



# Rethinking Social Protection Responses to the Covid-19 Crisis: Issues and Policy Priorities for Bangladesh

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Social Security Policy Support (SSPS) Programme  
Cabinet Division and  
General Economics Division of Bangladesh Planning Commission  
Government of the People's Republic of Bangladesh



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# I. Introduction

The Covid-19 global pandemic unleashing a catastrophic health crisis – with the spread of a disease on this scale unprecedented over more than a century now since the Spanish flu of 1918 – continues to ravage global economies causing economic activities to plunge in astronomical proportions affecting livelihoods along with the continuously rising tragic loss of human life caused by the virus itself. With the developed economies reeling from mitigating measures, many developing countries, including Bangladesh, are in sheer distress in dealing with a double challenge of containing the virus spread and addressing socio-economic impacts. While the already inadequate health services being completely overwhelmed, curtailed economic activities manifested in factory closures, massive loss of employment, cancellation of export orders, declining remittances, and depressed demand for domestically produced goods and services have caused massive disruptions affecting most population groups and leading to a dramatic rise in poverty and vulnerability. Indeed, development gains over the past decade are being threatened by this crisis as the resultant economic consequences could push global poverty up by as much as half a billion people, or 8 per cent of the total human population (Sumner et al., 2020).

An extraordinary crisis of this scale would require an elaborate public policy response, and the social security measures should be at the core of it (ILO, 2020). Countries with initial effective health and social protection systems are likely to be better placed in tackling the challenges. Bangladesh and many other developing countries have not been able to establish a modern, comprehensive, and effective social security system and thus remained more vulnerable to such a major health shock driven economic disruptions. These countries are generally characterised by having a weak health care system with historically low public investment, lack of unemployment benefits, dominance of the informal sector in employment, fragmented social security systems targeting only long-term poverty and deprivations of various population groups while no coverage for individuals affected by sudden economic shocks, very small transfer amounts for social security beneficiaries, limited coverage of the urban poor in the existing social protection provisions, etc. and thus find it difficult to provide an effective response to the crisis.

Having adopted the National Social Security Strategy (NSSS) in 2015, Bangladesh is currently implementing various programmatic and institutional reforms to make a transition from an *ad hoc* and fragmented safety nets-based system to a more structured and streamlined approach to help beneficiaries address their lifecycle risks along with mitigating covariate and idiosyncratic shocks. To accomplish the NSSS-articulated long-term vision of the social security system, certain goals are sought to be achieved under a 10-year first phase (2015-25) while a roadmap for an additional phase starting from 2026 has also been envisaged. The Covid-19 pandemic has thus struck Bangladesh with the continuation of erstwhile social protection interventions, which have been known to be incompatible with the need of a rapidly transforming economy. It is also becoming clear that, perhaps a completely reformed system – as envisaged in the NSSS – would still be not robust enough to grapple with the crisis of this magnitude. There are, therefore, important lessons in building an appropriate social protection system in future.

In response to the crisis, the government has already taken several measures that deserve appreciation. The decision of shutting down economic activities was a right one, although its strict enforcement for a populous and so densely populated country like Bangladesh, with much of the

population depending on their daily activities for livelihoods, was a challenge. The government has also rolled out a large stimulus package for supporting enterprises and their workers, mostly in the formal sector. Along with providing some one-off emergency cash assistance to five million households, certain social security programmes have also been beefed up with the objective of increasing beneficiary coverage.

Notwithstanding the above, the view taken in this paper is that there was ample room for pursuing a more proactive social protection policy stance. As the crisis continues to unfold, there remain opportunities for bold policy options in reaching out to – with more effective and appropriate assistance – millions of people who have been severely affected. It also represents an opportunity to revisit the current social security support mechanism in building a comprehensive and fit-for-purpose system that should be pursued along with the on-going NSSS reforms. This paper therefore outlines some immediate, short-to-medium term, and long-term priorities that can be incorporated into the upcoming 8<sup>th</sup> Five-Year Plan with the objective of mitigating poverty and vulnerability consequences as inflicted by Covid-19 while at the same time making progress towards instituting a strengthened social protection architecture.

This paper is organised as follows: after this introduction, Section II summarises the socio-economic impact of Covid-19, highlighting, amongst others, macroeconomic and poverty situations; Section III provides a brief review of the limitations of Bangladesh’s current social protection mechanism in elucidating the challenges of dealing with current crisis; Section IV then proposes various immediate, short-to-medium and medium-to-long term priorities that are important for extending the social protection coverage and building an effective support system; finally, section V concludes.

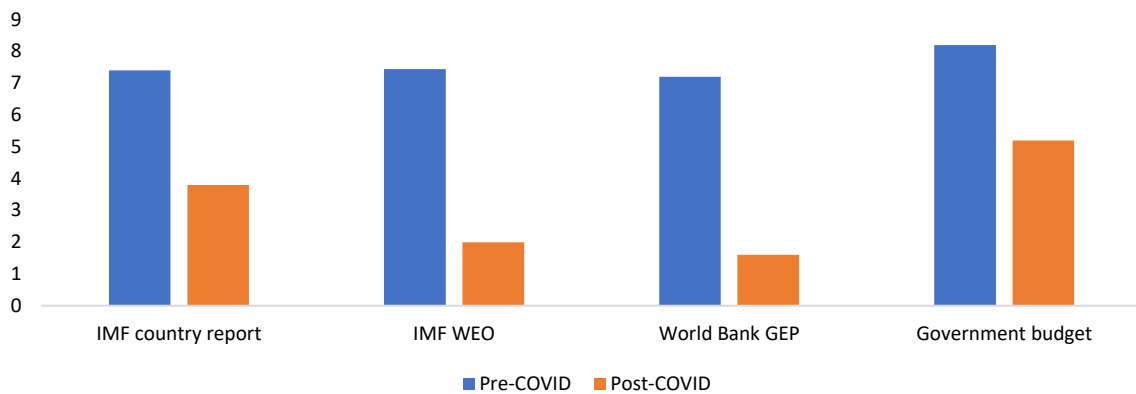
## **II. Macroeconomic and Socio-economic Impacts of Covid-19**

Bangladesh made an impressive socio-economic progress over the past decades. However, Covid-19 has now caused widespread disruptions, triggering uncertain socio-economic prospects for Bangladesh as well as most other global economies. The resultant impacts are being transmitted through two channels: (i) the global recession affecting through trade, foreign direct investment, and remittance linkages; and (ii) a combination of weak demand and supply-side shocks within the domestic economy. The impacts emanating from the two channels interact to amplify the adverse implications further. The International Monetary Fund (IMF) in its flagship report, the World Economic Outlook (WEO), forecasts Bangladesh’s GDP growth to plunge to 2 per cent in 2020 – lowest in 33 years (IMF, 2020a) (Figure 1). The World Bank, on the other hand, projects the same growth as 1.6 per cent which is 5.6 percentage points smaller than the pre-COVID estimate of 7.2 per cent (World Bank, 2020a). This can be interpreted as a \$18 billion worth of loss due to COVID-19. Using simulations from a general equilibrium modelling exercise, the Asian Development Bank (ADB) derives that Bangladesh economy could lose between 4.3 per cent to 6.6 per cent gross domestic product (GDP) (ADB, 2020) – equivalent to \$13 billion and \$21 billion in absolute value.

Bangladesh’s overall exports during July 2019–May 2020 declined by 18 per cent to 30.9 billion against \$37.7 billion exports during the same time in the previous year. Apparel exports, comprising more than 80 per cent of total earnings, declined by 19 per cent. In April 2020, exports were only \$520 million – lowest in a month in last 15 years – compared to \$3.03 billion during the same month last

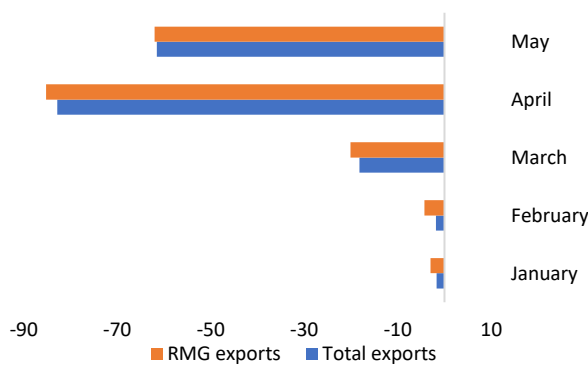
year, experiencing a staggering 83 per cent decline (Figure 2).<sup>1</sup> Exports earnings in May 2020 was 66 per cent down by the same comparison with the corresponding month in the previous year. Cancellation of export orders and supply-side disruptions were the main reasons for this rapid fall in exports. The downturn may continue into the next fiscal year as predicted by different sources. The World Trade Organization (WTO, 2020) projects that the world merchandise trade would shrink between 13 and 32 per cent in 2020 (calendar year), which will have implications for Bangladesh. Remittances which are a major source of income of households with international migrant workers, experienced a 7.7 per cent decline during January-May, compared to the same period of the previous year (Figure 3). According to the World Bank, the inflow of remittances into Bangladesh could fall by 22 per cent in 2020 (World Bank, 2020b).

