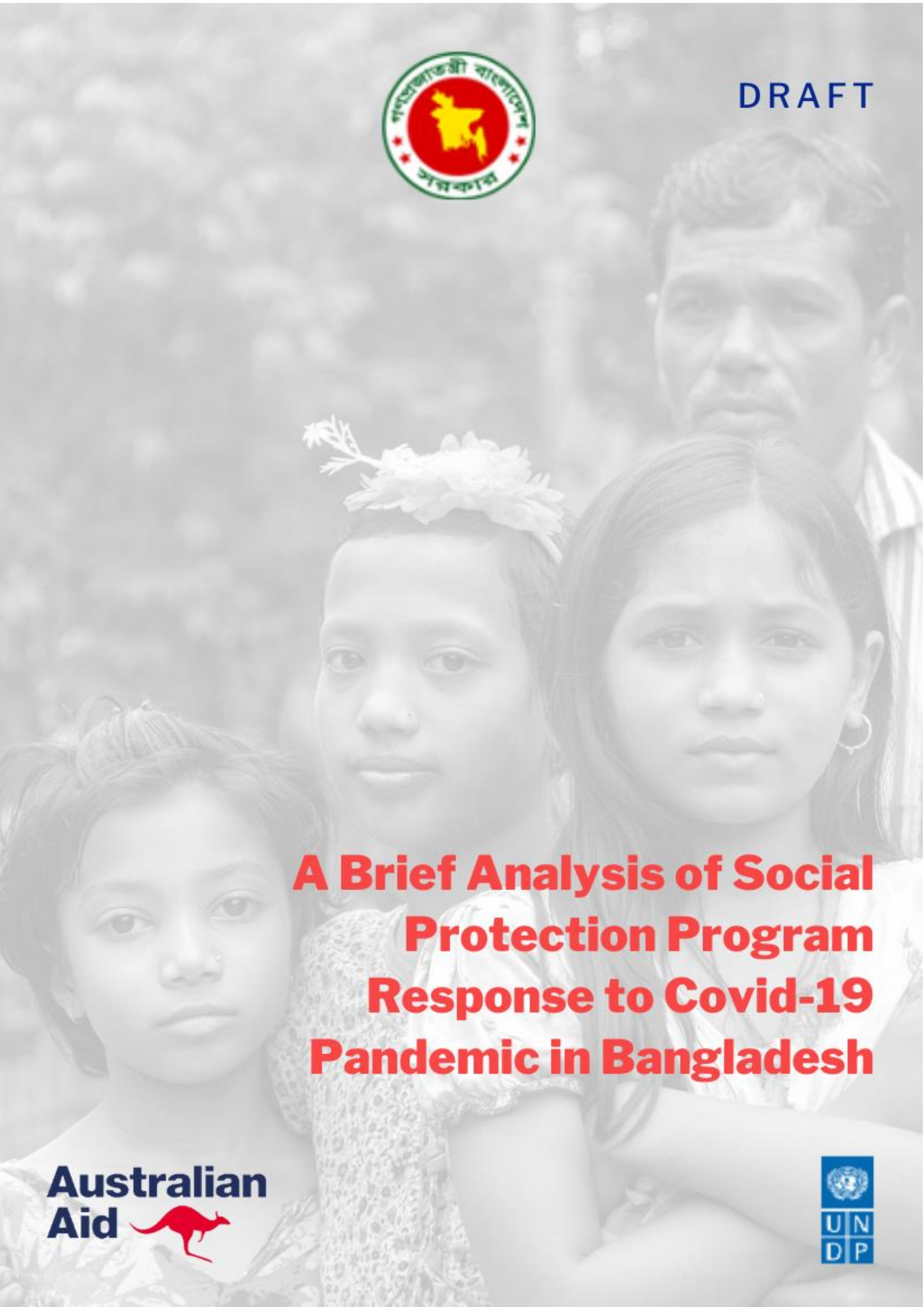

DRAFT

A Brief Analysis of Social Protection Program Response to Covid-19 Pandemic in Bangladesh

A brief analysis of social protection program response to Covid-19 pandemic in Bangladesh (Draft)

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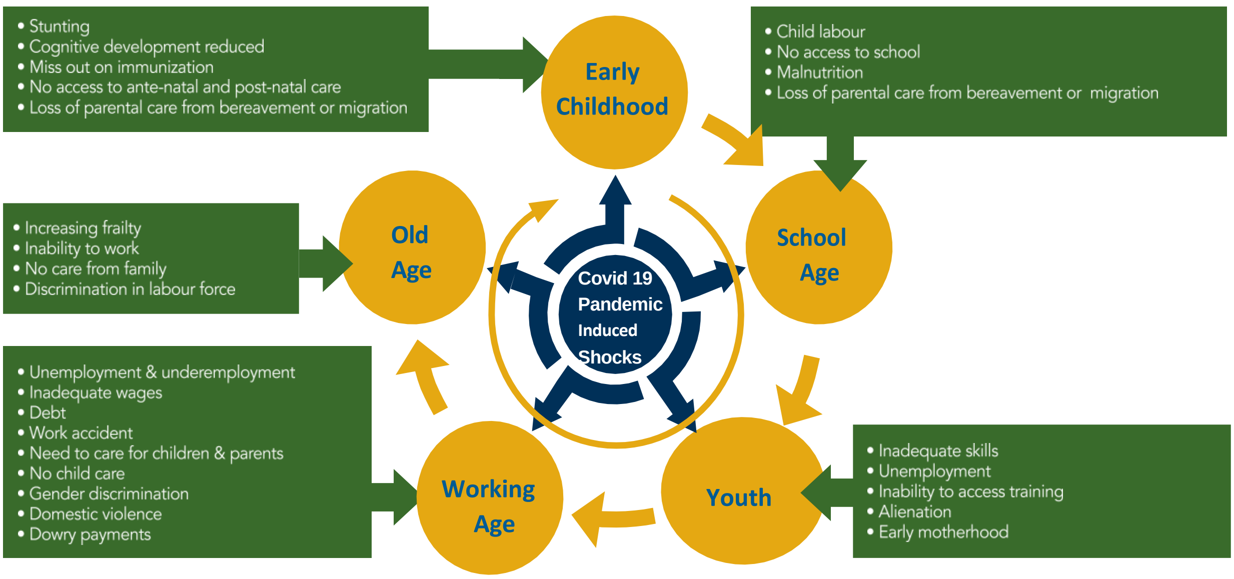
Introduction

The Covid-19 pandemic with its rapid speed and endemic spread is the most protracted and multi-faceted crisis Bangladesh has ever witnessed. The Pandemic through its transboundary transmission channels and multi-dimensional nexus, encompassing, health, livelihood, and other development correlates, has impeded the country's impressive advance in economic, social, and human development, which aided faster poverty reduction and social uplift during the past two decades and a half.

While at the macro level, the Covid 19 has impacted the country's short and medium-term economic prospects, impeding poverty reduction, job creation, and damped brisk business momentum. At the micro-level, it has impacted different population groups differently, most severely hurting the poor, marginalized, children, old age and people with physical and mental disabilities, various minority and excluded population groups, and people with pre-existing vulnerabilities.

Social protection systems (SPSs) play a key role in preventing hardship when people face adverse circumstances. Defined as the 'set of policies and programs aimed at preventing or protecting all people against poverty, vulnerability, and social exclusion throughout their lifecycle, with a particular emphasis towards vulnerable groups' (Figure 1). Moreover, provision for SPSs represents a cornerstone in government-citizens social contracts. Social protection encompasses a wide range of instruments, with varying objectives and financing mechanisms (e.g., 'non- contributory' vs 'contributory') (Asian Development Bank (ADB) 2003). Many countries around the world have some social protection programs in place. In 2017, 45 percent of the global population was covered by at least one social protection program (ILO, 2017). However, the COVID-19 is testing the limits of these systems. Unprecedented numbers of people are suddenly facing unemployment, disease, poverty, and hunger.

Figure 1: Risks and shocks along the lifecycle, caused by the Covid 19 pandemic [1]



[1] The list is nonexecutive.

Source: Adapted from Hasan (2017)

All social protection is somehow ‘shock-responsive’. It helps people to cushion against some of the risks, shocks and stresses that they face during their lives. The ‘shocks’ in ‘shock-responsive’ social protection (SRSP) tend to mean ‘covariate’ shocks, the type that affects many people at once e.g., earthquake, floods, pandemic, and so on. A covariate shock can be natural and manmade (like conflicts). "Shock-responsive social protection is a term used to bring focus on shocks that affect a large proportion of the population simultaneously. It encompasses the adaptation of routine social protection programs and systems to cope with changes in context and demand following large-scale shocks. This can be ex-ante by building shock-responsive systems, plans, and partnerships in advance of a shock to better prepare for emergency response; or ex-post, to support households once the shock has occurred. In this way, social protection can complement and support other emergency response interventions (EU 2019).

While the country navigates towards recovery with rising vaccination and flattening of the Covid incidence curve, adopting a robust and effective SRSP is an important development agenda, not only to put in place a systemic stabilizer to potential covariate shocks, but it is also a vital means of building forward better through underpinning individual and collective short- and long-term resilience. In quest of the optimal interventions to withstand future covariate shocks, there is growing credence in social protection discourse the enabling role of effective and inclusive SRSP as a viable means to abate the adversaries and vulnerabilities caused by the covariate shocks. It can upfront be a shock stabilizer to protect the poor and vulnerable people, particularly in low-income developing countries such as Bangladesh.

Since the days of Adam Smith, political economists have emphasized how the institutional conditions that secure economic freedom have also resulted in economic prosperity and human flourishing. Encompassing private property and freedom of contract under the rule of law, this “system of natural liberty” in Smith's words is the best vehicle for growth and development. However, the ultimate test of any economic system is not to evaluate its ability to deliver economic prosperity and human flourishing under ideal conditions, but to evaluate its resiliency to unexpected and exogenous shocks, such as natural disasters, political and civil unrest, or, our particular focus here, pandemics (Aizenman, 2021). The superiority of any economic system, compared to another, ultimately rests on whether or not such a system not only leaves “room for the unforeseeable and unpredictable” (Hayek, 1960) but also leaves room for individuals to harness their productive capabilities in unforeseen and unpredictable ways to mitigate the negative effects of unexpected shocks. An economic system that is robust to unexpected shocks leaves individuals better prepared to confront such shocks ex-post than any individual, or group of individuals, within that system could have anticipated ex-ante.

The above provides a powerful rationale for a political economy analysis of an economic system. The political economy analysis probes into the nexus between politics and economy and vice versa. Different institutional quality and government responses can create varied development outcomes. A political economy analysis unwinds the interconnectedness between politics and economics (Aizenman, 2021). Political economy analysis (PEA) aims to probe into development interventions within an understanding of the prevailing political and economic processes in society – specifically, the structures, incentives (i.e., the rules of the game), relationships, distribution, and contestation of power between different groups and individuals variedly impacting the development opportunities and outcomes. Such an analysis can support more politically feasible and therefore more effective development strategies by setting realistic expectations of what can be achieved, over what timescale, and the risks involved (Mcloughlin, C., 2014)). Research on economic development has thus become increasingly engaged with questions of political economy and with how political choices, institutional structures, and forms of governance influence the economic choices made by governments and citizens.

The nexus between political economy and SRSP is multidimensional and mutually reinforcing. A solid political economy analysis helps to put in place an effective SRSP by identifying the politico-institutional challenges stemming from the country's political structures, incentives, and distributive and redistributive politics among various population groups (Aizenman 2021). Simultaneously, the political economy analysis helps identify practical solutions to such challenges. In a country with suboptimal institutional quality and high covariate risks building an inclusive SRSP should receive serious consideration for protecting the livelihood of the poor and vulnerable from future covariate shocks. To build an effective and sustainable SRSP it is vital to boost a continuum of response, expand Government's fiscal space, strengthen administrative and institutional capacity, safeguard strong accountability, harness cross-sectoral linkages, ensure inclusion and equality, and underpin individual and collective resilience.

Given the above context, the paper aims to explore the country's social protection response regime and its efficacy in mitigating the negative fallouts caused by the Covid 19 pandemic. Section II provides a brief overview of pre-crisis poverty and vulnerability profile. Section III briefly discusses the country's social protection system and some major pitfalls in the current SPSs. While Section IV deals with a brief description of the authorities' fiscal and SPSs response to the crisis. Section V undertakes a brief political economy analysis of the authorities' economic stimulus measures. Section VI explores the major policy takeaway and makes concluding remarks.

