

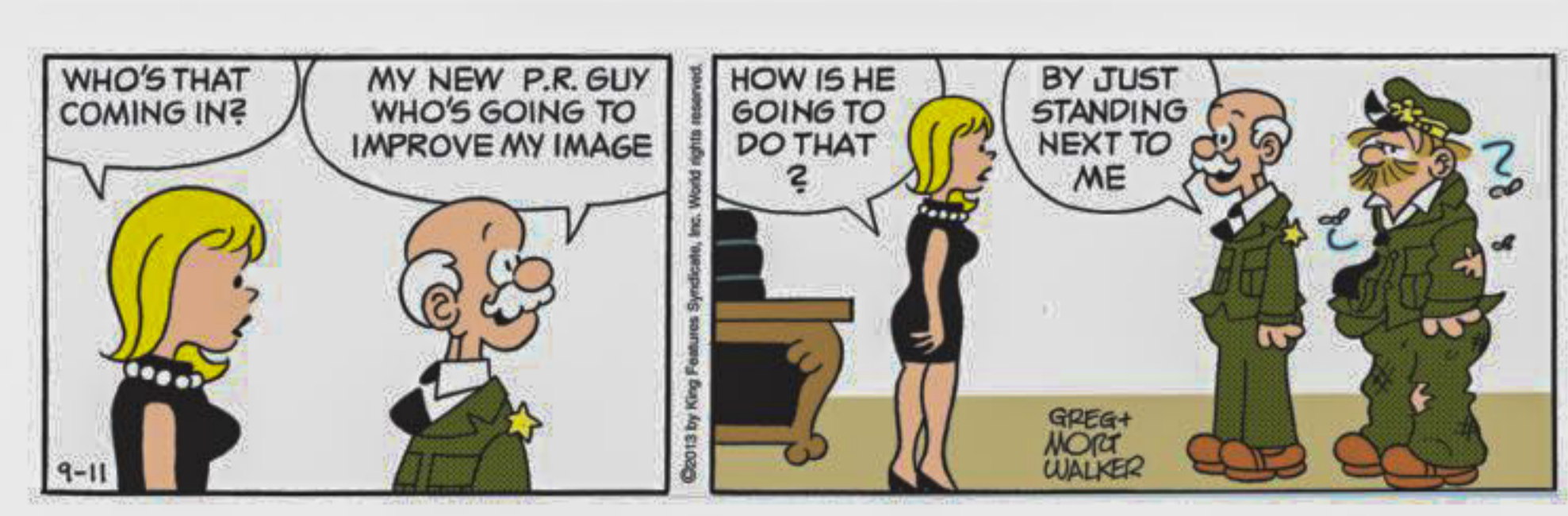
- ACROSS**
- 1 Least bright
 - 7 Book unit
 - 11 Immediately
 - 12 Norse god
 - 13 Money paid to make amends
 - 15 Stallions' mates
 - 16 Like abysses
 - 18 Snack
 - 21 Tow
 - 22 You can bet on them
 - 24 Botdeaux buddy
 - 25 Cochlea setting
 - 26 Make knots
 - 27 In a sluggish way
 - 29 Job for Sherlock
 - 30 Dune makeup
 - 31 Pucker-inducing
 - 32 Major criminal
 - 34 Kin of divorces
 - 40 Kitchen appliance
 - 41 Outlaw
 - 42 Crooked
 - 43 Nodding, perhaps
- DOWN**
- 1 Golf goal
 - 2 Had lunch
 - 3 Cut off
 - 4 Tooth coating
 - 5 Throw away
 - 6 Eye drop
 - 7 Arsenic, for one
 - 8 Commotion
 - 9 Pink lady ingredient
 - 10 Print units
 - 14 Caruso, for one
 - 16 "The Three Musketeers" author
 - 17 "My Fair lady" role
 - 19 Indian lute
 - 20 Bank job
 - 21 Buddy
 - 22 Salary
 - 23 Catch sight of
 - 25 Tribal leader
 - 28 Baby
 - 29 Dog
 - 31 Wreck beyond repair
 - 33 Research settings
 - 34 Cry loudly
 - 35 Cain's mother
 - 36 Writing tool
 - 37 Poem of praise
 - 38 Wee bite
 - 39 Pig's place



YESTERDAY'S ANSWER

A DOBE A P R O N
M I R E D M I A M I
I D E A S N E P A L
T E T E T R E
D E V I L I S H
E D E N S T E A K S
W I N G S Y A L I E
S E T U P S T I L E
P O U R I T O N
R A W T E E N
A W A I T A G A T E
F A R C E P U R E R
T Y P E D S P E A R

BEETLE BAILEY by Mort Walker



BABY BLUES by Kirkman & Scott