Figure 1: Bangladesh's GDP growth in FY2020 (%)



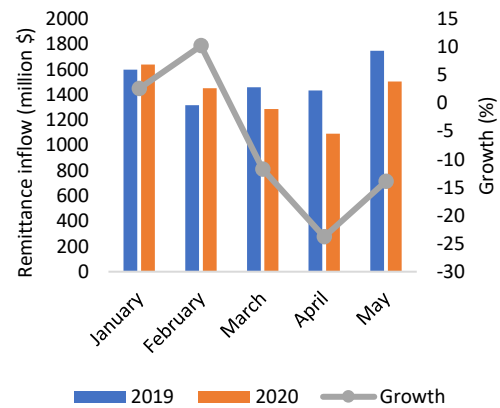
Note: WEO – World Economic Outlook, GEP – Global Economic Prospects. IMF WEO data correspond to calendar year. Source: Author's presentation using data from the IMF, World Bank, and Government of Bangladesh sources.

Figure 2: Month-to-month exports growth (%)



Source: Author's presentation using data from Export Promotion Bureau (EPB) of Bangladesh

Figure 3: Remittances received



Source: Author's presentation using data from BMET and Bangladesh Bank

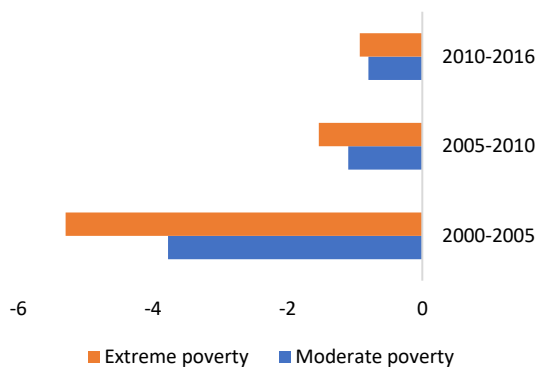
Prior to Covid-19 disruptions, Bangladesh had registered a remarkable progress in reducing poverty. The headcount ratio (HCR), measured as the proportion of the population living below the poverty

<sup>1</sup> It is worth pointing out that Bangladesh's apparel exports were under pressure even prior to unfolding of the Covid-19 crisis because of a trade downturn in the global economy largely due to tariff wars between the United States and China. In fact, in the first eight months of the fiscal year of 2019-20 (between July 2019 and February 2020), export growth was negative for six months in comparison with the corresponding month of the previous year.



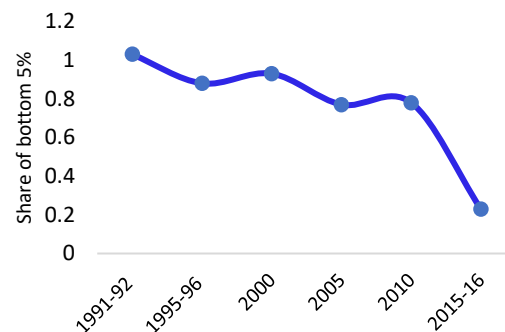
line income, declined to 20.5 per cent in 2018-19 – a reduction of 36 percentage points since the early 1990s. Notwithstanding, almost 34 million people remained poor and another 25 million were vulnerable (who are not poor but at risk of falling into poverty in the face of unforeseen adverse shocks affecting their income-earning prospects and livelihood activities). That is, almost 60 million individuals or 42.9 per cent of the population were either poor or vulnerable immediately before the Covid-19 fallout. The poverty elasticity of growth was on the fall along with rising income inequality (Figure 4). The Gini coefficient, showing income inequality rose from 0.458 in 2010 to 0.483 in 2016. The income share of the bottom 5 per cent of population declined by to just 0.23 per cent in 2016 from 0.78 per cent in 2010 (Figure 5).

Figure 4: Elasticity of poverty reduction to growth



Source: Author's presentation using data from Iqbal and Pabon (2018)

Figure 5: Income share of the bottom 5-per cent

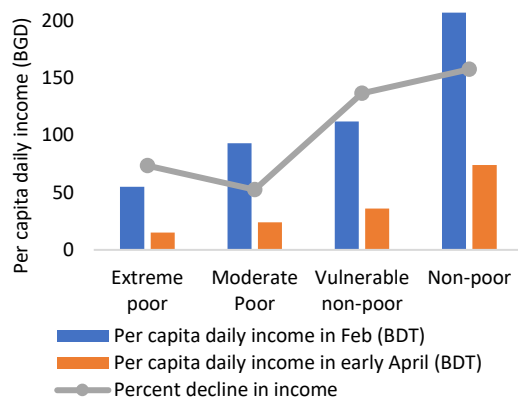


Source: Midterm implementation review of the NSSS, 2019

In the above backdrop, the Covid-19 mitigation measures involving economic shutdown caused massive income and job losses. A PPRC-BIGD survey, undertaken in April 2020, found that people of all population segments incurred a significant income loss between February and April 2020, while it was the extreme and moderate poor people that were hardest hit – suffering a three-fourths loss in income on average (Figure 6). Informal sector workers e.g. restaurant workers, rickshaw pullers, day labourers, artisans, domestic helpers, agricultural labourers, petty business owners, shopkeepers, saloon/parlour workers, etc. were severely affected (PPRC/BIGD, 2020). Various estimates suggest that the temporary job loss for the two-months-shutdown period could be in the range 12-17 million. Economic activities remain greatly subdued even after the withdrawal of lockdown measures, keeping a sustained downward pressure on the employment situation. There have been suggestions of garment workers' losing jobs triggered by cancellation of export orders. Full-time and regular job loss could be between 4–12 million as per various estimates (Figure 7). Besides, the plummeting remittances and exports will adversely impact employment and household earnings. A simulation exercise based on a Social Accounting Matrix (SAM) multiplier model seems to suggest that firms/households income would decline by 5.2–12.1 per cent depending on the extent of decline in remittance and exports and the types of firms/households are in question (Figure 8).<sup>2</sup>

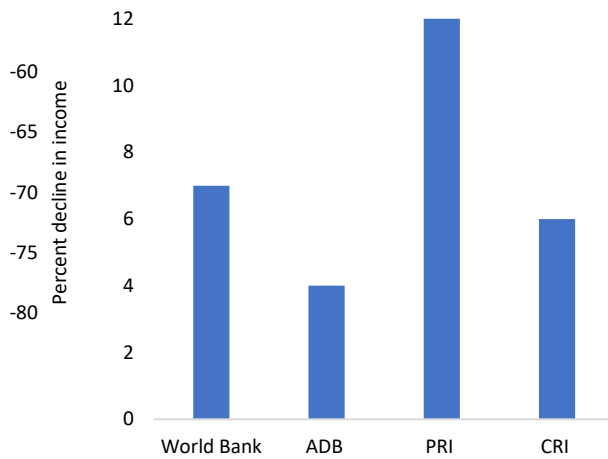
<sup>2</sup> Under the current prospect scenario, remittance is expected to fall by 22 per cent (as the World Bank projected) and exports will decline by 13.5 per cent. On the other hand, keeping the decline in remittances unchanged, in another scenario export is reduced by 36.2 per cent, according to WTO projections for Asian countries (WTO, 2020).

Figure 6: Per capita daily income (TK)



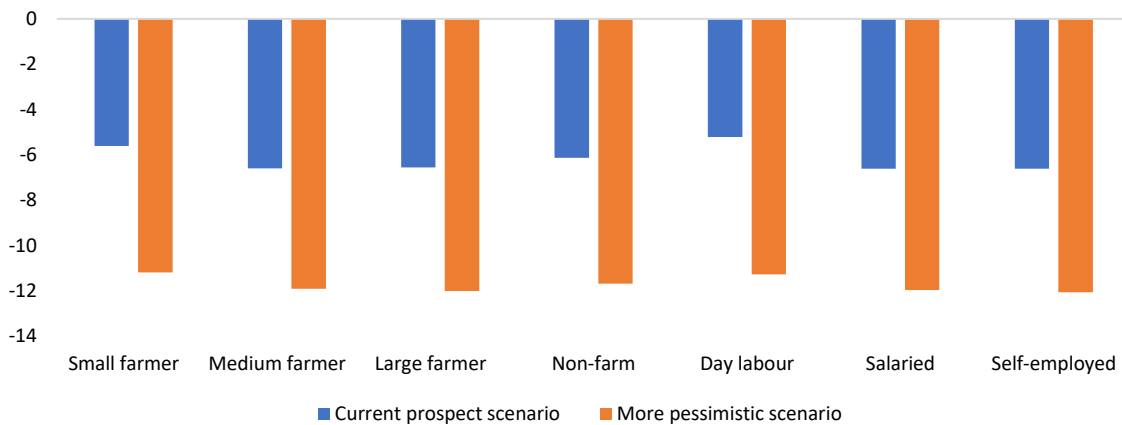
Source: PPRC-BIGD

Figure 7: Permanent job loss due to COVID-19 (million)



Source: CRI (2020)

Figure 8: Impact of decline in export and remittance on households income (%)



Source: Author's estimation

The weakness in employment, reduction in income and depressed economic activities have certain poverty implications. Currently, there is no official estimates of the incidence of poverty due to Covid-19. However, simulations and rapid assessments by several think-tanks, based on different assumptions, suggest that the Covid-induced 'new poor' would be in the range 16–42 million (Table 1). The portion of population living below the poverty line is simulated to be 33.2–44 per cent against the pre-crisis estimate of 20.5 per cent. This implies between 58 and 76 million individuals would be in poverty (Table 1). If the vulnerable population could be added to this, the combined strength of poor and vulnerable could be as high as 90 million. It is important to note that the rise in poverty is temporary in nature. Once the economy starts recovering, it should decline at a considerable pace. The nature of recovery and how pro-poor the post-Covid growth process is going to be will eventually determine how fast the lost gains in poverty reduction can be recouped.<sup>3</sup> An estimation by Sen et al.