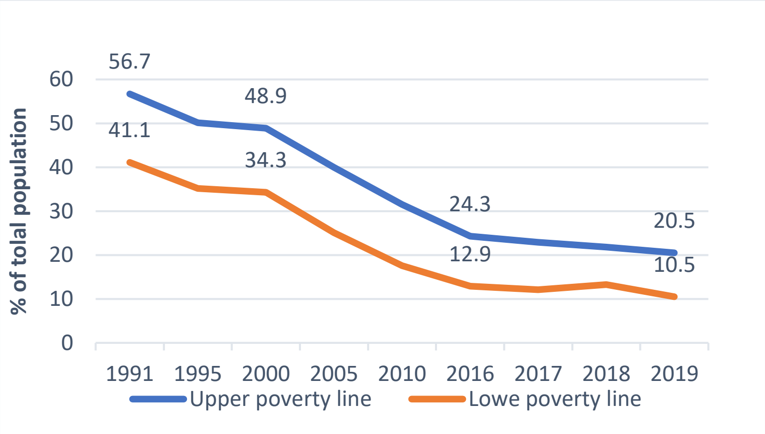
The paper is primarily exploratory. Through extensive desk research based on secondary literature, the paper has been prepared. A major underlying caveat is an isolation between SRSP and the political economy. Notwithstanding abundant literature on the political economy of social protection in developing countries, unfortunately, not a single study was found on the political economy of SRSP, especially integrating SRSP with various political economy models. Nevertheless, a recent study by Osmani and Hasan (2021) provides an analysis of causal links between the authorities' fiscal stimulus, including SPSs, and underlying political economy drivers. However, the political economy of SRSP merits a more compact and fuller analysis for greater credence. The paper strongly considers that this intellectual vacuum is only temporary. Rigorous studies will come up with such an important development agenda.

Pre-existing vulnerabilities before the Covid 19 pandemic

Poverty with its multidimensional nexus is the main source of vulnerability in Bangladesh. Notwithstanding joint endogeneity between vulnerability and poverty, income poverty limits people's capacity to respond to both endogenous and exogenous shocks, by limiting resilience to withstand adverse tremors.

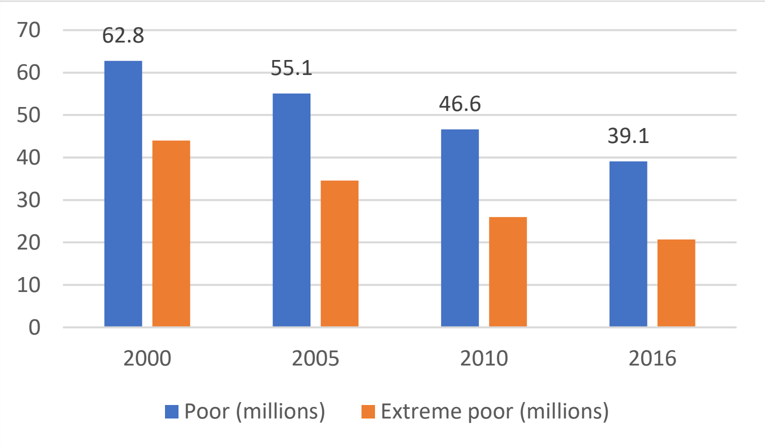
Until the Covid 19 pandemic paralyzed life and livelihood, Bangladesh made commendable progress in poverty reduction (Figure 2). Since 1990, as the Household Income and Expenditure Survey (HIES) data reveals, national poverty incidence (defined by upper line) declined from 56.7 percent in 1991/92 to 20.5 percent in 2019[2]. Nevertheless, poverty elasticity of output growth decelerated since 2010, implying a slowdown in the poverty reduction rate from 2010 onwards. Likewise, extreme poverty incidence fell from 41.1 percent in 1991 to 10.5 percent in 2019. Despite a significant fall, the number of poor remains high at 39 million and people with extreme poverty at 20.7 million in 2016 (Figure 3).

Figure 2: Trends in poverty headcount in Bangladesh



Source: 8th Five Year Plan and MOF

Figure 3: Number of poor in Bangladesh



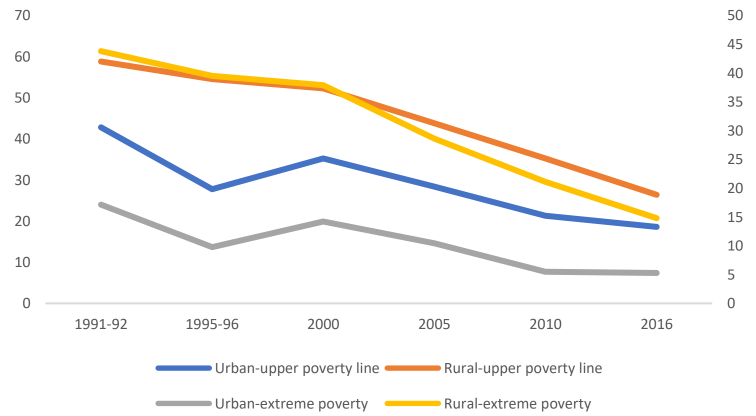
Source: Estimated from HIES data

Simultaneously depth of poverty measured by squared poverty gap demonstrates a concomitant decline (8th Five Year Plan). Comparison between rural and urban poverty reduction reveals two major

[2] Up to 2016 poverty estimates are based on HIES data, while post-2016 estimates are extrapolated data. See 8th Five Year Plan pp37-39.

observations: First, poverty incidence is higher among rural households than urban comparators. Secondly, the poverty reduction rate is faster as opposed to flattening the urban poverty incidence line (Figure 4), implying stagnant poverty reduction in urban areas.

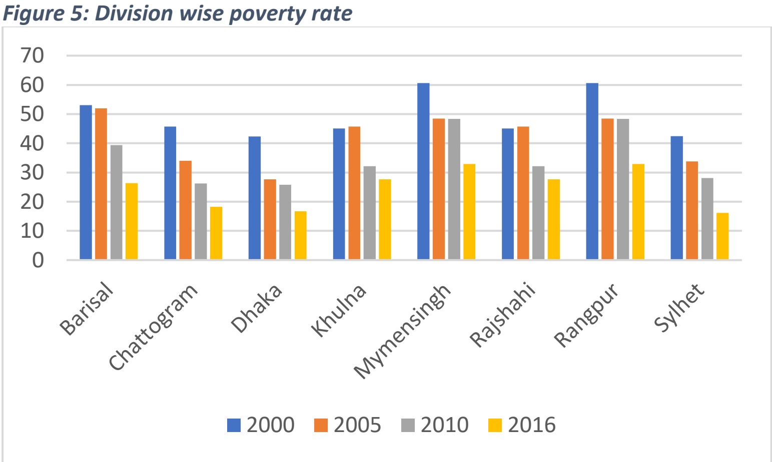
Figure 4: Trends in rural and urban poverty incidence



Source: HIES 2016, BBS

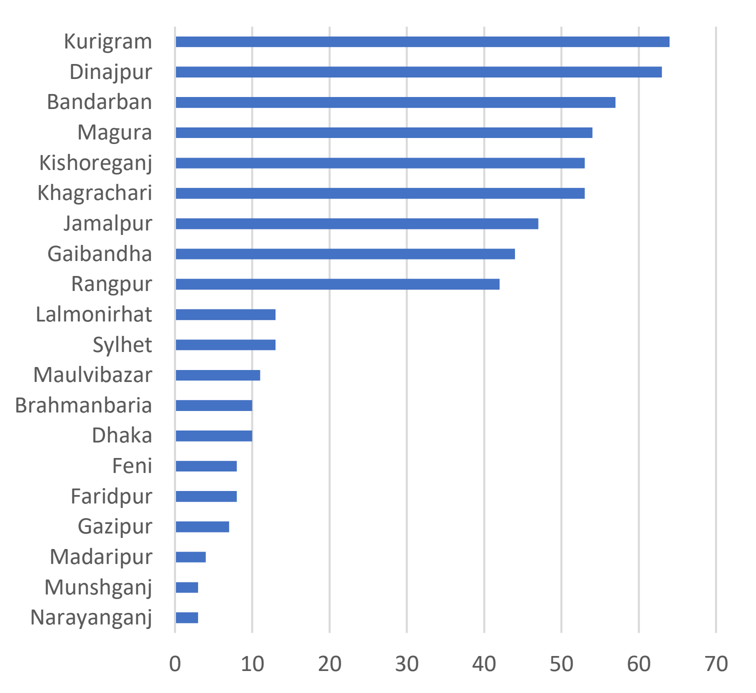
Progress in poverty is spatially uneven with higher poverty incidence found in Mymensingh and Rangpur divisions (Figure 5). Figure 6 shows the top 10 and least 10 poor districts in 2016. Progress in poverty reduction is uneven, both between rural and urban areas and among the administrative regions (divisions and districts). Especially in Rangpur and Mymensingh divisions and corresponding districts under them, poverty is significantly higher than the national average and other divisions and districts. With three-quarters of the population living on a daily per capita consumption of less than BDT127 (US$4.45 PPP) per day before the crisis, most families did not have the resilience to cope with a shock as large as COVID-19 (UNICEF, 2021). More importantly, poverty continues to remain abject in some lagging regions.

Figure 5: Division wise poverty rate



Source: HIES 2016, BBS

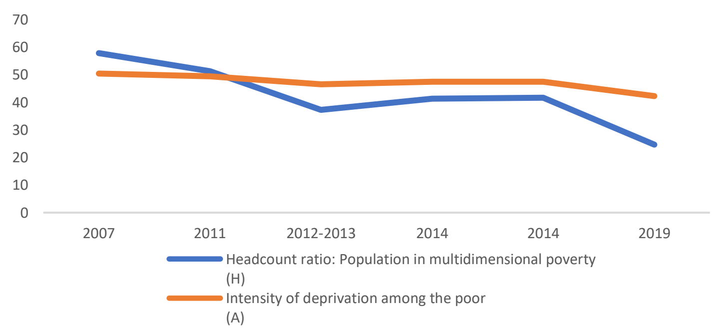
Figure 6: Top 10 and least 10 poor districts



Source: 8th Five Year Plan

Recent developments in poverty discourse overwhelmingly suggest that income poverty is not sufficient to assess poverty and vulnerability (UNDP 2021). The theoretical underpinnings provided by Sen and others (e.g., Stiglitz, Sen, and Fitoussi, 2016) eventually culminated into the multidimensional poverty index led by Alkaire, Foster, and the Oxford School (OPHI). Figure 7 reveals that multidimensional poverty headcount declined from 57.8 percent in 2007 to 24.6 percent in 2019. However, the incidence of deprivation intensity among the poor is significantly high at 42.3 percent in 2019.

Figure 7: Trends in multidimensional poverty and deprivation in Bangladesh



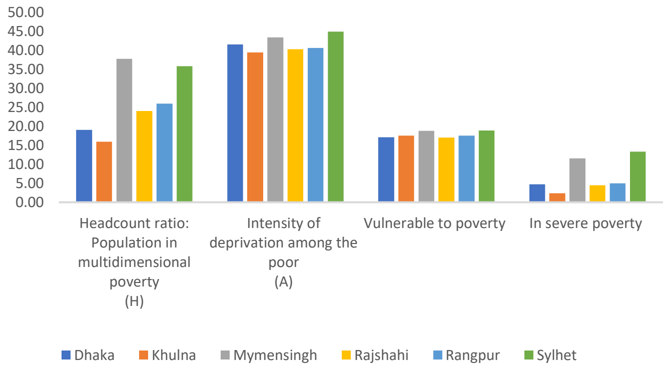
Source: OPHI, Oxford University

Importantly, the deprivation intensity line is almost flat between 2007 to 2014, and it declined modestly thereafter, implying a slower reduction in deprivation incidence (Figure 7)[3]. One may infer

[3] The intensity of deprivations is the weighted average number of deprivations poor people experience at the same time. The multidimensional poverty index (MPI) value summarizes information on multiple deprivations into a single number. It is calculated by multiplying the poverty headcount by the intensity of poverty. (OPHI 2021)

that despite the reduction in MPI, many poor experience deprivations. Looking into the spatial dimension, figure 8 shows that MPI incidence is higher in Mymensingh, Rangpur, and Sylhet divisions. The same figure shows that the intensity of deprivation among the poor is nearly 40 percent in all divisions. In addition, the figure reveals that about 20 percent of the households are vulnerable to becoming multidimensionally poor.

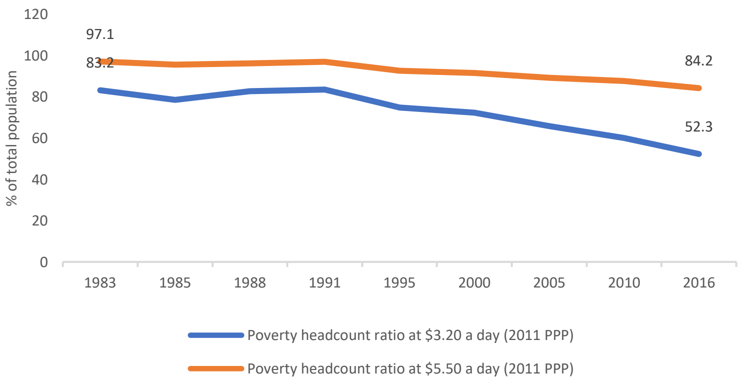
Figure 8: Spatial dimension and vulnerability incidence



Source: OPHI, Oxford University

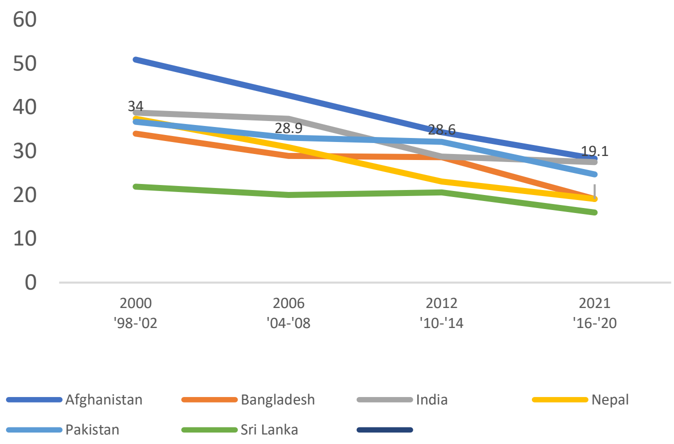
Bangladesh's vulnerability before the Covid 19 crisis stems from a higher concentration of population just above the poverty line. According to the World Bank estimates, 52.3 percent of Bangladesh's population fell into poverty with a daily income below US$3.20, while 84.2 percent of people failed to earn US$5.50 a day (figure 9). Likewise, it is evident about one-fifth of the country's population experienced hunger in 2021 (figure 10).

