

# Employment for Poverty Reduction in Bangladesh:

## A Review of the Rural Maintenance Program



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## Objective

- \* Review performance of the Rural Maintenance Program (RMP) in Bangladesh
- \* Suggest ways to design RMP as a tool to create employment for the poor

## Outline

- **Growth and poverty in Bangladesh**
- **Rural employment in Bangladesh**
- **RMP – the program**
- **Impact**
- **Fundamental problems/strengths**
- **Designing RMP for the future**

**Headline news, October 10th 2006**

***Inequality deepens – rich poor gap in villages widen,  
though poverty declines in 5 years***

***Rural Gini coefficient rises from 0.393 in 2000 to 0.428 in 2005***

**Growth – inequality – poverty in Bangladesh**

**❖ Growth process**

Liberalization  
Active NGO participation  
Innovation in agriculture  
Microfinance  
Export of unskilled labor

**❖ Outcomes**

5-6% annual growth rate  
Improvement in human development indicators  
Reduced poverty  
Substantial growth in industry (construction)  
Lower dependence on agriculture

**❖ Challenges**

Increasing inequality  
Low response in unemployment to growth  
Poor governance

## The changed face of employment in rural Bangladesh

- *Rural-urban continuum*
- *Changing livelihoods – hands not land*
- *Diversification – a common household strategy*
- *Self employment over agricultural labor*
- *Seasonal rural-urban, rural-rural migration*
- *Participation of women*

### ***But some things seem to never change...***

- *Informal market participation (90%)*
- *No skills, no technology, no investment*
- *Limited options for women*

## Targeted employment strategies in Bangladesh

➤ **Self employment** (*NGOs and Government incentives*)

*Not fit for all, particularly not for the poorest*

➤ **Targeted and short term employment** (*FFW*)

*High cost, high leakage, low impact, low capacity for adopting new technologies and managerial skills*

➤ **Wage employment**

*Low private investment, low productivity*

Employment generation appears in the PRSP only as an outcome or impact of interventions – e.g.. SME development

# The Rural Maintenance Program (RMP)

Objective – Provide employment to rural disadvantaged women and maintain rural earthen roads

Year of inception – 1983

Funding – Government of Bangladesh, CIDA, EC

Management – CARE Bangladesh, Local Government Division

## **Contract**

Year round employment (6 hours for 6 days a week) for four years

Main task – regular maintenance of rural earthen roads

Wage – lower than local minimum  
(after compulsory savings)

## Operation steps

1. Public announcement for recruitment
2. Selection through criteria
3. Groups of ten formed
4. Groups trained on road maintenance and basic literacy/numeracy
5. Wages (minus one-fifth retained as savings) disbursed from banks
6. Regular training on basic health, social and legal rights
7. In the 3rd and 4th years, training for management skill development

**Local government actively involved in 1, 2 and 5**

- In 2005, RMP operated in 61 out of the 64 districts of Bangladesh – over 90% of the unions
- 42,000 women employed (over 181,000 cumulative)
- Annual budget – \$ 27 million
- In July 2006 the operation of the program was handed over to the government

# Impact



- **High savings rate**
- **Microfinance engagement**
- **Multiple income generating activities**
- **Entrepreneurial skills development**
- **Breathing space for clear future planning**

- **Higher income after graduation**
- **Self confidence**
- **Social inclusion**



## Why should we hang on to RMP?

- Cheap and effective targeting
- Effective partnership of government, NGO and community
- Good governance and good management
- Wide acceptance – potential entry point
- Easily accessible for target population
- Confidence building of the poorest
- Positive impact on poor households

## **Fundamental problems with the model**

- 'Graduation' to self employment
- Financially unsustainable without donor support – little incentive to scale up
- Relief versus mainstream development
- No guarantee of sustainable impact on participant households
- Low coverage
- Lack of innovation

## Learning from other models

### **The BRAC Experiment**

Diversification in providing employment for the poorest

Small factories (sanitary napkin, shoe, bakery)

*Key strategy – Local inputs and local skills for local markets*

Financial sustainability – Jobs outlive project (possibility of handing management over to community/local entrepreneurs)

Potential to attract private investors to the rural areas

## Lessons to take forward

- ✓ Diversify activities under ‘public works’ to increase coverage
- ✓ Use government’s capacity for scale, NGO’s efficiency for grassroots operation and community’s knowledge of local strengths
- ✓ Aim for employment opportunities that outlive funding
- ✓ Local market is key for employing the abundant unskilled labor force – a population of 140 million is a promising market as well as the biggest resource of the country
- ✓ Minimize time and resource waste due to poor governance
- ✓ Define roles and incentives for each stakeholder – particularly government officials – create pressure on local government representatives to create year round employment opportunities

*It is time for Bangladesh to seriously think about how to change the nature of the growth process to reduce inequality and accelerate poverty reduction*

*Employment creation is not the only solution to our problems – but it is certainly an essential element in any strategy we take*

*Sufficient political will and commitment to provide secure employment opportunities to the poorest (not just as an impact of other strategies) required*

*Build on lessons learnt from existing models to reduce time wasted on designing models*

*Thanks!*