<sup>3</sup> Analysts are also contemplating if the recovery process will be 'V-shaped' or 'L-shaped' or 'U-shaped' or 'W-shaped'. In the first case, a rapid bounce-back is expected after an initial collapse in economic activities; in the second, the recovery could be very slow, with the economy settling to a growth trajectory lower than the previous one. What now appears to be a more realistic 'U-shaped' process would see a protracted period of economic slowdown followed by an eventual complete recovery. Finally, the W-shaped process will be a fluctuating one, which can be due to the possibility of multiple waves of virus attacks in the countries that have been able to contain the initial impact. At this stage, it is a sheer guesswork how this crisis will evolve.

(2020), based on the various possible GDP growth scenarios and elasticities of poverty reduction with respect to growth, seems to suggest that it is now unlikely for Bangladesh to eliminate poverty by 2030 (Figure 9).

Table 1: COVID-19 impact on poverty in Bangladesh

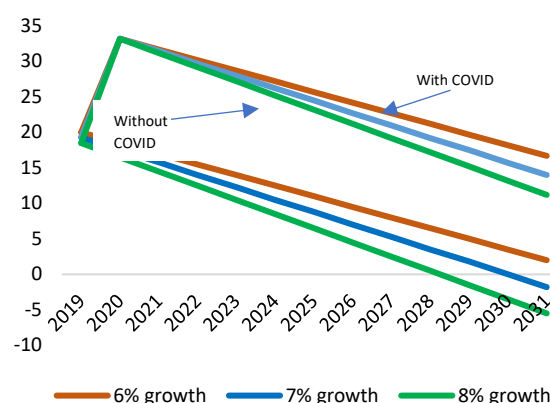
	Total poor (million)	New poor (million)	Poverty rate (%)
<b>SANEM</b>	70	36	40.90%
<b>CPD</b>	68.4-75.7	34.4-41.7	40%-44%
<b>PRI</b>	58.1	24.1	34.10%
<b>PPRC-BIGD*</b>	70	36.9	43.40%
<b>BIDS</b>	59.76**	15.84	33.20%

\* PPRC-BIGD study estimated poverty rate based on the total population of 161.3 million in 2018

\*\* Estimated considering total population of 180 million

Source: Various report by SANEM, CPD, PRI, BIDS and PPRC-BIDS

Figure 9: Projections of poverty rate based on different growth rate scenario

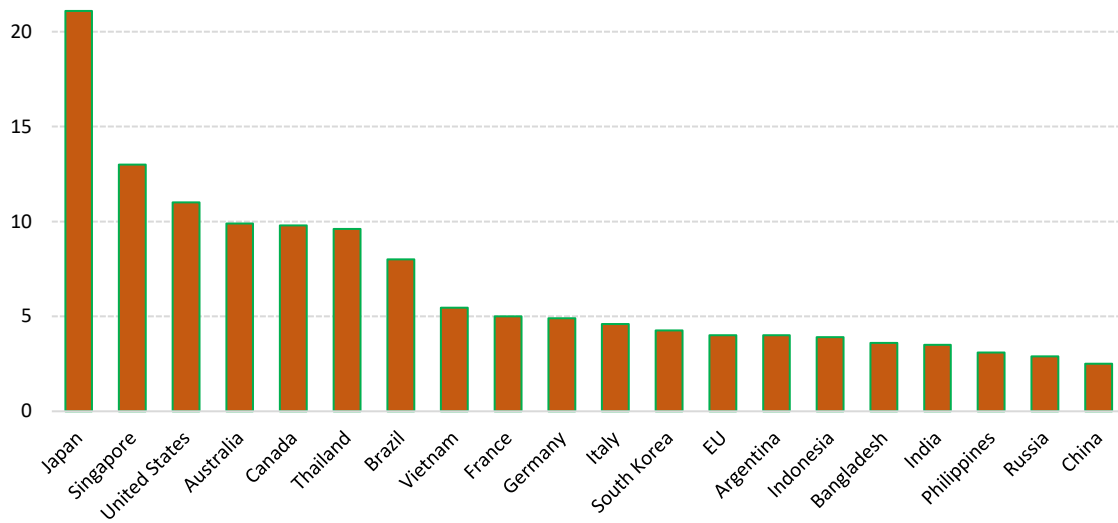


Source: Sen, Ali, and Murshed (2020)

Covid-19 is also having its impact on gender inequality as highlighted in UNDP (2020). The demand on unpaid domestic chores must have increased manifold due to school closures and the increased need for care of household members with a greater risk from Covid-19 as well as from other health-related complications aggravated by reduced health facilities even for non-Covid patients. Women's economic opportunities and empowerment have also been adversely affected because of their reduced income-earning activities. The weakness in export demand could imply job cuts in garment factories where many women working as domestic helper, construction worker, and are engaged in other informal sector activities. Concerns have also been raised about domestic violence against women during the times of economic difficulties and uncertainty. On the other hand, there is some evidence that Covid-19 mortality rate is gender-biased against men (UNDP, 2020).

It could be a major challenge for Bangladesh to tackle the Covid-19 induced poverty and vulnerability along with the already existing high absolute poverty. The role of social protection is going to be especially important in this respect. In addition, the government's policy push for economic recovery can facilitate growth and augment poverty reduction. It has already announced a TK 1,03,117 crore stimulus package – equivalent to 3.6 per cent of GDP – comprising 19 initiatives/programmes. Such stimulus packages have been commonplace amongst global economies and the extent of the support varies a lot: for instance, about 9.6 per cent of GDP in Thailand, 5.5 percent in Vietnam, and 3.5 per cent in India, amongst others (Figure 10).

Figure 10: Fiscal stimulus package as per cent of GDP



Source: Author’s compilation from Statista and IMF Policy Responses to COVID-19

Bangladesh’s policy support measures target mostly the economic recovery process, providing working capital and other incentives to large firms, and cottage, medium and small medium enterprises (CMSME), export promotional activities, providing export-oriented firms subsidized loans to pay wages and salaries to their workers and employees, import facilitation, and dispensing assistance to the agriculture sector and farms to promote agricultural productivity and ensuring food security (Table 2). Thus, while most other countries focus on scaling up social security assistance, at least in the short-run, Bangladesh has emphasised more on firms and their workers (World Bank). However, in order to support the chronically poor and vulnerable households, there have been a few initiatives, including, among others, one-off cash assistance of TK 2,500 to each of 50 lakh poor households, expanding the existing Old Age Allowance and Allowances for the Widow, Deserted and Destitute Women schemes under the social safety net system in 100 poverty-prone upazilas, strengthening Allowances for Disabled Persons, distribution and sale of subsidized rice and wheat for ensuring food security, etc. In the proposed budget for 2020-21, there has been an allocation of Tk. 95,574 crore in the social security, which is 3.01 per cent of GDP, increasing from 81,865 crore (2.92 per cent of GDP) in the revised budget of FY2019-20.

Table 2: Major programmes under the stimulus package in Bangladesh

Programme	Allocation (BDT in Crore)	Purpose	Credit/ Allowance	Charge for credit or interest payment	Project duration
Large industry and service sector firms/institutions	30,000	To provide working capital for heavy industries and service sector to run business and continue production	Credit	Borrower 4.5%+ Government 4.5% Total 9%	3 years
Cottage, medium and small medium enterprises (CMSME)	20,000	to provide working capital loan facilities to cottage, medium and small medium enterprises (CMSME)	Credit	Borrower 4% + government subsidize 5 % total 9%	3 years
Export Oriented Industries (wage and salaries )	5000	In order to pay wage and salaries to workers and employees	Credit	2% service charge	2 years
Pre-Shipment Credit Refinance Scheme	5000	To facilitate export manufacturing goods	Credit	BB will charge interest 3% from banks and banks will charge 6% from customers.	3 year
Export Development fund	12,750	to facilitate import of raw materials under back-to-back letters of credit (LC)	Credit	2% per annum	Ongoing
Agriculture refinance scheme	5000	to provide required agricultural credit to small and medium farmers, including that of poultry and dairy sector, in rural areas	Credit	BB will charge interest 1% from banks and banks will charge 4% from customers	1.5 years
Agricultural Subsidy	9,500	To provide subsidies to the agriculture sector, especially to assist the farmers in buying fertilizers at lower prices.	Subsidy	-	-
Farm mechanization in agriculture	200	To facilitate the purchase of agricultural equipment/ machinery by the farmers.	Subsidy	-	-
Low income professional, farmer, extreme-small business	3000	To support low income professional, farmer, ultra-small business	Credit	BB will charge 1% interest to banks, banks will charge 3.5% interest to Micro Credit Financing Institutions (MCFIs) and MCFIs will charge 9% interest to customer.	2 years
Vulnerable Families	1,250	To provide cash assistance of TK 2,500 to each of 50 lakh poor families impacted by the Covid-19 crisis.	Allowance	-	One-off
Expanding Old Age Allowance" and "Allowances for the Widow, Deserted and Destitute Women	815	To expand the existing Old Age Allowance and Allowances for the Widow, Deserted and Destitute Women schemes under the social safety net system in 100 poverty-prone upazilas	Allowance	-	-
Procurement and distribution of rice and wheat	2,503	To distribute 5 lakh metric tons of rice and 1 lakh metric tons of wheat free-of-cost among the low-income people	Allowance	-	-
special Open Market Sales (OMS)	251	To introduce a special Open Market Sales (OMS) in which 74 thousand metric tons of rice will be sold at BDT 10 per kg to low-income people living in urban areas	Allowance	-	-
Migrant workers, Unemployed Youth and Rural population	2,000	To provide credit facilities to poor farmers, recently repatriated overseas workers and skilled but unemployed youths in rural areas to enable them to take up self-employment venture	Credit	-	-