Figure 9: Poverty incidence at higher threshold level



Source: World Bank, WDI data

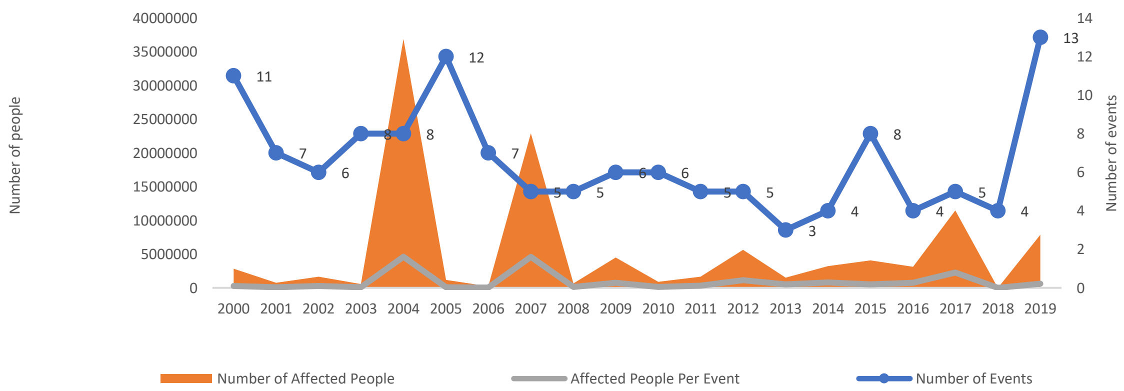
Figure 10: Trends in hunger incidence in selected South Asian countries



Source: World Hunger Index 2021

Bangladesh is severely vulnerable to covariate shocks (Figure 11). Both intensity and number of people affected by the shocks are high, although better preparedness and response significantly reduced the number of deaths over time. Likewise, according to the Global Climate Risk Index 2021, Bangladesh is the seventh most vulnerable country to long-term climate risk (Table 1).

Figure 11: Incidence of covariate shocks in Bangladesh



Source: UNCTAD, 2020

Table 1: The Long-Term Climate Risk Index (CRI)

CRI **2000-2019** (1999 -2018)	Country	Fatalities per 100,000 inhabitants	Losses per unit GDP in %	Number of events (2000–2019)
1 (1)	Puerto Rico	4.12	3.66	24
2 (2)	Myanmar	14.35	0.8	57
3 (3)	Haiti	2.78	2.3	80
4 (4)	Philippines	0.93	0.54	317
5 (14)	Mozambique	0.52	1.33	57
6 (20)	The Bahamas	1.56	3.81	13
7 (7)	Bangladesh	0.38	0.41	185
8 (5)	Pakistan	0.3	0.52	173
9 (8)	Thailand	0.21	0.82	146
10 (9)	Nepal	0.82	0.39	191

Source: Global Climate Vulnerability Index 2021

Beyond averages, different groups of people are unevenly exposed and vulnerable to various covariate shocks. For example, poor people in the coastal area are more vulnerable to cyclones, tsunamis and people living in the low-lying areas are disproportionately at risk of floods. In addition to higher vulnerability incidence among the children, aged and women; other population groups, especially the physically and mentally disabled, indigenous population, ethnic minority groups (e.g., Dalits, Bede, transgender) are disproportionately exposed to devastations and multidimensional deprivation caused by the covariate shocks. Accordingly, these groups lack vital resilience to cope up and wither varieties of shocks. In addition, there are structural factors such as inequality and misgovernance, which are spoilers to crisis resilience.

Summing up, Bangladesh suffers from chronic and multidimensional vulnerabilities to covariate shock such as the Covid 19. The country was not adequately prepared to wither the crisis of such magnitude. The crisis impacts had been magnified by a deficit in resources, suboptimal policy response, and entrenched imbalance in the country's development paradigm, with inadequate attention on an equality together with higher economic growth. As the crisis unfolded, the vulnerability of the poor and marginalized populace was severely deepened and people who were just hanging above the poverty line slid below the poverty threshold. Importantly, across all population groups, whether poor or nonpoor, the Covid 19 pandemic ravaged all, especially the poor and marginalized. A preexisting SRSP could abate the scars caused by the Covid 19 pandemic acting as a systemic shock absorber. Nevertheless, it is vital to adapt SRSP during and after the pandemic to boost individual and collective resilience. Simultaneously SRSP is a viable means not only for addressing the damages caused by the pandemic but can also contribute to building forward better.

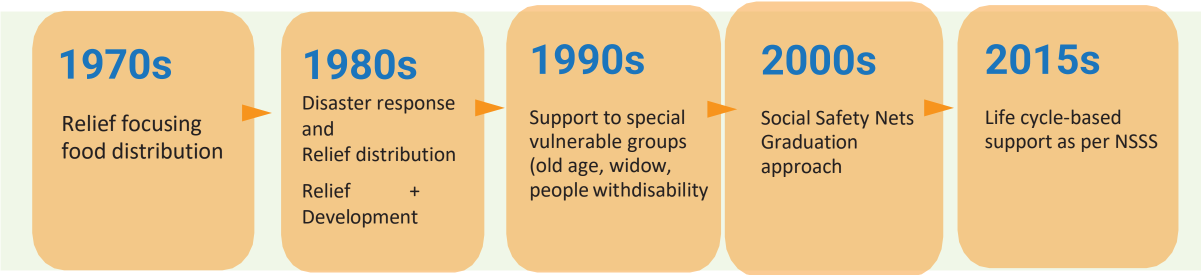
A brief analysis of the social protection system in Bangladesh

Section III provides a brief analysis of the SPSs in Bangladesh, including their size, content, characteristics, and orientation towards risk proofing. The political economy rationale of social protection in Bangladesh is embedded in Article 15 (d) of the country's National Constitution (1972). The prime objective of the social protection system is to protect and promote the welfare of individual beneficiaries as well as society. It is also the cornerstone of the National Social Security Strategy (2015), and its accompanying Action Plan (2018), which both cite plans to introduce a National Social Insurance Scheme covering sickness, maternity pay and protection, old-age pensions, workplace accidents, and unemployment benefits for workers in the formal economy. The pledge to adopt comprehensive, inclusive, and well resources SPSs has been recognized as an integral part of the county's long-term visions and strategic goals (8th Five Year Plan; Vision 2041).

Currently, Bangladesh has 114 disparate social protection programs (MoF 2021), primarily centered around food distribution and cash transfers. These programs need to be better coordinated and integrated under a coherent institutional framework to ensure inclusive coverage of vulnerable populations to reduce social economic risks, food shortages, and related hardships.

The social protection system in Bangladesh is closely linked to disaster management, having emerged from disaster response programs. While the initial focus post-independence was on providing relief to the poor, the 1980s were characterized by social safety net programs (SSNPs) – as social protection programs are nationally known – aimed at disaster response and rehabilitation (Hasan, 2017; Figure 12). Since the 1990s, the social protection coverage has gradually expanded through various categorical programs (i.e., programs targeted at the elderly, widows, and people with disabilities), conditional cash transfers, public works programs, and graduation programs. The Government of Bangladesh has increased budgetary allocations in social safety-net programs during the last couple of years.

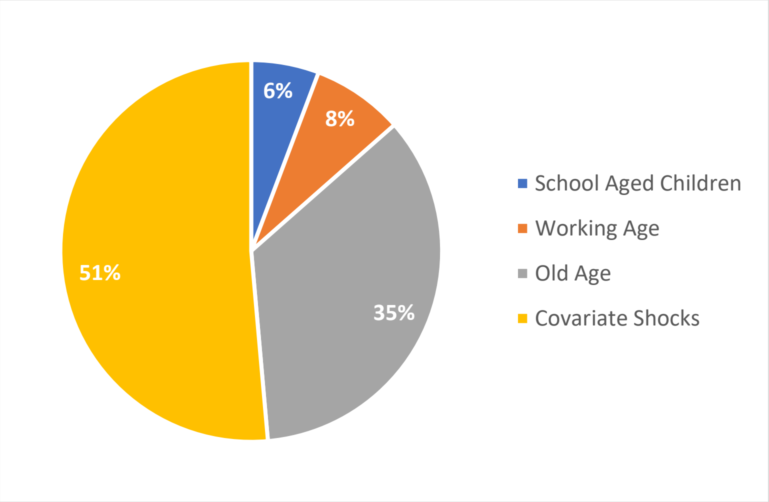
Figure 12: Evolution of social protection in Bangladesh



Source: Adapted from Hasan, 2017

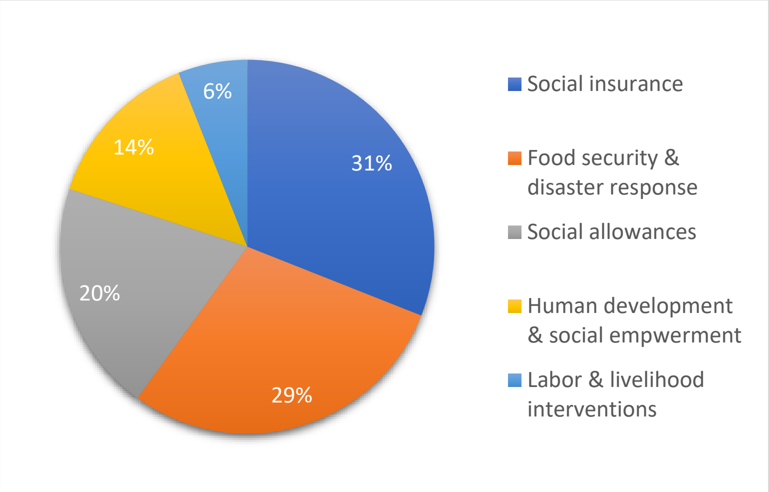
Unlike many countries where social protection and disaster response are conceived as distinctive policy issues, social protection provisioning in Bangladesh explicitly accounts for covariate risks related to natural hazards, seasonal unemployment due to agricultural seasonality, and the attendant food price inflation. As illustrated in Figure 13, nearly 31 percent of the SSNP budget in FY2021-22 has been to protecting citizens against covariate shocks.

Figure 13: Lifecycle based budget allocation in FY2022



Source: SPPS data repository, 2021

Figure 14: Thematically classified SPSs allocations



Source: SPSS data repository, 2021

The larger pie is administered by the Ministry of Disaster Management and Relief (MoDMR), which receives the second-highest share of the SSNP budget allocation, after the Ministry of Finance (whose allocation is solely devoted to civil service pensions). Other key ministries delivering core social protection programs include the Ministry of Food, the Ministry of Social Welfare, the Ministry of Primary and Mass Education, and the Ministry of Women and Children Affairs. The NSSS is currently seeking to rationalize the number of actors involved in the social protection policy set by transitioning all programs related to lifecycle risks to the Ministry of Social Welfare by 2026.

By design, most SSNPs are geographically as well as individually poverty targeted. Further, geographical rationing of programs based on poverty maps is common. Access to urban SSNPs has been flagged as an area for reform under the NSSS. The NSSS also expresses a commitment toward ending social and economic discrimination in ensuring access to all basic social services, including social protection. This is implemented via funding earmarked for the historically marginalized Bede, Dalit, and Harijan communities. However, lack of awareness and widespread stigmatization imply that access to these communities remains low.

Budgetary allocations for SPSs programs have increased in recent years. Bangladesh has been spending about 2.2 percent of its GDP on social protection. However, a large share of this (1 percent of GDP) finances civil service pensions. Furthermore, available M&E indicators reveal that the system is not efficient; and cost-effective as well (World Bank, 2021). As a result, the value for money of the social protection system is not very high.

Despite the vertical and horizontal expansion and increased budgetary allocations to new programs, SPSs remain severely under-resourced, mistargeted, inefficient, which grossly undermined its capability to crisis response, especially the pandemic like the Covid 19. The following provides a brief analysis of major weaknesses of the country's SPSs system which have been recognized by the 8th Five Year Plan[4].