Source: Author's compilation from various documents of the government of Bangladesh

### III. Limitations of the Existing Social Protection System in Dealing with Covid-19 Consequences

Bangladesh possesses a long track record of social protection interventions, but the Covid-19 shock has exposed their fault lines rooted in the lack of a well-developed system. As part of the implementation of the National Social Security Strategy (NSSS), several reforms are currently underway – albeit at a slower pace than envisaged – to put in place a modern and more structured approach to addressing the poverty and vulnerability issues. However, there is no denying that the severity of this global health pandemic would overwhelm any advanced social protection system that a developing country like Bangladesh could build. There are nevertheless some important perspectives that Covid-19 would require paying close attention to in dealing with the on-going crisis and reflect on while building an effective system in the future. It is important to better appreciate existing programmes’ inadequacies and then to consider the options for addressing those and extending the social protection support immediately and in the short-to-medium term. Some these measures can then be institutionalised along with considering more fundamental issues in the medium to long term.

One of the critical limitations of the existing social security programmes (SSPs), as Covid-19 has exposed, is that most people at risk of losing their livelihood did not have any source of support. Like most other developing countries, unemployment is not considered as a defining feature of social protection targeting in Bangladesh. Some traditional safety net interventions (such as workfare programmes) do recognise the problem of seasonal unemployment, which should then be manifested in poverty and vulnerability for households to participate in those schemes. Unemployment insurance is almost non-existent in the country. More than fourth-fifths of the workers are employed in the informal sector and they are not covered through any mechanism to get any support in the face of their losing jobs or falling sick. Therefore, when economic shutdown measures were imposed, many people became unemployed and there was no social protection mechanism to extend any support to them. When targeting is based on longstanding poverty and deprivation status, the majority of the population on low income but are not usually poor – or, the so-called ‘missing middle’ – remain completely outside the social protection coverage (Kidd and Sibun, 2020).

Even for poor and vulnerable groups, the existing social protection system has been less responsive to the structural transformation that is taking place in Bangladesh. Despite a rapid urbanization process – raising the share of urban population from 10 per cent in the 1970s to 35 per cent in the 2010s – urban areas continue to be underserved by SSPs. The trends seem to suggest that with growing urbanization, poverty incidence is being concentrated in urban areas.<sup>4</sup> On the other hand,

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<sup>4</sup> Between 2000 and 2016, the proportion of the rural population living below the poverty line income declined from about 50 per cent to about 26 per cent, but the corresponding decline in urban poverty was from 35 per cent to about 19 per cent. The urban extreme poverty remained almost unchanged since 2010. It could be that with growing urbanization, the poverty incidence would tend to concentrate in urban areas or tackling urban poverty would be more challenging. Floating nature of the urban as they are likely to move from one place to another has been one major problem of designing suitable interventions schemes. Also, the scope of traditional workfare programmes to address seasonal unemployment and poverty is well-suited in the rural context. Urban

urban households with participation in any social protection scheme comprise just about 11 per cent as against of 36 per cent for their rural counterparts.

Figure 11: Rapid rise in the proportion of urban population (%)

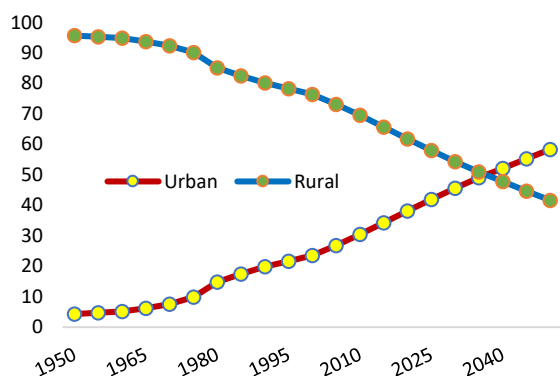
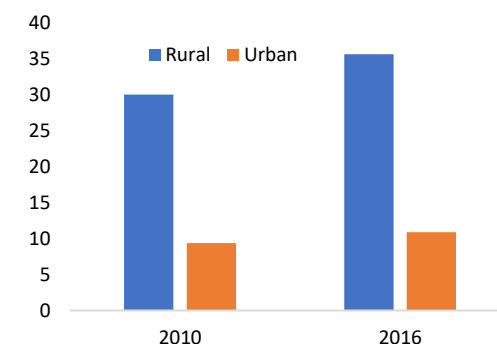


Figure 12: Household receiving any social protection support



Source: Author's analysis based on HIES 2016, BBS.

Source: World Urbanization Prospects 2018, Population Division, United Nations Department of Economic and Social Affairs (UNDESA)

A relatively small budget for social security is obviously one major problem, which manifests in allocations being too thinly spread over too many programmes.<sup>5</sup> The total budgetary allocation for around 125 social security programmes (SSPs) has been in the range 12– 15 per cent of government expenditure or around 2 per cent GDP for the past several years, rising to 2.5 per cent of GDP in FY19 before approaching almost 3 per cent in the revised budget estimate for FY20 in response to the government's expanded social protection activities to mitigate Covid-19 consequences. As much as 30 per cent of the social security budget is spent on just on one programme, pension for retired government employees and their families, while another 5 per cent is allocated to honourarium for freedom fighters. Unlike other schemes, these two programmes do not use poverty and vulnerability criteria to target the beneficiaries. The largest six SSPs (in terms of budgetary allocations) together account for half of all social security spending; largest 10 take up 60 per cent spending; largest 20 account for 74 per cent; and largest 50 use up to almost 75 per cent of the budget. On the other hand, for the combined share of the smallest 50 programmes is less than 2 per cent. There are about 85 programmes each with a share of up to 0.5 per cent (i.e. equivalent to or less than Tk 372 crore) of the total budget (Razzaque et al. 2019). Given the presence of so many small-scale interventions, the NSSS called for greater harmonisation and consolidation of these schemes in conformity with the lifecycle risk-based major programmes. However, this is also true that mere consolidation of these programmes will not generate significant resources for other existing large programmes.

interventions have not been experimented well yet as the policy focus has continued to be on rural poverty and deprivation.

<sup>5</sup> While limited fiscal capacity is regarded as a major constraint for not having a well-endowed and expanded reach of the social protection system, critiques argue that governments can commit and find much more resources for it. They also point out that low social protection coverage has helped keep the taxation system less progressive in many developing countries. Discussions on these issues can be found in Kidd and Sibun (2020), and Kidd et al. (2020).

Figure 13: Social security expenditure of Bangladesh

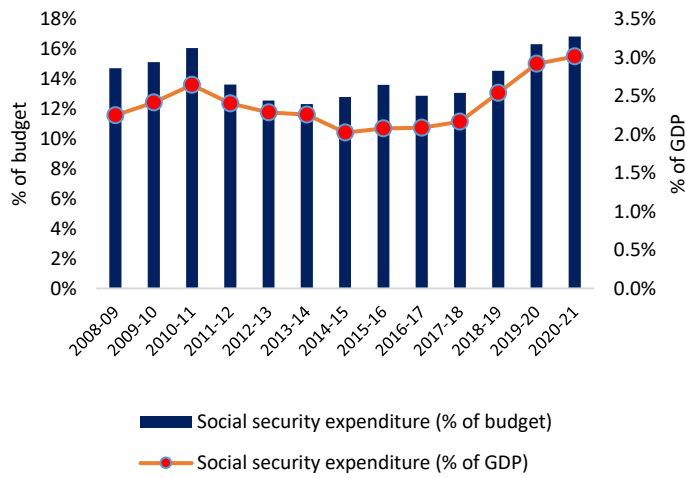
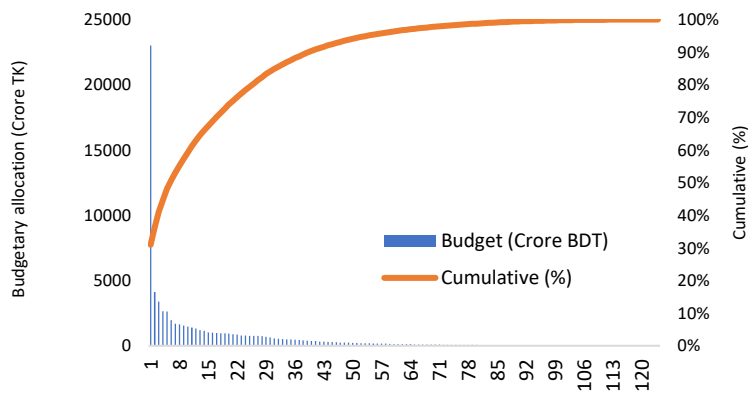


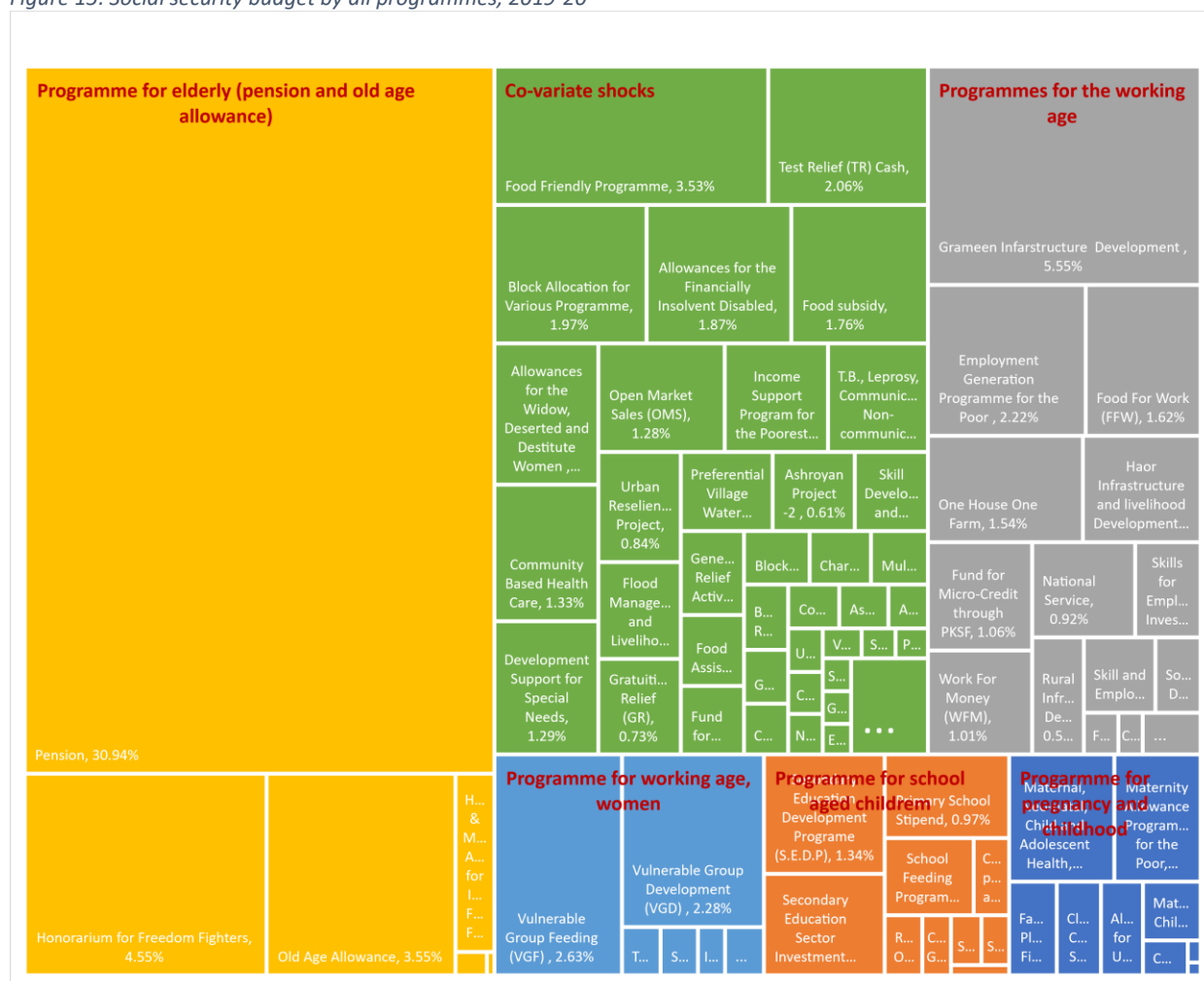
Figure 14: Distribution of SSPs by size



Note: Data are based on revised budget. Proposed budget data are used for 2020-21. The horizontal axis in Figure 14 shows individual social security projects in descending order in terms of budgetary allocations.  
 Source: Author’s presentation using data from the SSPS project office.



Figure 15: Social security budget by all programmes, 2019-20



Source: Author's presentation using data from the SSPS project office

One problem of too-thinly resourced programmes is that it is not possible to ensure coverage all the eligible beneficiaries. In most instances, the local government representatives have to work within a limited number of allotments for enrolling the beneficiaries. This results in large exclusions errors – measured by the eligible beneficiaries that are not included in the programme – that are further exacerbated by inclusion errors, i.e. ineligible beneficiaries are included. Along with corrupt practices in the selection of programme participants, it is also difficult to determine who is eligible and who is not. In a low-income country like Bangladesh, the distinction between poor and vulnerable and not-so-poor to qualify for social protection schemes may not be easy. One of the most common recommendations from the local-level representatives, social welfare officials, and other informed stakeholders is to increase the coverage of SSPs (through increased budgetary support) in solving a large part of the exclusion problem (Razzaque, Ehsan and Bhuiyan, 2019).

A major consequence of small SSP budget is that the average benefit of safety net programmes is low. For example, the regular monthly transfers for old-age allowance, persons with disability allowance, maternity allowances are just between 3.7 per cent and 6 per cent of Bangladesh's per capita income. Safety net programmes such as Test Relief and the Employment Generation Program for the Poorest (EGPP) offer higher per capita transfers but these programmes are run for short duration only. For regular payments, inflation adjustments are not undertaken and thus the transfer values keep falling

in real terms. Consequently, the impact on poverty reduction from the amount of money spent is rather small. Using the 2016 Household Income and Expenditure Survey data, it has been estimated that in the absence of any SSP transfers, the headcount poverty rate in Bangladesh would have been just 0.6 percentage points higher than the reported poverty rate of 24.3 per cent (Razzaque *et al.* 2019).

Table 3: Benefits of major SSP programmes in Bangladesh

Programme	Programme benefit	Duration of the programme	Allowance as % of corresponding average per capita GNI
Old-age Allowance	TK 500 per month	Regular, monthly	3.74
Allowances for the Financially Insolvent Disabled	TK 700 per month	Regular, monthly	5.24
Primary School Stipend	TK 100 per student per month	Regular, monthly	0.75
Maternity Allowance Programme and Allowances for Urban Low-income Lactating Mothers	TK 800 per month	Regular, monthly	5.98
Test Relief (TR) Cash, Food for Work (FFW), Work for Money (WFM)	8 kg of rice or wheat or cash equivalent per day	Short period following a natural disaster	41.88
Employment Generation Programme for the Poor (EGPP)	TK 200 for 7 hours work per day (for 80 days in a year)	Short period (lean period)	29.92
Income Generating Vulnerable Group Development (IGVGD)	Monthly food ration of 30 kg of wheat/rice	2 years, monthly	7.85
Food Security Vulnerable Group Development (FSVGD)	Monthly Tk.100 along with 15 kg flour	2 years, monthly	5.24
National Services Programmes	TK 100 as training allowance per month (for three months), and TK 200 as service allowance at the time of employment (for next )	2 years and 3 months, monthly	14.96-29.92
Vulnerable Group Feeding (VGF)	10-30 Kg of food grain per month (for 2-3 months)	Short period	2.6-7.8

Note: 1) Test Relief (TR) Cash, Food for Work (FFW), Work for Money (WFM), Employment Generation Programme for the Poor (EGPP), Vulnerable Group Feeding (VGF) are programmes that are run for a short period of time (mostly during the lean season or after a natural disaster has taken place). 2) The price of per Kg rice/wheat is considered TK 35 and flour is TK 40. For employment related SSPs, a 20 days employment is considered per month.

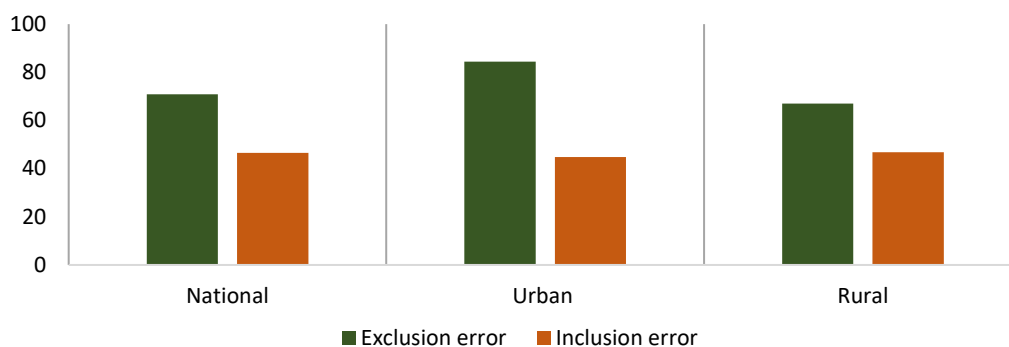
Source: Author's estimation and compilation from various sources.

When economic shutdown measures were enforced to contain the spread of Covid-19 virus, the plight of the new poor and vulnerable population groups attracted a lot of attention amongst researchers and policy analysts. The failure of the current social protection system in covering them was duly highlighted. Many suggested providing transfers to the poor equivalent of the poverty line income level. However, as explained above, the benefits were extremely small even for the already poor who are captured under various SSPs. That is, although poverty and vulnerability criteria are used in targeting SSP beneficiaries, there has never been a consideration of providing them with enough support to lift their household income at par with the poverty line income.