Many Small Schemes

The number of schemes implemented under the social security system is still very large. The number of schemes under the social protection schemes varied between 115 and 130 between FY 2017 and FY 2019. The number of schemes is around 55 when only the schemes under the non-development budget are considered. In terms of resource allocation, the top five programs account for more than 60 percent of the total budget allocated implying that there are many small programs with a very low resource base causing minimal impact on beneficiaries' welfare. Recognizing the problem, the NSSS strongly suggested more rigorous alignment towards lifecycle-based program selection and program consolidation, nevertheless, progress remains lukewarm.

Beneficiary Coverage

The number of beneficiary coverage as a percentage of the total population has hovered between 32 and 34 percent during FY 2021. An important observation is that the beneficiary coverage is higher than the prevailing poverty rate (i.e., around 20 percent), implying large exclusion and inclusion errors.[5]

Low-effort management

Available data suggest that the administrative cost of cash and Conditional Cash Transfer is around 4 percent, while the same for food schemes have been found at around 10 percent (8th Five Year Plan, 2020). These are significantly lower than the global average of 8.2 percent for CCT/Cash programs and 25 percent for food-assisted programs (Ahmed et.al 2009).

Inadequate investment in life cycle programs

A major anomaly in the current SPSs regime is inadequate investment in core lifecycle programs (UNICEF 2020). Excluding pension, from Figure 15 it is evident that there is a critical deficit in investment in life cycle programs. Despite NSSS's strong recommendation for raising investment in life-cycle programs, entrenched narrow fiscal space together with the political economy are perhaps attributable to such pitfall. As Ahmed (2021) argues, total spending excluding civil service pensions amounted to Tk298 billion in FY2019 for 35 million poor and 52 million poor and vulnerable populations. This amounts to annual spending of a mere 8607 taka (US$102) annually in per capita terms. When the poor are only included, it amounts to Tk 5738 (68 dollars). Given the high targeting errors, the actual benefits per poor person are considerably lower.

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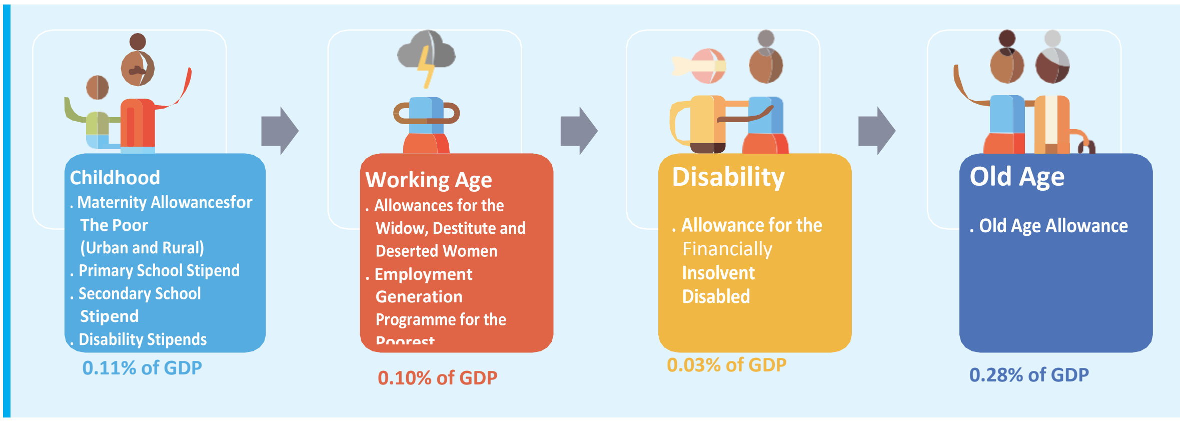
[4] Importantly the Mid Term Action Plan, which is under process, is critical about the major weaknesses and anomalies in the current social protection regime including suboptimal governance.

[5] A recent World Bank study reports that share of households benefiting from SP programs more than doubled from 12 percent in 2005 to 28 percent in 2016.

Figure 15: Core lifecycle social security schemes in Bangladesh and levels of investment



Source: UNICEF 2020

Spatial imbalance and low beneficiary coverage in urban areas

Together with narrow coverage, there is a spatial disparity in SPSs coverage. More importantly, table 2 shows that SPSs, despite NSSS's stated objective to risk-proofing in poverty-stricken areas, in practice have been grossly ignored. Divisions such as Mymensingh and Sylhet have a high population with multidimensional poverty (figure 8). Almost half of the total expenditure is focused on rural areas, and most of the rest has nationwide coverage. This leaves the country ill-equipped to face increased urbanization According to HIES 2016 data, only 10.6 percent of the urban households were under SPSs coverage compared with 34.5 households in rural areas[6]. A recent World Bank study (2020) reports that only about 5 percent of total SP expenditure is exclusively focused on these urban areas. Beyond national aggregates, Table 2 shows that in Dhaka, only 3 percent of households received SPSs support. Labor market programs are only beginning to emerge in urban areas. While a rural focus partly reflects higher poverty in rural areas, urbanization calls for increased focus on urban programming and adaptations to the urban context. A greater focus on urban areas also calls for different or adjusted programs to account for the features of urban poverty, significantly different from those of rural poverty (World Bank 2021). This imbalance had a colossal impact on the Covid 19 on the life and livelihood of those who lived in the capital city and urban areas.

Table 2: Percentage of households and beneficiaries who received benefits in 2016

Total			**Rural**		**Urban**	
Division	**Household**	**Beneficiary**	**Household**	**Beneficiary**	**Household**	**Beneficiary**
National	**27.8**	**28.7**	**34.5**	**35.7**	**10.6**	**10.9**
Barisal	56.2	59.9	60.8	64.5	34.7	38
Chittagong	17.6	18	21.1	21.6	8.8	9
Dhaka	12.4	12.8	22	22.3	3	3.1
Khulna	41.1	42.8	46.3	48.4	22.5	22.9
Mymensingh	24.9	27.7	27.6	30.9	10.5	10.5
Rajshahi	37.4	37.7	42	42.3	20.1	20.1
Rangpur	43.9	45.2	47.2	48.7	24	24.3
Sylhet	27.6	27.9	29.7	29.9	16.5	16.9

Source: HIES, 2016, BBS

[6] Another data series covering FY14-FY18 reveals three patterns with respect to locational allocation: (i) 49 percent social security schemes serve both rural and urban areas (including government pensions); (ii) 47 percent social security schemes go exclusively to rural areas; and (iii) Only 4 percent social security schemes had been allocated to exclusively to urban areas

Low Coverage for Children

NSSS emphasized rolling out a comprehensive and robust social protection system for children. The children constitute the prime victim of covariate shocks, including the Covid 19. Despite this ex-ante policy focus, coverage for children in SPSs is precariously low and declining. A UNICEF study (2020) using MoF social protection budget data found that in FY2010, 3.5 percent of the total social protection budget was spent for 5.6 percent child beneficiaries. While in FY 2016, 2.4 percent of the total social protection budget was spent for 2.3 percent of child beneficiaries.

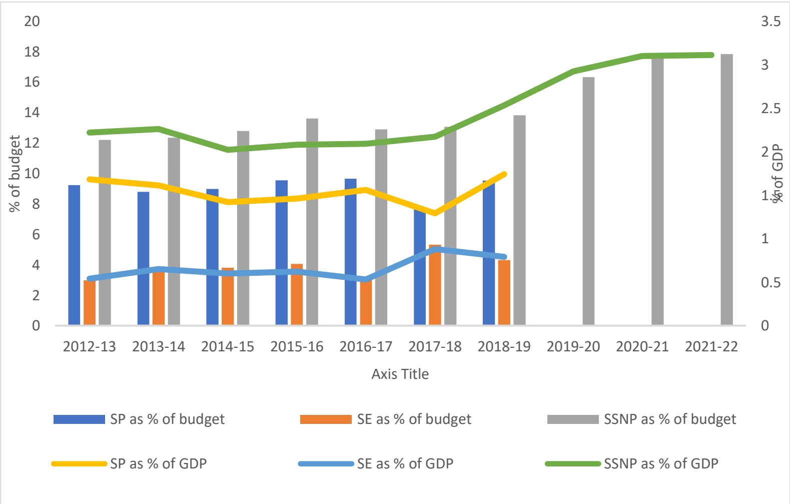
Social protection budget stable but low

Bangladesh has been spending about 2.2 percent of its GDP on the social safety net system (including social empowerment). The allocation is less than 2.2 percent of GDP when the government employee pension scheme component is excluded. Key government plans (i.e., NSSS, Sixth Five Year Plan, Seventh Five Year Plan, and SDG financing strategy) called for scaling up of the social protection budget to around 2.5 percent and 3 percent of GDP.

In the lion's pie, 25 percent of the annual social protection spending is accrued to the civil service pension for only 0.5 percent of beneficiaries. The remaining 75 percent is the safety net scheme resources were spent to the 99.5 percent beneficiaries spread over 144 programs thinning the benefit accrued to beneficiary families (Ahmed, 2021).

While SPSs seek to help the poor, only 35 percent of the poor receive government social security benefits (HIES 2010). In contrast, some 40 percent of beneficiaries were non-poor (HIES 2010). In addition, program administrative costs were high together with significant leakages (Ahmed 2021). As a result, the poverty impact has been undermined because of the combined effect of inclusion and exclusion errors, and higher implementation costs and leakages.

Figure 16: Trends in social safety net spending



SP = Social protection; SE = Social empowerment; SSNP = Social safety net programme

Inadequate Generosity

The average transfer amount to the beneficiary (also known as generosity) has been low in Bangladesh. The estimated average transfer amount which was less than BDT 332 per month in FY2015 increased to about BDT 595 per month in FY2019 in the nominal term. When compared with the national poverty lines, these transfer amounts appear inadequate to have a more meaningful impact on the poverty situation of the beneficiaries. For instance, the estimated upper poverty line for 2018 is TK 2,025 per person per month. Thus, the transfer amount of TK595 constitutes only 29 percent of the need of a poor or vulnerable person. The Public Expenditure Review conducted by the

World Bank (2020) finds that transfers under the SP programs in Bangladesh are on average equivalent to only about 3 percent of the total income of a poor or extremely poor person and are responsible for reducing the poverty or extreme poverty headcount by a maximum of only 2.4 percent.

Slow progress in governance reforms and poor services delivery

The SPSs regime is plagued with reform inertia and suboptimal governance, which wedged a hefty toll on the thin resource base caused by the country's narrow fiscal space (World Bank 2020). Importantly the problems are cross-cutting and mutually reinforcing. For example, too many programs made required inter-agency coordination difficult and time-consuming. Simultaneously excessive centralization has created a disconnect between central and the local level/sub-national institutions. In addition, nonparticipation of the nonstate actors (e.g., private sector and NGOs) hampered inclusive governance (World Bank, 2020).

Alongside, poor service delivery and deficits in accountability diminished the efficacy. Suboptimal governance is also largely the cause of high targeting errors and resource pilferages. Lack of an effective and inclusive grievance redress system is also a missing reform agenda. A recent World Bank study (2020) reveals significant allocative inefficiency in the existing SPSs regime. Nevertheless, together with higher allocative inefficiency, there is perhaps, larger distributive inefficiency in targeting and delivering social protection services (Osmani 2021). Micro studies abound providing credence to severe distributive inefficiency, which has significantly limited collective resilience to crisis.

Summing up, despite the Constitutional obligation to protect the people from poverty and vulnerability stemming from covariate shocks, the country's SPSs could not keep up with its economic progress. The legacy of post-independence focuses on food distribution-based interventions dominate the disaster response landscape anchored in the political economy rationale. Aversion of famine significantly influenced SPSs to predominantly combat mass famine rather than establishing a smart lifecycle-based social protection system. Simultaneously, stagnant, and narrow fiscal space together with shrinking foreign aid flow also prevented from undertaking comprehensive and modern social protection interventions (Ahmed 2021, World Bank 2020). Despite NSSS's strategic intents, programmatic and governance reforms have not received much-needed traction. The redistributive fiscal politics prompted to take off too many small and grossly ineffective programs. Fiscal profligacy and pilferages have further dwindled a narrow resource base. Lack of localization and innovation has made the SPSs system largely ineffective (World Bank 2020). Once the Covid 19 Pandemic began its rampage, the SPSs system failed to function as an automatic shock stabilizer. It will require the strong support of the authorities to address the post-crisis vulnerabilities, especially faced by the poor and marginalized population.

Government's policy measures responding to the Covid 19 pandemic[7]

Almost all countries announced fiscal support programs once COVID-19 hit. However, there was significant diversity in the magnitude and composition of these fiscal stimulus programs. These differences were determined by myriad political, financial, social, and economic factors. Importantly politics played a very significant part in determining the size and composition of these fiscal programs. Ultimately, the understanding of the politics and political-economy considerations that led to the specific content of each fiscal program is important for greater understanding, and rapid, inclusive, and sustainable recovery from the pandemic.

As the Covid 19 pandemic spread around the globe and the national governments imposed stringent lockdown measures, SPSs were used as the first line of shock absorber and stabilizer (IMF 2020; 2021), focusing on protecting peoples' life and livelihood. Given the protracted nature of the crisis and damages caused by lockdowns, the governments announced various stimulus packages to recoup the damages caused by the lockdown. Later, as the contagion waned, aggregate demand was further ramped up by expansionary monetary and fiscal policies together with injecting liquidity through further stimulus packages. Simultaneously, SPSs received a further boost to protect people's welfare.