Given the limited social protection budget, Bangladesh has devoted a lot of policy attention on beneficiary targeting with the basic principle being only the poor and vulnerable population groups should qualify for SSPs. As per the NSSS, households with a per capita income lower than the nationally determined poverty line income is considered poor while the threshold used for vulnerable households is 1.25 times the poverty line income. According to HIES 2016 data, 24.3 per cent households were poor while the proportion of poor and vulnerable households together was about 43 per cent. In reality, targeting is a far more complex task. Local representatives identifying the beneficiaries cannot precisely assess the poverty status of the households along with the widespread problem of fraudulent practices in making the selections. Different programmes have specific selection criteria making the task even more complex. Bangladesh has also not been able to make use

of a nationwide household database in undertaking analytical approaches to beneficiary identification. Considering the income-based definition of poor and vulnerable households as mentioned above, the exclusion error estimated from the HIES 2016 is a staggering 71 per cent. That is, as high as almost three-quarters of poor and vulnerable households remain outside of SSP coverage. The inclusion error on the other hand is estimated to be 46.5 per cent (Figure 16).<sup>6</sup>

Figure 16: Targeting errors in Bangladesh's social security system (%)



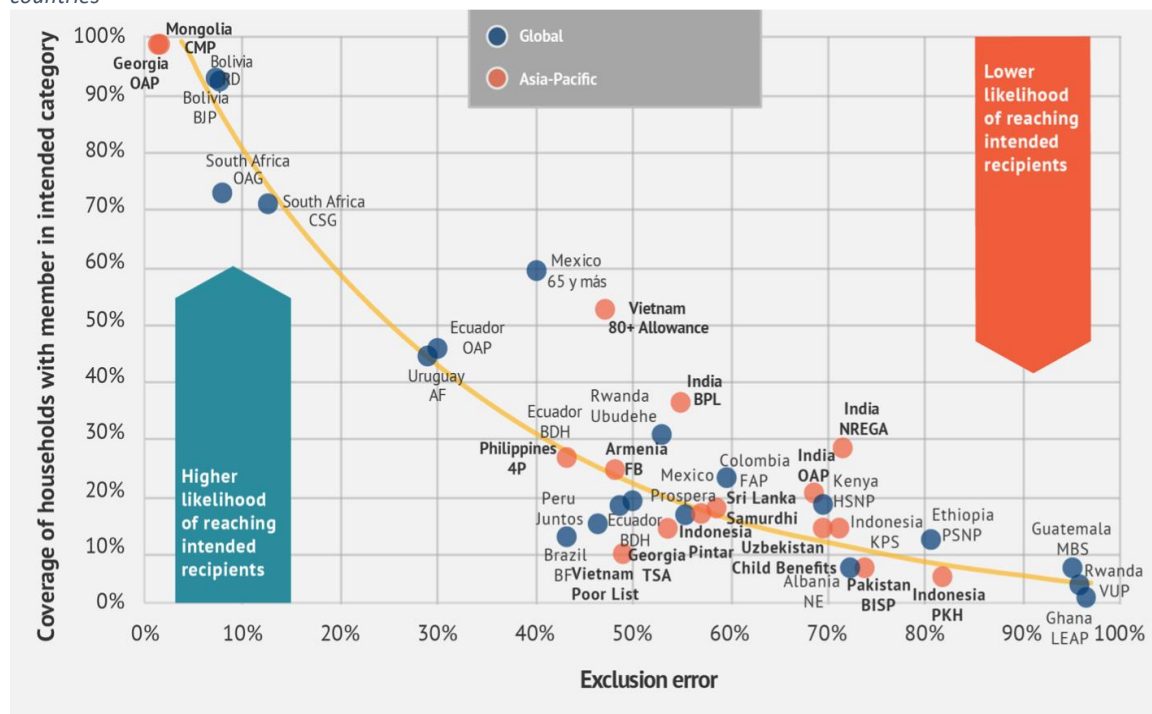
Source: As estimated in Razzaque and Rahman (2019) from HIES data, BBS (2016).

Since there are serious concerns regarding the fallible targeting mechanisms, the NSSS suggested establishing a National Household Database (NHD) incorporating proxy means test (PMT) scores for ranking households based on their income and asset ownership status. The work on developing the database has taken much longer than anticipated. It has also been argued that there remain certain issues in the implementation of PMT scores based methodology if proper precautions are not taken into consideration resulting in biased scores.<sup>7</sup> Moreover, if not updated on a regular basis, the data become obsolete for the purpose of identifying the eligible participants for any social security programme. In addition, critiques have pointed out that targeting is far from a straightforward task and large exclusion errors are widespread in various the social protection schemes in developing countries (Figure 17). That is why many advocate for universalisation of SSPs whenever possible (Kidd and Athias, 2019).

<sup>6</sup> As the SSP coverage in urban area is relatively low, this, in turn, implies even a higher exclusion error (84% of all poor and vulnerable households). The comparable figure for the rural area is relatively small (67%) which is attributable to relatively higher SSP coverage for rural households. The inclusion error is slightly lower in urban areas than that for rural households.

<sup>7</sup> Kidd (2013) identified that in the absence of proper monitoring, the PMT scores can be biased due to scopes for manipulation by community enumerators, possibilities of surveyors not visiting houses or not returning back to surveyed houses when required, etc.

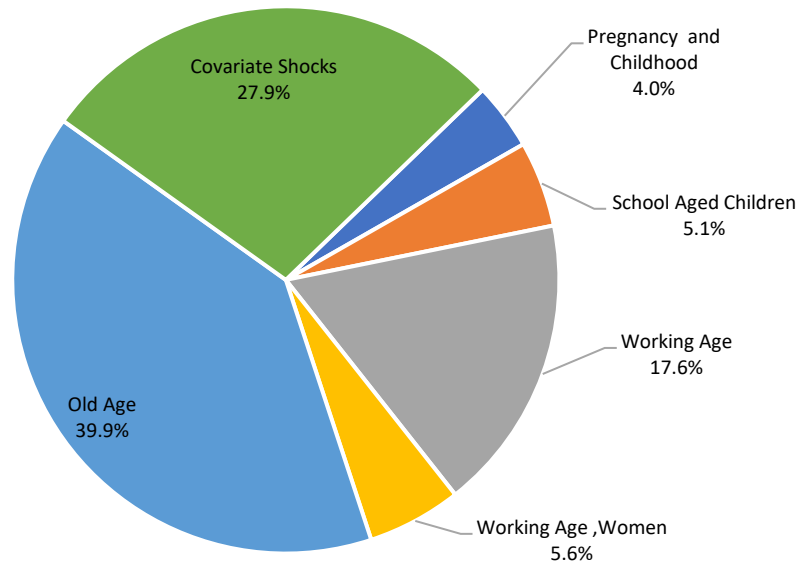
Figure 17: Relationship between coverage and exclusion errors across a selection of social security schemes in Asia-Pacific countries



Source: Adapted from Kidd *et al.* (2020).

It needs to be pointed out that, within the current structure of social protection system, perhaps the only way to deal with Covid-19 consequences was through the interventions that have been recognised as support for covariate shocks. The NSSS does recognise that households in Bangladesh face multiple idiosyncratic shocks that are household-specific (such as health shocks, loss of employment and loss of assets) as well as covariate or community level shocks such as natural disaster, epidemics, domestic political crisis and global recession. However, then the focus has been given on seasonal poverty, food price shocks and economic recession (p. 26 in GED, 2015). To address covariate risks, the NSSS suggested disaster risk mitigation programmes (such as VGF, Gratuitous Relief, etc), programmes of addressing the seasonal unemployment problem (such as Food for Work, Cash for Work, Employment Generation Programme for the Poorest schemes), and response to food price shocks (through FFW and Open Market Sales (OMS) of food items at subsidised prices for the urban poor). In terms of broad categories of social security programmes, covariate shocks-related interventions receive the second largest allocations, after old-age allowances (including pension for retired public sector employees). This only reflects Bangladesh’s current social system’s erstwhile overwhelming focus on safety net interventions. Even then, using these measures to comprehensively address Covid-19 consequences, has been used in a very limited way.

Figure 18: Allocation of SSPs by broad programme types, 2019-20



Source: Author's presentation using data from the SSPS project office

In strengthening the programme of covariate shocks, the NSSS provided an implicit emphasis on natural calamity-related consequences. These shocks are generally confined to particular geographical regions and situations improve rather rapidly after the crisis has unfolded. It was envisaged that by expanding the coverage and value of transfers of priority schemes, the poor and vulnerable population will be in a significantly stronger position, with an important buffer against shocks. The NSSS suggested that the Management Information Systems (MIS) -based electronic cash delivery channels should be used in the priority social security schemes to deliver emergency payments if a crisis hit. It recommended increasing – on a temporary basis – the value of transfers to recipients, providing them with important additional support. As per the NSSS, the Government would establish mechanisms to identify geographic areas most hit by crises to increase payments to the beneficiaries. It suggested the Ministry of Disaster Management and Relief to work with the Ministry of Local Government, Rural Development & Cooperatives and other relevant ministries to outline action programmes for these mechanisms.