The first cases of COVID-19 in Bangladesh were reported on March 8, 2020. For containing the spread of this virus, the Government undertook public measures, which included restricted movement, closures, general holidays, and the advocacy of wearing masks. The first wave under the pandemic in Bangladesh was detected in August 2020.

Although there was a reduction in the number of newly infected COVID-19 cases on a day-to-day basis, this trend took an upbeat movement till the end of November 2020. The second wave of cases increased from March 2021 up to April 2021. A lockdown throughout the nation became operational on 14 April 2021. This lockdown was rigorous. It allowed for private and public offices and some industries to operate on a normal day-to-day basis. Transportation was open but in a limited manner. Stringent border controls were maintained.

Compared to the previous year, the positivity rate reached 25 percent, which was higher than the peaks recorded in April 2021 (23 percent) and in August 2021 (24 percent). Bangladesh was going through its third peak. Exacerbated by increased rates of infection occurring along with the border areas, which was higher than the rest of the country; testing was limited. A seven-day strict lockdown was announced from July 1 through to July 7. All offices, whether they were government, semi-government, autonomous, or private, were shut. Only those offices providing emergency services could remain open.

Even transport was shut down except for emergency services. One sector that could remain operational was industries, but they had to comply with strict health protocols. Vaccination continued and by 30 June, 5.9 million persons received their first vaccine dose, and 4.3 million persons received their second. From 7 May, new registrations were halted. Exports could be affected by the third wave. The pandemic saw a decline in remittances but due to the central bank's incentives to channels funds officially, this showed a steady increase during the financial year 2021.

[7] This sub-section heavily draws on information provided by IMF Policy Tracker. Information was last updated on July 1, 2021.

Fiscal measures

The onset of the COVID-19 pandemic meant a revision of the budget for the financial year 2020-2021. At end of March 2020, Tk2.5 billion in additional resources was earmarked to fund the Ministry of Health's COVID-19 Preparedness and Response Plan and increase the current transfer programs to help benefit the poor. The government increased the provision of the Open Market Sale (OMS) program which allowed the purchase of rice at a subsidized rate, available at one-third the sale price.

On 31 March 2021, the Ministry of Finance announced a Tk 50 billion (about US$588 million) stimulus package for exporting industries so that the central bank, Bangladesh Bank, distributed by the commercial banks with a service charge of 2 percent. This special fund was allocated to support a worker's salary; was distributed through mobile financial services and bank accounts. This was targeted to support nearly 4 million workers over four months.

Businesses were also aided by subsidization on interest payments for working, capital loans. The Ministry of Finance allocated capital loans of up to Tk600 billion (about US$7.1 billion) through scheduled banks to businesses. The Government also pledged to help 13.8 million loan recipients negatively impacted by the national shutdown: by allocating Tk.20 billion (about US$235.6 million) in interest payments. Housing was another sector aided by the government. To help the homeless be given new homes; on 15 April 2020, the Prime Minister announced Tk21.3 billion (about US$ 250.9 million) in allocation.

Other measures also included providing for those who were unemployed due to the pandemic which amounted to Tk15 billion (about US$ 176.7 million). Health Insurance for those government employees most at risk was allocated Tk7.5 billion (about US$ 88.3 million). This was also increased to provide Tk1 billion (about US$ 11.8 million) as bonus payments for those public health workers treating COVID-19 patients. In January 2021, the COVID-19 Emergency Response and Pandemic Preparedness Project costs were increased to Tk56.6 billion (about US$ 666.7 million). This amount was earmarked for purchasing, storing, and distributing the vaccines.

In terms of social protection, the Government declared further expenditure to offset the pandemic, one was Tk.15 billion for microcredit and marginal people's lifestyle development program and Tk12 billion for the old age and widow allowance expansion program. May 2021 also saw the government's second round of cash assistance programs amounting to Tk9.3 billion for those who lose their jobs during the prolonged and continual lockdown. By the end of April 2021, a total of Tk390.7 billion (about US$ 4.6 billion) of fiscal stimulus was declared by the government.

This was not the only measure that was taken. The National Board of Revenue postponed duties and taxes on imports of medical supplies which included protective equipment and test kits. This upbeat trend in expenditure will further continue to FY 2021-22 through even increased distribution (in Taka) for health, agriculture, and social safety net programs. There is a difficulty in ensuring efficient targeting can be maintained. To play safe, the Government has decided that there will be a 25 percent of budgetary allocation for development projects on hold. This will influence low-priority projects. The Government has sought donors for supporting these budgets.

Monetary and macro-financial measure

The Government pursued expansionary monetary policy remaining vigilant against inflationary pressures. The authorities announced a series of interest rate subsidies to utilize excess liquidity in the banking system. In March 2020, Bangladesh Bank announced the purchase of treasury bonds and bills from banks. The repo rate was efficiently reduced from 6 percent to 4.75 percent over three cuts from March to July. The cash reserve ratio (CRR) for banks was reduced on both a daily (from 5 to 3.5

percent) and a bi-weekly basis (from 5.5. to 4 percent). From 1 July, the CRR was also cut for offshore banking operations, and from 1 June, it would be effective for Non-Bank Financial Institutions (NBFIs). To improve liquidity and further enable credit to the private sector, the Export Development Fund was raised from US$ 3.5 billion to US$ 5 billion by reducing the interest rate to 1.75 percent and increasing the refinancing limit. Bangladesh Bank also created several refinancing schemes totaling Tk415 billion (about US$ 4.9 billion), a 360-day tenor special repo facility, and a credit guarantee scheme for exporters, farmers, and SMEs to expedite the execution of the government's stimulus packages.

Bangladesh Bank also introduced several other measures to help aid the economy during the pandemic. These include measures to stall non-performing loan classification, reschedule loan policies, renounce credit card fees and interest payments, halt loan interest payments, ease credit risk rating rules for banks, prolong tenures of trade instruments, provide lower farm loan interest rates, and permit short-term farm loan rescheduling and ensuring access to financial services. Bangladesh Bank also imposed an additional one percent general provision against loans that have enjoyed deferral/time extension facilities.

Economic stimulus package

An economic stimulus package is a package of economic measures a government invokes to stimulate a floundering economy. The objective of a stimulus package is to reinvigorate the economy and prevent or reverse a recession by boosting employment and spending. The theory behind the usefulness of a stimulus package is rooted in Keynesian economics, which argues that recessions are not self-correcting; therefore, government intervention can lessen the impact of a recession. For example, a stimulus, or increased government spending, can compensate for decreased private spending, thereby boosting aggregate demand and closing the output gap in the economy (IMF 2020).

Responding to the Covid 19 pandemic, the first stimulus package was declared on March 25, 2020. Later, on 14 April 2020, the Prime Minister unpacked the Government's economic recovery and livelihood restoration policies. It was subsequently broadened in June 2021. Together with expansionary fiscal and monetary policies, targeted fiscal, monetary, and financial programs were laid out for mitigating crisis impacts and economic restoration. The policy emphasized boosting aggregate demand through ramping up higher public spending, policy support to the private sector, burning out excess liquidity in the banking system, injecting fresh liquidity in the market, and expanding social protection measures. To boost SPSs, both horizontal (enhancing coverage) and vertical expansions have been laid out (raising benefit amounts), and two new programs such as cash distribution to the poor have been introduced.

Table 3: Government Economic Stimulus Package

Sl.	Package accounts	Package size (In billion BDT)	Percent of the total allocation
1.	Special fund for salary support to export-oriented manufacturing industry workers	50	4.03
2.	Working capital loans to affected industries and service sector	400	32.24
3.	Working capital loans provided to SMEs, cottage industries	200	16.12
4.	Expansion of Export Development Fund (EDF)	127.5	10.28
5.	Pre-Shipment Credit Refinance Scheme	50	4.03
6.	Special honorarium for doctors, nurses, medical workers	1	0.08
7.	Health insurance and life insurance	7.5	0.60

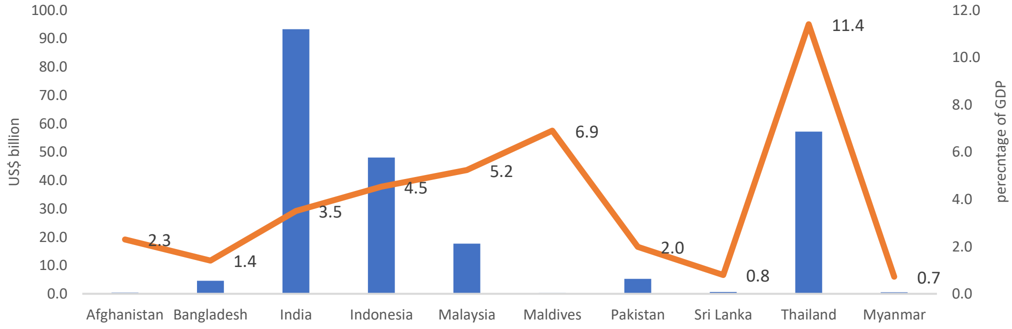
8.	Free food distribution	25	2.02
9.	OMS at BDT 10 per KG	7.7	0.62
10.	A cash transfer to targeted poor people	12.58	1.01
11.	Expansion of allowance programs for the poor	8.15	0.66
12.	Subsidy for the construction of homes for homeless people	21.3	1.72
13.	Additional procurement of paddy/rice (200 thousand metric tons)	8.6	0.69
14.	Support for farm mechanization	32.2	2.60
15.	Subsidy for agriculture (on fertilizer)	95	7.66
16.	Agriculture Refinance Scheme	50	4.03
17.	Refinance scheme for lower-income earning professionals, farmers, and small traders	30	2.42
18.	Low-interest loans to rural poor farmers, expatriate migrant workers, and trained youth and unemployed youth	32	2.58
19.	Safety net program for export-oriented industry's distressed workers	15	1.21
20.	Subsidy for commercial bank's suspended interest during for April-May 2020	20	1.61
21.	Credit risk-sharing scheme for SME sector	20	1.61
22.	Cottage, micro, small and medium enterprises (CMSMEs)	15	1.21
23.	Disadvantaged elderly people, widows, and female divorcees in 150 poverty-stricken Upazilas	12	0.97
	Total	**1240.53**	**100.00**
	As % of GDP	**4.44**	

Source: Estimated from Bangladesh Bank data

According to Finance Ministry, the size of the stimulus package is equivalent to 4.44percent of GDP. A special publication of the Bangladesh Bank claims a larger stimulus size at 4.59 percent of GDP (Bangladesh Bank, July 2021). Nevertheless, the International Monetary Fund reveals a much smaller size of the stimulus package (figure)[8]. Bhattacharya (2021) and Osmani (2021) suggested that routine agriculture subsidy, spending for farm mechanization should have been excluded from the stimulus package.

[8] The stimulus package, "With the aim to stimulate economic activities fighting with the pandemic-stricken economy and to achieve desired growth, maintain moderate inflation and boost up investment, the total size of the budget for FY22 is set at BDT 6036.81 billion, which is 17.5 percent of the GDP and 12.0 percent higher than that of revised budget for FY21". Bangladesh Banks, July 2021. The above statement has strong political economy implications, which will be discussed in the subsequent section.

Figure 17: Total Govt. Spending on Covid 19 Accounts in Selected Asian Countries



Source: Fiscal Monitor Data, IMF, October 2021

A brief political economy analysis of the economic stimulus

Following the outbreak of the Covid 19 pandemic almost all countries were preoccupied during the initial stage of addressing the health issue i.g. saving the life from the deadly virus. Restrictive measures at varied lengths were imposed reflecting differences and country-specificities in virus incidence, demographic, health, geographic, economic, and important political and institutional fundamentals. Nevertheless, stringent, and protracted restrictions took a hefty toll on people's livelihood, disproportionately hurting the poor and the marginalized groups (IMF 2020, 2021, 2022, WB 2020, 2021, 2022, UN 2020, 2021, 2022, and so on). The devastating impact encompassed micro, macro, and meso economies across all spectrums, especially the developing countries such as Bangladesh. Although economic growth became one of the main victims, almost all countries focused on individual entitlement supports and restoring livelihood. At a later stage when the restrictions were eased, all countries ramped up SPSs both horizontally and vertically to restore their livelihood, create jobs, and prevent mass-hunger. Both developed and developing countries announced comprehensive and targeted stimulus packages underpinning entitlement support and livelihood restoration (Aizenman, 2021). Despite many differences, at the macro level, the stimulus packages sought to bolster aggregate demand, ramp up business sentiment and consumer confidence to kick in a solid and sustainable recovery (IMF, 2020).

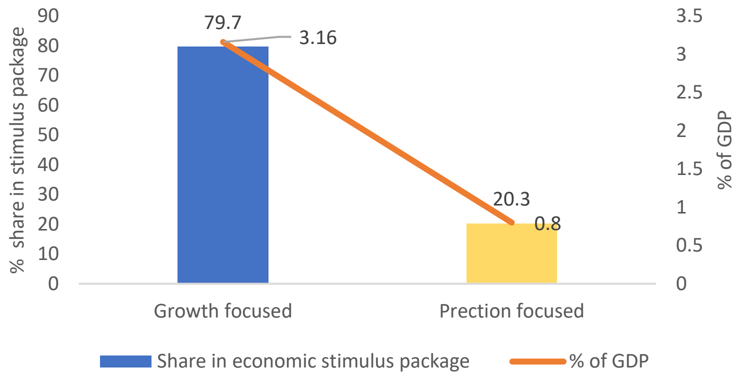
Almost all countries announced economic stimulus packages once COVID-19 hit. However, there was significant diversity in the magnitude and composition of these economic stimulus programs. These differences were determined by myriad political, financial, social, and economic. Given the above backdrop, there is potentially strong merit to probe into, what determined the policy measures adopted by the countries, especially, the policy objectives, sequencing, duration, size, nature, sources, and modes of financing, targeted beneficiaries, and so on. A solid understanding of these issues has rich learning potential. The COVID-19 pandemic strikingly illustrates the intersection of politics, economics, and other considerations. A recent study by Aizenman (2021) covering 98 countries finds that politics played a very significant part in determining the size and composition of these fiscal programs. Governments and societies that are less polarized and more capable were able to mobilize more fiscal resources. While the crisis is pervasive, which encompasses diverse issues beyond Economics, a political economy analysis has compelling merit for greater understanding of these issues and ultimately an optimal policy takeaway to wither the crisis. Therefore, the following discussion provides a brief political economy analysis of the fiscal stimulus package announced by the Bangladesh authorities.

Emphasis on growth assumes prominence over job creation and social protection

The entire stimulus package suffers from over emphasis on economic growth together with a bias towards macroeconomic stability relative to booting microeconomic livelihood revival. From the very beginning, the stimulus package disproportionately emphasized reviving GDP growth to its pre-crisis trajectory side-lining protecting life and livelihood (BIGD 2021, PRI 2021, SANEM 2020, UNICEF 2020). Importantly, this growth revival campaign was not accompanied by job creation measures (Osmain 2021). Various policy documents on the stimulus package and the Government's crisis response disproportionately focused on economic recovery rather than protecting people's welfare even when the pandemic was in full run. A policy document of the Bangladesh Bank writes: "The main objective of the policy measures is to support the faster recovery of economic growth for sustaining the livelihood of the people" (Bangladesh Bank, 2021: v). Likewise, an evaluation by the Ministry of Finance concludes, "It is evident from this depiction of the recent state of our economy that through the implementation of the timely and effective stimulus packages announced by the Honourable

Prime Minister, the Government has been able to create and protect employment, generate internal demand, and revive economic activities; and as a result, the economic momentum has turned around and has started to return to the high growth path. Once the COVID-19 situation comes under control, our economic growth will reclaim its speed towards the end of the year" (MoF, 2020:95). From figure 18, it is evident that about 80 percent of support programs were growth-focused while only 20 percent of measures were intended to support life and livelihood. The same figure shows the bulk of the financing e, g. 3.16 percent of GDP was allocated for reviving growth while only 0.20 percent of GDP was allocation was made for protection purposes (Figure 18). The rationale for this growth fetish could be explored in the political economy of the stimulus package, which is beyond the scope of the current analysis. Nevertheless, this revealed neglect of job creation and social protection in the stimulus package has far-reaching consequences in post-crisis recovery.

Figure 18: Orientation of Government's economic stimulus



Source: Estimated from Osmani (2021)

Osmani (2021) argues that comprehensive entitlement support for four months would have cost about additional fiscal resources amounting to 4 percent of GDP, which could be absorbed with a temporarily larger fiscal deficit. This poses a vital question of what prompted the Government for prioritizing GDP growth than protect people from poverty and deprivation. An appropriate answer to the Government's disproportionate emphasis on reviving a higher growth trajectory is embedded in the realm of the political economy of the economic stimulus package. An analysis by Osmani (September 2021) provides a causal analysis of economic growth determinism. In short, Osmani (2020) argues that as the Government is allegedly elected by not an inclusive election process, it emphasized a brisk uptick in economic growth to earn legitimacy. A sustained growth collapse would seriously undermine performances and the Government's legitimacy. Simultaneously, a longer lockdown suggested by some epidemiologists was also unacceptable to the authority because it would ravage people's livelihood and cause mass discontent (Osmani 2021). Nevertheless, more systematic research and analysis are vital to test the validity of such strong contention.

The urban area should have received greater attention

Apart from the support to large and medium scale enterprises, which are largely located in urban areas, the stimulus package, especially its social protection measures largely bypassed the poor and marginalized in the urban areas (Ahmed 2021; SANEM, 2020). This is a legacy of the current social protection regime, where urban poor and the missing middles are largely excluded from SPSs interventions. For example, the Prime Minister's two rounds of cash distribution program were mainly rural-centric. Admittedly it is difficult to target the urban poor, nevertheless, the problem remains as it has not been attempted to address in the past. It is perceived that while the stimulus package was growth-oriented, the urban poor and vulnerable would benefit from trickle-down via job creation.

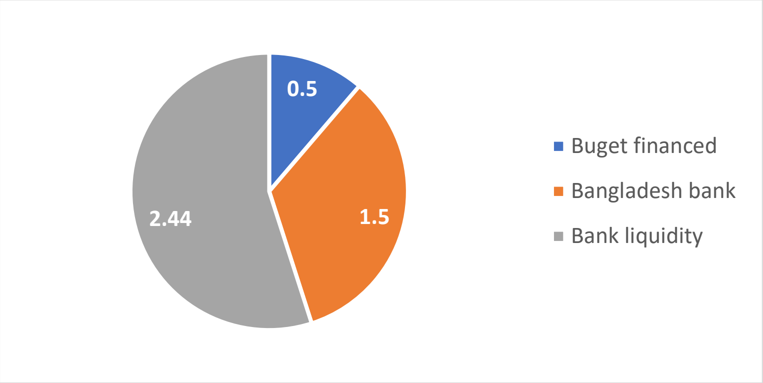
However, there are many urban poor who are for various reasons fall outside the formal market-based interventions together with various market failures, especially in the informal sectors. In addition, urban poverty and vulnerability are determined by entirely different dynamics which is not synonymous with poverty and hunger in rural areas. Whatever the reason could be, the fact remains that the urban poor sadly will not benefit much from the authorities' economic stimulus package. Importantly the pandemic scars were disproportionately borne by the urban poor of the informal economy. The restrictive measures paralyzed the likelihood of the urban informal poor. Various micro studies (Brac-BIGD 2020, 2021, SANEM 2020, 2021, and so on) come up with the evidence that the urban poor and vulnerable had been most severely impacted by lockdown and restriction measures, and have not received adequate government support.

Anomalies in financing

While the stimulus package amount to over 4 percent of GDP, the policy documents do not say much about the financing sources and mechanism. It is generally perceived that most countries mainly relied on creating additional fiscal space, mainly domestic nonbank borrowing for financing the stimulus package together with quantitative easing (IMF 2021). Especially the support to people's life and livelihood had been financed by fiscal space expansion. Unlike other countries, Bangladesh opted to finance the stimulus package by money creation triggering the money multiplier. One could identify three distinct financing sources: (1) creation of new money by Bangladesh back through refinancing schemes; (2) utilizing the excess liquidly in the banking system, which is equivalent to creating new money and (3) from the annual budget. The fiscal burden of the stimulus package was only 0.5 percent, the rest of the financing came from the creation of new money through the banking system (Osmani 2021).

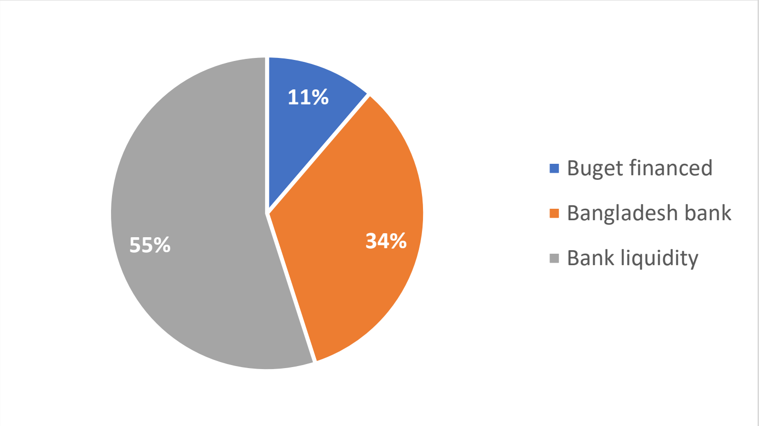
If we look closer, we see that the fiscal burden of the government has three components; through various subsidy programs including the interest subsidy that the government offers to the schemes of working capital loans to be disbursed through the banks; the scheme for paying wages to the workers of the export-oriented garments industries costing Tk50 billion and those social protection programs that provide free food and cash distribution. From figure 19, it is evident that only 0.5 percent was financed from the budget, while 1.5 percent of GDP was financed through Bangladesh Banks refinance schemes and 2.44 percent of GDP was financed from bank money. As figure 20 shows, only 11.3 percent was financed from the budget, refinancing schemes account for 33.8 percent and 55 percent was financed from the banking system. Summing up the last two, 88.8 percent of the stimulus package was financed through money creation. As Ahmed (2021) and Osmani argue, most countries financed the stimulus package from budget sources expanding fiscal space through raising wealth tax, shredding non-prioritized fiscal spending, and domestic nonbank borrowing. Injecting liquidity in the economic system through bank borrowing not only undermines macro-financial discipline (IMF 2020) but also results in price pressures and inflationary expectations (IMF, 2021). In addition, a refinance-dominated incentive through the banking system increases transaction costs for the beneficiary and raises implementation complexities.

Figure 19: Stimulus financing sources (percent of GDP)



Source: Drawn from Bangladesh Bank & MoF Data

Figure 20: Mode of stimulus financing (percent of total)



Source: Drawn from Bangladesh Bank & MoF Data

Underutilization

Caused by complex design and delivery mechanisms together with deficits in implementation capacity, the stimulus package has been significantly underutilized. Up to 30 October 2020, 0nly 43.7 percent of the stimulus package has been utilized, while at the end of January, 66.2 percent of resources were used (Table 4). Up to February 2022, about 42 percent of the total economic stimulus has been disbursed (Reaz, 2021). The empty cells shown in Table 4 mean that the mentioned programs were not implemented. These are the safety net program for export-oriented industries' distressed workers; credit risk-sharing scheme for the cottage, micro, and small enterprises; refinancing scheme for the cottage, micro, small and medium enterprises (CMSMEs) and disadvantaged elderly people, widows, and female divorcees in 150 poverty-stricken Upazilas.

The allocation for the Expansion of the Export Development Fund was raised but could not be implemented even though additional revenue was poured in. The same can be said to the additional procurement of paddy, which saw an increase from 6 lac metric tons to tackle the scourge of COVID-19, this too, remains unspent. This underutilization has ramifications on poverty and vulnerability reduction during and after the crisis. The redistributive fiscal politics suggests that partly by design and partly by implementation failures, the support to the neediest and vulnerable could not reach as planned. The evidence from micro studies also provides credence to this failure (Brac-BIGD 2021, CPD 2020, SANEM 2020).

Table 4: Implementation status of the economic stimulus package

Sl	Package accounts	Amount (In billion BDT)	Disbursement (In billion BDT)	Implementation (%)	Period
1.	Working capital loans for adversely affected large industry and service sector	330	302.07	91.53	31/01/2021
2.					
3.	Working capital loans for “A”, “B” and “C” type industries	70	1.03	1.47	31/01/2021
4.		400	303.1	75.77	31/01/2021
5.	Interest subsidy for commercial banks against suspended interest for April-May, 2020				31/01/2021
6.		20	13.9	69.5	31/01/2021
7.	Working capital loans for CMSMEs	200	115.92	57.96	31/01/2021
8.	Agricultural refinance scheme	50	34.66	69.32	31/01/2021
9.	Payment of salary and allowances to the export-oriented industries	50	50	100	31/01/2021
10.	Pre-shipment credit refinancing scheme	50		2.72	31/01/2021
11.			1.36		31/01/2021
12.	Refinance scheme for low-income earning professionals/farmers/s mall businessmen	30	14.29	47.63	31/01/2021
13.	Export Development Fund (EDF)	127.5		71.62	31/01/2021
14.			91.32		31/01/2021
15.	Credit Guarantee Scheme (CGS) for CMSMEs	20		-	31/01/2021
16.	Agricultural loan for crops and harvest sector at 4 (four) percent concessional interest rate				31/01/2021
17.		As per requirement	31.67	-	31/01/2021
18.	Free food distribution	25	10.68	42.72	30/10/2021
19.	Special Honorarium for Doctors, Nurses, and Medical Worker	1	-		30/10/2021

20.	Sale of Rice at BDT 10 per kg to Affected Poor People	7.7	7.7	100	30/10/2021
21.	Cash Transfer to Targeted Poor People	12.58	8.8	69.95	30/10/2021
22.	Expansion of Allowance Programs for the Poor	8.15	0.23	2.82	30/10/2021
23.	Enhanced Subsidy for Agriculture	15	11.35	75.67	30/10/2021
24.	Refinance Scheme for Lower-Income Professionals, Farmers, and Traders	30	6.48	21.6	30/10/2021
25.	Enhanced Subsidy for Agriculture	15	11.35	75.67	30/10/2021
26.	Refinance Scheme for Lower-Income Professionals, Farmers, and Traders	30	6.48	21.6	30/10/2021
27.	Refinance Scheme for Lower-Income Professionals, Farmers, and Traders		6.48	21.6	30/10/2021
28.	Safety Net Program for Export-Oriented Industries' distressed Workers	15			30/10/2021
29.	Credit Risk Sharing Scheme for Cottage, Micro, and Small Enterprises	20			30/10/2021
30.	Refinancing Scheme for Cottage, Micro, Small, and Medium Enterprises (CMSMEs)	15			30/10/2021
31.	Disadvantaged Elderly People, Widows, and Female Divorcees in 150 Poverty Stricken Upazilas	12			30/10/2021
	Total amount	**1553.93**	**1028.87**	**66.21**	**31/1/2021**
	% of GDP	**4.1**	**2.7**		**31/1/2021**

Inadequate focus on children and youth

The stimulus package is fraught with serious neglect of children and the youth having adverse implications for crisis recovery. It has far-reaching ramifications over intergenerational productive capacity and equity. A recent study by UNICEF (2020) reveals that most children are vulnerable to covariate shocks such as the Covid 19 pandemic. Children's vulnerability has been amplified by prevailing anti-children bias in the social protection regime (UNICEF 2020). Slightly above 3 percent of the total SPSs budget are earmarked for children's welfare. Likewise, the stimulus package sadly bypassed supporting the children and the youth as well. This has far-reaching implications, not to the country's current growth and development; it will toll against the country's future growth potential and development outcomes. Simultaneously, there has been differential support to rural vs urban and rich vs poor children. While the county's education system suffered most, the pandemic widened the digital divide between rich vs poor and rural vs urban children.