Clearly, the vast scale of support that could be needed for tackling a global pandemic like Covid-19 could not be envisaged. Nevertheless, it is possible to use the same set of guidelines as stipulated in the NSSS for reaching out to the people given the availability of resources. The mechanism and infrastructure for cash delivery using the digital financial system are now quite well-established in the country as there has been a rapid growth in transfer of money using the mobile phone. The most important obstacle for expanding the support now appears to be the lack of a social registry (database) of the people to who the support should reach. Although an overwhelming majority of the population's being affected, a universal support system has not been considered. On the other hand, despite its known problems, targeting of potential beneficiaries based on certain arbitrary recipient numbers was employed. Targeting is preferred as resource scarcity is a major policy consideration. However, the experience of developed countries in dealing with Covid-19 shows that despite those governments' limited fiscal space, they took extraordinary measures in churning out the necessary financial support.

# IV. Strengthening the Social Protection System in the Aftermath of the Covid-19 Pandemic: Recommendations and Ways Forward

At the time of writing this paper and after the discontinuation of a two-month-long economic shutdown, Covid-19 appears to have, as apprehended, developed as a full-blown health crisis, triggering a whirlwind of uncertainty associated with economic prospects. The rate of virus infection and deaths caused by it are on the rise suggesting that the physical distancing measures have not been effective. Withdrawal of lockdown measures has resumed some economic activities, but – in the absence of a vaccine – this will eventually mean moving towards a natural herd immunity, which could result in a large loss of lives – estimated to be about half a million in a recent study (Osmani, 2020). It is also not clear if the herd immunity can be a lasting solution to the pandemic as there appears to be no guarantee against re-infection.<sup>8</sup>

On the other hand, the process of economic recovery is likely to be a slow one because of both demand and supply side factors. The depressed demand situations in the domestic as well as foreign markets are set to continue given the low levels of consumer and investor confidence. Many measures brought in place to contain the virus (e.g. social distancing, travel restrictions, etc.) will continue to exert weakened demand-side effects. Consumers are likely to rein in their usual spending pattern by portraying a more cautious and conservative consumption behaviour. A recovery from supply-side shocks can also take time. Many micro, small and medium-sized enterprises, having already taken a massive hit, would find it difficult to resuscitate their activities. Besides, in interacting with weakened demand prospects, the supply response is likely to be depressed. Enterprises would be worried about returning to work in full swing as the virus infection continues.<sup>9</sup> Considering the most optimistic scenario of a successful vaccine being available by the end of this year or beginning for the next year, it would take many months to vaccinate at least 50 – 70 per cent of the population to secure a more effective protection against this pandemic.

Given the above, a V-shaped economic recovery appears to be an overly optimistic scenario. Indeed, many analysts and international organizations, including the IMF World Bank and OECD, are now of the view that the world is facing the worst recession since the Great Depression of the 1930s. This means for Bangladesh in facing this rather long-unfolding grave health crisis accompanied by a slow economic recovery, the issue of social protection requires a hugely reinvigorated policy response. This should not only consider expanding the budgetary allocation but also taking recourse to truly bold and comprehensive measures in protecting millions of poor and vulnerable households. In this section of the paper various such measures are outlined. These measures are divided into three groups:

- (1) Immediate measures in helping people fight the pandemic and cope with the crisis

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<sup>8</sup> <https://www.indiatoday.in/coronavirus-outbreak/story/can-a-cured-person-get-coronavirus-again-1663862-2020-04-06>

<sup>9</sup> Areas across the country are being marked as red, yellow and green zones based on the severity of the pandemic. This will also bring in intermittent disruptions for the already affected economic activities. <https://www.dhakatribune.com/bangladesh/2020/06/01/govt-plans-to-divide-covid-19-hit-areas-in-three-zones>

- (2) Short-to-medium term priorities for strengthening the social security system while bolstering social safety nets
- (3) Medium-to-long term considerations for building an effective social protection system

The measures recommended under each category are not exhaustive. In suggesting the selected ones, consideration has been given to the schemes and practices that are currently available and can be strengthened given the existing evidence of their operation and potential as reflected in various documents including the midterm implementation review of the NSSS. It is worth pointing out that the recommended measures are generally consistent with the proposed NSSS reforms and thus will reinforce the reform process.

### Immediate measures in helping people fight the pandemic and cope with the crisis

#### Utilising a simple and near universal approach to temporary income support

In the absence of unemployment insurance, primarily because of an overwhelming majority of workers' being employed in the informal sector, it is difficult to extend support to the people who have lost their livelihoods. As mentioned earlier, even before the crisis more than 40 per cent households were categorised as poor and vulnerable, and the addition of the new poor and vulnerable households could put the number corresponding figure to around 60 per cent of not more. The earlier poor and vulnerable households that were covered by certain SSPs benefited only modestly and this crisis is likely to have made their situation even more precarious. The scale of the impact would require a universal response demanding sizeable funding needs in the form of e.g. a universal basic income support or other forms of universal schemes. The support measures declared under various stimulus packages, on the other hand, will mainly be utilised by formal sector enterprises while the scope of income support for households is limited. So far, only a one-off cash transfer of Tk 2,500 for 5 million households has been considered. This contrasts with the policy response of many developing countries including India, Indonesia, El Salvador, the Philippines, Thailand, etc., that aimed to provide more expansive and deeper direct support to the affected households. The trends in infection and death rates due to Covid-19 now seem to suggest that Bangladesh is passing through a protracted health crisis in which many households will have to confront difficult situations of serious illness or loss of their of their members and battling severe economic hardship. They will need support perhaps for several months. The possibility of enforcing another round of economic shutdown cannot also be ruled out to embark upon one last attempt of containing the virus spread. This will require instituting a large-scale income support measure.

There has been a longstanding debate about the suitability of the universal basic income approach to social protection. Its proponents argue that such an option is easy to administer, ensures coverage of all the households that need the support most, including the 'missing middle' who are left outside of any support mechanism, without being concerned about the problem of targeting errors dealing with which has proven to be a daunting task in most countries, and thus can help establish a fair and inclusive society (Kidd and Sibun, 2020). It is further argued that any perceived arbitrariness of the selection process can undermine community cohesion and trust in government (Kidd et al. 2020) The opponents are, however, of the view that such an approach would lead to an excessive fiscal burden and thus targeting would increase social welfare cost significantly compared with universal transfers. In response to Covid-19 crisis, however, there has been a broad-based consensus on the usefulness of adopting a universal approach to providing income support. In particular, it has been acknowledged that countries where the majority of the population is poor or near poor or countries that lack the capacity to target people quickly and with administrative costs, universal transfers are likely to be

more effective (Özler, 2020; Ravallion, 2020).<sup>10</sup> Furthermore, when the coverage is based on residence or citizenship and not on labour-market participation status, the distinction between a formal and informal worker becomes irrelevant. This type of coverage is in line with the NSSS's proposition of support for covariate shocks.

In the current situation of Bangladesh, consideration of a simple and universal approach, on a temporary basis, can be an extremely helpful and realistic policy tool to help ameliorate adverse economic effects. It has been argued that despite its relatively high costs, universal unconditional income support measures can boost aggregate demand and help vulnerable people maintain their basic consumption levels (UNDP, 2020).

The amount of transfer or cash support has been a subject matter of discussions. A standard suggestion involves considering the poverty line income as worked out in Bangladesh and make the equivalent amount of transfer. This will require the average transfer size per household to be between almost Tk 9,000 and Tk 11,000, depending on whether to use the upper poverty line or lower poverty line incomes.<sup>11</sup> Based on a perception survey of about 5,500 households affected by the economic shutdown, Rahman and Matin (2020) report that the average per person financial support asked by the respondents is Tk 1,368 for rural and Tk. 1,702 for urban areas. These will translate into about Tk 6,000 and Tk 7,500 per household in rural and urban areas, respectively. Another study (Osmani, 2020) has suggested Tk 8,000 per month for 20 million food insecure households for a period of nine months spread over two phases. Mansur *et al.* (2000), however, argue that transfers in line with the poverty line income may not constitute a practical approach. While the budgetary capacity is an issue, they also argued that, in confronting an unprecedented crisis, the principal objective is to help people with their bare minimum necessities. Mansur *et al.* suggested a transfer amount of Tk 3,000 per households per month.<sup>12</sup> This is largely comparable to the one-off transfer of Tk 2,500 that the government has allocated for 5 million household. It needs to be pointed out that the poor and vulnerable households that were receiving some social security benefits prior to the crisis did never receive income support or benefits large enough to make their household incomes on a par with the poverty line incomes, as discussed earlier in this paper.

Providing each household in Bangladesh (a total of about 38.5 million) an income support of Tk 2,500 for six months would cost 1.96 per cent of GDP (of 2019). Even making a provision for one whole year's income support (at a cost of less than 4 per cent of GDP) would be considered feasible. This is also quite reasonable given the full coverage of the poor and vulnerable households without the need for debating about and targeting who is poor and not and the promptness with which the support can be delivered. Given the political commitment, it will be not be difficult to accommodate this level of budgetary support in the face of such a pressing situation.

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<sup>10</sup> Particularly, Ravallion (2020) argues that this is not the time to worry about extra effort at targeting the poor. According to him, fine targeting in poor places is over-rated in normal times, and it makes even less sense now since so many workers who are not usually regarded as poor but will be in real and immediate need. Exclusion errors, as he argues, in targeting should now have higher priority than inclusion errors.