The emergence of the new poor

A major pitfall in the stimulus package is its neglect of the new poor. A good number of studies provide empirical credence to a significant rise in poverty incidence raising the number of poor, termed as "new poor" (Brac 2020, 2021, PPRC-BIGD2020, 2020, 2021, BIDS 2020, CPD 2020, SANEM 2020, 2021, UNICEF 2021, FCDO, 2020, UNICEF 2020, UNDP 2020). Notwithstanding differences among the estimates on the total number, new poor' size ranges between 20 to 40 million. The 8th Five Year Plan refers to a study conducted by the General Economic Division of the Planning Commission an estimate totaling 20 million new poor. Despite ambiguity on actual size, it is safe to state that the pandemic and associated restrictive measures pushed up poverty incidence through multiple channels, mainly via income and livelihood losses.

A recent 4th round of survey by PPRC-BIGD (November 2021) reveals that income recovery was reversed and at the end of 18 months, with average income among the surveyed poor was 23 percent below the pre-COVID-level. Percentage of households who were skipping a meal the previous day jumped from 2 percent in March 2021 to 7 percent in August 2021. Unemployment recovery too was reversed rising 3 percentage points to 14 percent in August 2021 from the level in March 2021. The new poor phenomenon has deepened rather than lessened. In June 2020, new poor was estimated at 21.24 percent which declined to 14.75 percent in March 2021, and has spiked again in August 2021 to 19.54 percent which nationally extrapolated translates into a new poor magnitude of 32.4 million. Nevertheless, the stimulus package does not provide support to the new poor.

This is a serious shortcoming. This rise in poverty is not an entirely temporary phenomenon. The scurs of rising in poverty will significantly impair the country's micro and macro level welfare in both short and medium terms. A similar study conducted by SANEM (2021) found that poverty incidence was staggering 42 percent and extreme poverty rose to 28.5 percent compared to the benchmark of 9.4 percent. The extreme poor lowered their expenditure on non-food items by as much as 63 percent, in addition to lowering food spending by 30 percent.

Low coverage and insufficient benefit value

The stimulus package could not generate the required boost in consumption to mitigate the crisis impact among the benefited households (UNICEF 2020). A UNICEF (2020) study reveals that the Government's proposed emergency social security measures amount to only 0.16 percent of 2019 GDP and are estimated to reach very few people. The support is insufficient to effectively stimulate the economy and support economic recovery nor will it adequately protect families. According to the study, the one-off transfer to 5 million poor households suffering the loss of a breadwinner amounts to 12 percent of the average monthly household spending and, on an annualized basis, 1 percent. The value of two 'top-up' transfers provided for the Primary School Stipend result represents just 0.1 percent and 0.2 percent of Bangladesh's average monthly household expenditure, respectively. Although increased allocation has been provisioned for SPSs in the FY2022 budget the per capita benefit value remains low (Ahmed, 2021). In addition, high inclusion and exclusion errors cause low coverage and insufficient benefit value.

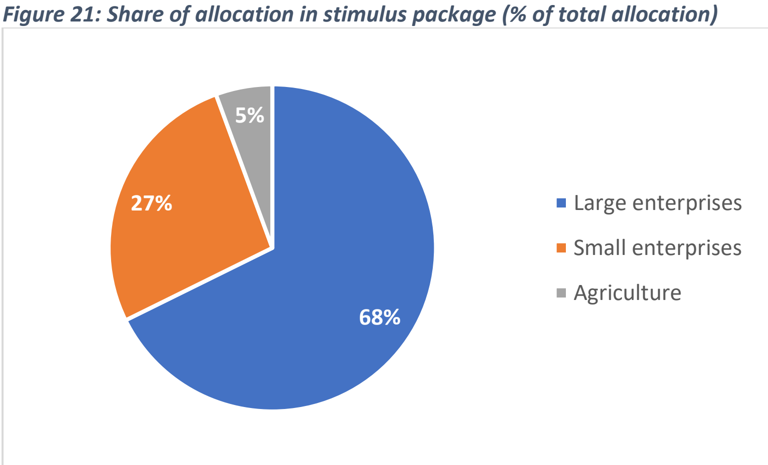
The monthly transfers provided by the Old Age Allowance and Allowance for Widowed, Deserted and Destitute Women (BDT500) and the Allowance for the Financially Insolvent Disabled (BDT700) – which have been horizontally expanded to include more beneficiaries – are larger than the other emergency programs but are still small, equivalent to 2.4 and 3.3 percent of Bangladesh's average monthly total household expenditure, respectively. While likely to represent a welcome boost to incomes, the transfers are unlikely to boost aggregate consumption enough to stimulate the economy since coverage is low.

Large enterprise and formal economy biases

The stimulus package disproportionately focuses on large enterprises relative to the cottage, micro, small and medium enterprises, especially in the informal sector.

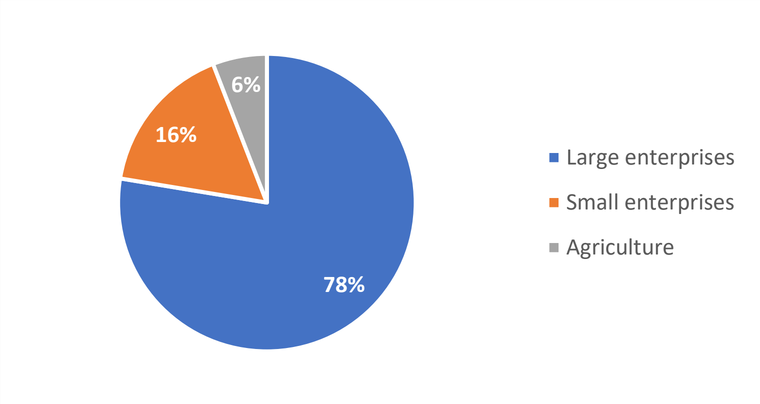
As shown in figure 21, out of the total stimulus fund, 67.7 percent have been allocated to large enterprises compared with 26.7 percent to small businesses. Likewise, differential utilization pattern is evident in figure 22 showing large enterprise bias neglecting small enterprises. This is severely manifested by the neglect of the informal sector partly because of informality and inadequate policy attention embedded in the realm of the political economy of the stimulus package which is anchored in the country's development paradigm (Ali and Hossain 2020; BIGD 2021). A recent study by Reaz (2021) provides more evidence about the overemphasis on large and medium industries. The same study also reports greater utilization of refinancing and working capital loans by the largescale enterprises. Together with the weak capacity of the MCSMEs, complex procedures and higher transaction costs wedged a negative bias against MCSMEs (Reaz, 2021).

Figure 21: Share of allocation in stimulus package (% of total allocation)



Source: Estimated from Bangladesh Bank & MOF data

Figure 22: Share of total utilized fund (% of total)



Source: Drawn from Bangladesh Bank & MoF Data

Targeting errors continue to remain unabated

Although targeting errors fall into governance and implementation of the stimulus, nevertheless high inclusion and exclusion errors are suspected to have undermined its design as well. While the government did not have any updated beneficiary list for covariate shocks, such as the Covid 19, it had to rapidly prepare a new list with the help of local administration and local government (Rahman, 2021). Meanwhile, anomalies were also reported in the mobile cash transfer beneficiary list and the food minister has reported having said that 700,000 out of 5 million OMS cards distributed during the pandemic were found to be fake (BIGD 2021).

While the Government began preparing a new beneficiary listing process in 2020, the consideration was to build a new digital database using the Central Aid Management System (CAMS) software. The beneficiaries who registered on the digital list would receive a QR code and obtain relief, complying with a transparent digital process. The purpose was to bring efficiency and transparency into the process. The primary responsibility of preparing the first draft of relief beneficiaries fell to the ward-level committees.

Despite many respondents claiming to submit their NID copies, most claimed they did not know if they were included in the list (BIGD 2021). No standard practices were observed regarding the listing process. From BIGD qualitative study, respondents from peri-urban and rural areas claimed that they had to struggle to apply and enlist their names for humanitarian assistance. Due to mismatch and irregularities found in the list, the government was reported to defer cash assistance to around 1.5 million beneficiaries instead of 5 million as planned (Islam, 2021).`

Weak monitoring and evaluation

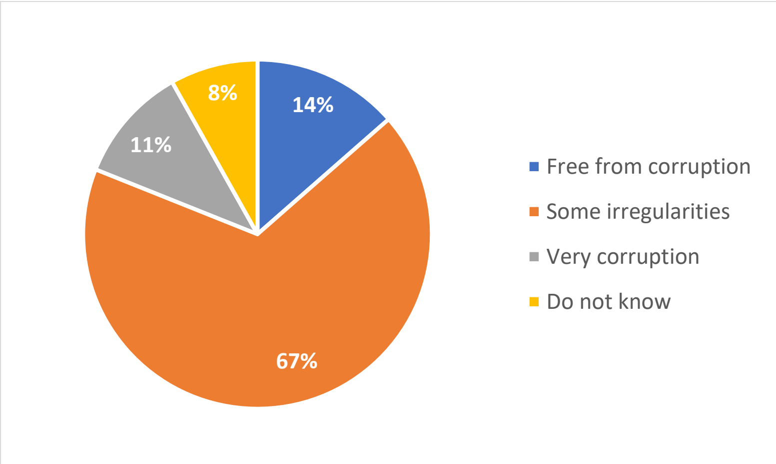
The lack of effective monitoring has significantly undermined the efficacy of the stimulus package. Although during the pandemic time effective monitoring was challenging, the stimulus package should have been anchored in a robust monitoring and evaluation framework. This limitation has also impacted the stimulus package's intended outcomes. While making the allocation, the district commissioners (DCs) were ordered to upload information on their respective district web portals regarding the amount received and distributed among Upazilas. However, DCs of nearly half of the 64 districts continued disregarding the Government's directive to upload information on allocation and disbursement of relief and financial aid on their respective websites till July 2020, when the relief operation was ongoing (Khan, 2020). Despite the change in authority, transparency and accountability mechanisms remained absent (BIGD 2021).

Furthermore, the government was unable to ensure the role of the numerous committee members for monitoring the relief operation process as per the COVID-19 guidelines. In addition, there was no effective grievance redress mechanism, which constrained services delivery. Despite the NSSS's recommendation to implement a single registry-based MIS system, the progress is quite modest (World Bank, 2021). Lack of effective monitoring affected efficient resource uses, systemic transparency, and governance quality.

Profligacy and pilferages

Despite a shortage of adequate empirical evidence, some micro and qualitative studies report significant profligacy and pilferages. Results of a BIGD led qualitative study (2021) show (figure 23) that about 68 percent of respondents thought that there had been some irregularities in benefit distribution. This has eroded the thin benefit packages further. Nevertheless, this sensitive issue needs careful study and further scrutiny.

Figure 23: Perception of corruption



Source: Drawn from BIGD data

Concluding remarks: policy measures to build a shock-responsive social protection

Improving the shock responsiveness of social protection systems strengthens a government's ability to address major, systemic shocks. Rather than being forced to respond to a crisis with ad-hoc measures, policymakers can build shock preparedness into the system. Doing so strengthens the role of social protection systems as automatic stabilizers and reduces the risk of a delayed response in the face of a crisis. Yet, it is important to acknowledge that no social protection system, however shock responsive and well designed, can prepare a country for every eventuality. The COVID-19 has in many ways triggered an unprecedented national as well as a global crisis, unique in both its scope and impact. However, it is unlikely to be the last shock. Whatever form the next crisis takes —whether a drought, hurricane, rise in food prices, political dispute, or global pandemic—the country must ensure that no one is left behind. Improving the shock-responsiveness of social protection systems is a crucial area for action.

Innovative programming in recent years has enabled social protection in different contexts to scale up assistance in response to large covariate shocks that affect groups of households, communities, regions, or entire countries. The rapid response within established social protection programs for managing the impacts of what is an acute and unanticipated shock places Covid-19 social protection response squarely within the shock-responsive social protection (SRSP) agenda. Shock responsiveness in social protection is facilitated by targeting systems and contingency funding that provide programs with the ability to respond more quickly to acute needs in a crisis than conventional humanitarian responses.

Based on the secondary literature review, this paper looks ahead and considers how SRSP can offer support and be supported in building forward better from the Covid-19 pandemic. It focuses on the role of SRSP as part of wider responses to the pandemic. In doing so, we bring into focus components that have long been part of efforts to strengthen social protection, including a continuum of response, fiscal space, administrative capacity, strong accountability, cross-sectoral linkages, and ensuring inclusion and equality, and resilience.

The notion of building forward better is twofold in terms of SRSP. First, SRSP will have an essential role in addressing the consequences of Covid-19 and vulnerabilities relating to the virus in the medium term, when societies, governments, and multilateral institutions will be focused on recovery. Second, Covid-19 presents an opportunity to strengthen and build better social protection systems, with the possibility of leveraging greater domestic expenditure on, and international assistance for, social protection over the long term.

There are many unknowns in thinking about the future, including when the vaccines will be deployed at scale, particularly to the poorest and most hard-to-reach populations. Planning must anticipate the possibility that Covid-19 could remain for many years to come, circulating among the world's population. Thus, the expansion of social protection through the SRSP system should not be limited to a short-term response to immediate needs but should be seized on as an opportunity to establish firm foundations for comprehensive social protection systems, including fiscal space, institutional arrangements, administrative structures, delivery capacities, and accountability mechanisms.

We consider two scenarios, with different assumptions about how the pandemic unfolds in the medium and long term and therefore different implications for SRSP needs and capacities to build forward better.

Medium-term response

The phase of medium-term response can be characterized by growing control over infection rates, lower community transmission, health systems being better able to cope, and lockdown measures largely being relaxed. During this period, the focus shifts from immediate crisis management towards continuing efforts aimed at economic and social stabilization, as well as supporting livelihood recovery while keeping the virus suppressed.

In the best-case scenario – which dominated many discussions in the initial months of the pandemic, on economic and social recovery from Covid-19 – this phase is expected to last roughly 12 months, at which point a vaccine is identified and widely deployed in ways that effectively build immunity and enable a turn to post-pandemic efforts. The assumption is a linear evolution of the pandemic, with effective systems to manage periodic outbreaks and rising caseloads in hotspots.

In terms of SRSP, this means that the measures put in place or expanded in response to the immediate crisis may be scaled back to pre-crisis proportions, much in line with the rationale of SRSP. SRSP by and large focuses on the ability of a social protection system to temporarily scale assistance up and down following a shock, either by increasing the level of assistance for existing beneficiaries or by expanding coverage to non-beneficiaries affected by the shock. This has created opportunities for using social protection to deliver a continuum of assistance by integrating the delivery of humanitarian assistance into its system.

In the alternative scenario, the medium-term recovery phase is expected to last much longer, with the pandemic continuing to unfold in a non-linear way, with smaller and larger outbreaks happening in different places over many years. Virologists and epidemiologists, in part based on their experience of other communicable diseases and coronaviruses, caution that vaccine development – and therefore the ability to reduce and manage infection rates – may be a long way off (McDonnell et al. 2020), and that the best-case scenario is too optimistic. Instead, it is more likely that the development of a vaccine that is effective for most of the population may take many years, meaning that governments and international organizations must prepare for a protracted period during which the risk of wider transmission of the virus remains, necessitating ongoing constraints on mobility and economic activity, as well as high levels of poverty and vulnerability. Crucially, systems and programs will have to be flexible to respond to increases in infection rates in sub-national and localized areas.

This scenario presents a conundrum for SRSP. The need for support will be greater for much longer, yet the resources and capacity to deliver such support will also be under strain. Instead of focusing on building forward better, this scenario may necessitate a focus on striving for maximum coverage of the most vulnerable and may require a continuum of response for much longer. Some aspects that may be categorized as the 'long term' in the best-case scenario will need to be addressed in the medium term if this phase is of a more protracted nature. This entails elements of systems strengthening, such as building and strengthening capacity, fiscal space, and accountability to the greatest extent possible.

Long term response

In the long term, once effective therapy and prevention regimes are in place and deployed at scale, economic activity is likely to rebound, and the movement of people and goods will accelerate. Employment and income-generating opportunities can be expected to pick up again but against a backdrop of severely depleted resources and intensified levels of poverty and inequality. It is in this phase that SRSP contributes to building forward better and/or that social protection is built forward better. Clear momentum exists for investing in more comprehensive systems that will also include previously excluded groups, such as workers in the informal sector and other less visible groups.

Complementary efforts are needed to safeguard basic social protection functions: food security and basic needs provision.

While acknowledging pressures on resources the Government needs to prioritize social protection expenditures as they revisit and review national budgets. The foundations must be anchored in national legal and policy frameworks that prioritize long-term poverty reduction and be financed equitably and sustainably. Complementary efforts at the international level must address what will be highly uneven efforts at building forward across the globe, to protect food security and basic needs.

Key components for building forward better with SRSP include establishing a continuum of response, adequate fiscal space, and administrative capacity; strong systems of accountability so that the most vulnerable are more likely to be included; and cross-sectoral linkages so that sectors such as health and education can augment the social protection provision.

Offering a continuum of response

The focus on building SRSP systems in contexts of recurring humanitarian crises and climate-related shocks has led to a recognition of the overlap in the mandate, institutions, and target groups between the 'humanitarian' and the social protection sector. Building on existing best practices and lessons learned around the continuum of response from humanitarian aid to social protection, new short-term social assistance measures should build on and improve existing national administrative and delivery structures of social protection systems (ILO 2020).

The ambition is to build national SRSP systems that can scale and flex to respond to any new emerging crisis, but the way and speed at which these will be built will be context-dependent. Over time, the protracted nature of the Covid-19 crisis may mean that schemes may be scaled down in terms of the amount and intensity of support that they provide but cover a larger number of people.

Creating fiscal space

Building fiscal space for social protection financing through additional domestic resource mobilization and saving, spending reallocation, and external borrowing, is critical to facilitating the maintenance and expansion of social protection expenditure. A range of financing instruments facilitates the mobilization and timely disbursement of resources, including government saving through contingency reserves and borrowing through contingent credit facilities.

Bangladesh's tax revenue is among the lowest in the World and arrested into a low-level trap. The narrow tax base is further eroded by exemptions, noncompliance, and pilferages. Likewise, the fiscal spending regime despite its small size is afflicted with fiscal profligacy and redistributive fiscal politics keeping the poor and vulnerable at the bay.

Thus, a legacy of the crisis could be the need to identify ways of linking new instruments for taxation with fiscal expansion supporting deeper and wider social assistance for the furthest behind. International finance and multi-year commitments are necessary to maintain the adequacy and reach of social protection systems over the medium to longer term.

Political will is indispensable to ensure that the requisite fiscal space is created for large-scale investment in social protection, both in the short term and over a longer period of economic uncertainty and contraction unleashed by the pandemic.

Strengthening administrative and institutional capacity

The crucial job of implementation will depend on state and sub-national political administration, which already function minimally with extremely restricted capacities. Building government capacities to provide social protection to their populations is essential for long-term recovery strategies.

Building forward from Covid-19 in the medium to longer term is an opportunity to scale up innovations and build capacities that could ensure the continued provision of basic assistance to a wider population in need long after the pandemic is over. The opportunity in the Covid-19 crisis includes expanding the accessibility and use of digital technologies, such as promoting e-payments. At the same time, such innovations should be implemented with care and avoid excluding already marginalized groups, such as through digital exclusion (Strohm and Goldberg 2020). Increased demand for social protection should be met through a cadre of well-trained staff with the support of volunteers as appropriate and with strong horizontal and vertical coordination.

Establishing accountability mechanisms

The establishment of strong accountability mechanisms is key to well-functioning SRSP systems, and investments in such systems after the pandemic should be directed in such a way as to promote accountability. This entails accountability from a social justice perspective, with the government being held accountable for upholding citizens' rights (Osmani 2021); and from a financial point of view, with the government being held accountable for using funds transparently and appropriately.

As Khan Mohmand et al. outline, it also encompasses identifying tools to enable citizen engagement and political processes that empower citizens to monitor state performance. A wide range of tools exists for implementing accountability, ranging from complaints and grievances to financial audits (ibid.). Covid-19 may exacerbate the need for strengthening accountability mechanisms because the speedy introduction of new measures as part of the immediate response poses challenges to transparent forms of implementation.

The weak institutional capacity for and the lack of accountability in targeting of SPSs is well-documented in the Bangladesh context and points to the need not just to strengthen systems, but also to build capacity at the sub-national level for it is improved decentralized capacity that is critical for outreach, enrolment, and grievance redressal. While technical platforms currently exist to facilitate complaints and appeals, the power and information asymmetry around the targeting process imply limited opportunities for citizen engagement. The systematic involvement of civil society organizations in the implementation would better empower citizens and facilitate improved accountability.

Creating cross-sectoral linkages

The need for social protection to link to and across sectors is well established. The multidimensional nature of needs and vulnerabilities requires social protection interventions to provide more integrated forms of support. The Covid-19 pandemic exemplifies the need for a cross-sectoral response, with people in and at risk of poverty being less able to protect themselves against the risk of infection or to withstand the health and economic consequences of contracting the virus. Although the risk of infection will substantially reduce in the long term, this group is likely to bear the brunt of any remaining risk.

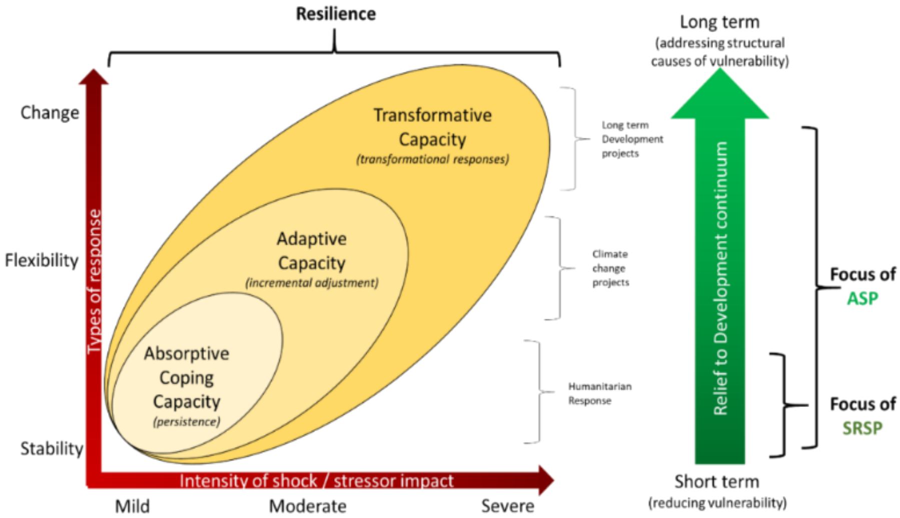
Buttressing social protection through cross-sectoral linkages is significant not only as a response to Covid-19 but as an enduring way of strengthening resilience to other large covariate shocks and stressors, including climate. A scalable safety net with national coverage must be coupled with policies and investments in the other foundation stones of building forward better: public goods such as infrastructure, education, and health systems. Linking the implementation of social protection programs with a range of complementary support and services can help to strengthen climate resilience as a defining challenge of the twenty-first century.

Ensuring inclusion and equality

Covid-19 and its socioeconomic consequences do not affect everyone equally. Mobility restrictions and economic contraction coupled with identification requirements for accessing support and services mean that marginalized groups are likely to see their disadvantaged positions exacerbated by the pandemic (World Bank 2020). The Covid-19 response has disproportionately affected women and led to the reinforcement of gendered roles and responsibilities. Unpaid care work has become more important due to school and childcare services being closed, basic health services have become unavailable, and (in some instances) greater need for health care. Women, disproportionately, carry the burden of such work. Social protection in a post-crisis period must therefore reverse new patterns of exclusion and inequality and address long-standing ones. An inclusive SRSP aiming at promoting equality is essential to create resilience to shocks.

Ramping up individual and collective resilience

Figure 24: Framework for building resilience



Source: Adapted from Ulrichs

An effective SRSP requires creating vital resilience, especially of the people at risk. Building resilience requires (1) boosting absorptive capacity; how households moderate or buffer the impact of a shock, (2) underpinning adaptive capacity; adjustments that people undergo to continue functioning without major changes in function or structural identity, and (3) expanding transformative capacity – the ability of people to change in response to major structural changes to their context or environment. Given Bangladesh's vulnerability of covariate risks it the imperative to boost people's individual and collective resilience.

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