<sup>11</sup> These are inflation-adjusted poverty incomes, as reported in in Mansur *et al.* (2020), using the average value of 16 different poverty lines used for different regions in the 2016 Household Income and Expenditure Survey. Since those poverty lines were based on 2016 prices, an average yearly inflation rate of 5 per cent has been used to obtain the values for 2020.

<sup>12</sup> At this monthly transfer for 12 million households for 6 months, the total cost of the programme would be 0.72 per cent of GDP.



It is also possible to introduce innovations to enact a near universal coverage with the same objective of ensuring the support reaching all the needy households. Thus, for example, while a full-fledged universal approach would require supporting all 38.5 million households in Bangladesh, asking households to self-select into a scheme intended for the most needy and vulnerable and publishing/circulating the applicant details in their respective localities and online can discourage many households that would not need this emergency assistance from applying for it. If self-selection by the household leads to a 30 per cent fall from the universal coverage, the cost of a year-long programme would be 2.75 per cent of GDP.

#### Taking advantage of digital financial services in reaching out to beneficiaries with emergency cash assistance

Bangladesh has the required digital financial services infrastructure to deliver an emergency income support scheme, which can be utilised in transferring cash assistance. As described in Mansur *et al.*, (2020), citizens may be asked to self-register into such a scheme by calling/dialling/sending SMS to a dedicated help number set up by the government. The registration process should be a simple one using such information as the name of the head of the household, address, and all NID numbers for household members. Information on their preferred DFS/mobile phone account will also be required for making the payments.

If needed, the households can take assistance of their MFS agents in registering with the scheme. It is possible that many potential applicants currently do not have MFS accounts. However, as the electronic know your customer (e-KYC) system is in operation in Bangladesh, such accounts using NIDs can be opened within a few minutes. The MFS agents can also offer assistance in opening new accounts. As of March 2020, 109.8 million adult citizens were registered in Bangladesh's national ID database (Bangladesh Election Commission, 2020). The use of NIDs will help identify duplicate applications. If some potential beneficiaries either do not have their NIDs or have misplaced/lost them, they may be registered using their birth certificates. Opening of e-KYC accounts without NIDs can be temporarily allowed and, if needed, these accounts can be terminated after some months. There are already some solid examples of the currently existing MFS infrastructure being an efficient means to delivering cash transfers. Under a social security scheme, some 14.4 million primary students are enrolled in the Primary Education Stipend Programme (PESP) from which their 10 million plus mothers receive monthly allowances through MFS.<sup>13</sup> After the lockdown measures were initiated in Bangladesh, about 2.6 million garment workers could open their MFS accounts within just two weeks in April 2020, to receive their salaries. Therefore, opening accounts using MFS and delivering cash assistance are already well-established in the country.

Given the currently available e-KYC system and the NID database, it will be possible to reach out to most of the poor and vulnerable households (including the new poor and vulnerable ones). The process of self-selection will make it a near universal system. While striking a fool-proof programme design would be an extremely difficult task, the use of MFS and NID system will be able to check many anomalies. In some cases, e.g., when the households do not have NID numbers, the verification of eligibility will be an issue for which the involvement of local level representatives, officials, and NGOs might be needed. When the transfers are to be made on a monthly basis, the verification process can be a

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<sup>13</sup> The programme provides a stipend of Tk 100 per month per child with a ceiling of Tk 300 for four or more children.

continuous one.<sup>14</sup> One issue, however, is that when transfers are provided at a uniform rate without adapting to the size of the households, the effective transfer per head can vary depending on the household size. The single transfer rate proposed here – being already significantly lower than the poverty line income – could be a major problem for large households. However, a provision can be kept within the verification process so that large households can seek for some predetermined additional assistance.

It is possible to prioritise women as the household recipient for the transfer. There is overwhelming evidence from numerous academic empirical studies that women’s access to resources leads to better utilisation, improving welfare of children and elderly members within the households. In some cases, although women are found to have not much say on spending decisions, direct delivery to women is likely to generate greater beneficial outcomes.<sup>15</sup>

#### Horizontal and vertical expansion of the schemes for specific population categories

In the absence of a universal income support measure, one important policy option comprises identifying those existing social protection schemes, expansion of which would lead to significantly increased coverage of the population. While there are not many universal social protection schemes, certain programmes can be made universal for the specific set of population categories. In the context of Bangladesh, the old age benefit scheme, stipends for primary and secondary school children, maternity benefits, and disability benefits can be made universal. That is, horizontal expansion of these interventions to reach out to all potential beneficiaries along with these schemes’ vertical expansion, i.e. by increasing the size of benefits can have significant impact in addressing poverty and vulnerability. This can be a more practical option given that targeting these categories can be relatively straightforward.<sup>16</sup>

As of 2019-20, 44 lakh (4.4 million) elderly people are benefited from the old-age allowance programme, each receiving Tk 500 per month. Although the NSSS stipulated to revise the selection age criterion for the old age allowance from 65 for male and 62 for females to 60 years for both men and women, it has not been achieved. Similarly, the NSSS recommendation of combining all major child-related programmes (for the children aged 0-4) under one broad intervention, to be called the Child Benefit Programme, has not been initiated either. Rather, Maternity Allowance Programme and

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<sup>14</sup> There has been some suggestion that from the group of self-selected individuals further filtering can be undertaken to target the poorest households. For example, the use of mobile phone data, e.g., how much individuals spend on mobile phone to assess their poverty and vulnerability status. Although appealing, this would again open up the problem of targeting errors. In the immediate terms, it would be a good idea to consider a universal or near universal approach. Once the crisis is over and economic recovery has started to take place, there would be opportunities for reviewing the targeting process and overall approach to the social protection system, including the role of a universal system.

<sup>15</sup> However, it should be borne in mind that despite more women’s having access to formal financial system, Bangladesh has seen a widening gender disparity in financial inclusion. In 2011, the gap between the financial inclusion of men (37%) and women (26%) was 11 percentage points, which worsened to a staggering 29 percentage points in 2017. One reason for Bangladesh’s high gender gap is due to women’s limited ownership of mobile phones. In low and middle-income countries, 80 per cent of women use mobile phones (GSMA, 2019), while the comparable figure for Bangladesh is only 58 per cent as against of 86 per cent of male ownership. Therefore, in prioritising women as the recipients of any transfer, their lack of mobile phone ownership and/or limited financial inclusion could a problem.

<sup>16</sup> However, this approach can result in weak coverage for certain groups mainly those in working-age population groups, who have been affected hard by the Covid-19 crisis. Many of these groups, however, will be benefited from increased household transfers if they have children or elderly family members,

Allowances for Urban Low-income Lactating Mothers are operating in rural and urban areas, respectively. Both schemes cover women with children up to the age of three, based on some predefined criteria. Under these programmes, more than 10 lakh women from poor and vulnerable households are getting a transfer of Tk 800 each per month (NSSS MTR, 2019).

Stipends for primary and secondary school children currently cover nearly 18 million children. Making this scheme universal should not be difficult given that the beneficiaries can be captured through the schools. Usually, children's mothers receive these transfers, and this is generally good for overall household welfare. Increasing the amount of stipend will be extremely beneficial and can play a critical role in maintaining children's nutrition during this crisis, when overall decrease in household consumption could erode gains in human capital (World Bank, 2020).

In 2018-19, the government provided a monthly allowance of Tk 700 to more than 15 lakh (1.5 million) financially insolvent PWDs. The NSSS proposed to increase the amount to Tk 1,500 while consolidating the current support to the people with disabilities in line with the life-cycle support mechanism.<sup>17</sup> On the other hand, the Disability Detection Survey, conducted by the Department of Social Services, identified 1.63 million disabled people (nearly 1.04 per cent of Bangladesh's total population). Very recently, the government has decided to extend support to all these persons with disabilities.

Given the current situation, it will be extremely effective to make the old-age allowance universal while following the NSSS suggestion of making the threshold age as 60. Similarly, the child benefit programmes – as the NSSS envisaged – should be rolled out immediately where the coverage should be made universal regardless of the poverty/vulnerability status. Again, disability allowances and primary school stipends should be made available without applying any targeting criteria. A simulation exercise from the household income and expenditure survey seems to suggest that if these schemes are effectively implemented universally, more than 50 per cent households will be brought under some social security protection scheme. The amount of benefits for each of the programme should be increased considerably as well.

## Short to medium-term priorities

### Making Targeting Work

In the absence of universal support mechanism, it will be extremely important to develop an effective and flexible targeting mechanism. As mentioned earlier, identifying beneficiaries is a demanding task with numerous countries struggling to make improvements in this respect. Therefore, for Bangladesh, one effective short-to-medium term strategy could be to consider a categorical universalisation of the measures mentioned above, including raising the amount of benefit from those programmes. This will be a prompt response to crisis as households strive to get back to their normal economic activities. Later on, if the universal approach cannot be continued or adopted for other programmes, an improved targeting mechanism can be introduced.

For poverty and vulnerability targeted social security programmes, a good quality database capturing households' socio-economic situations are extremely important. Also widely known as the *social registry*, the NSSS of Bangladesh envisaged to develop a national household database (NHD) based on which proxy means test (PMT) scores would be calculated to identify potential beneficiary households.

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<sup>17</sup> The consolidated support will comprise: i) Child Disability Benefit for all children with a disability, up to 18 years of age; ii) A disability benefit for all adults with severe disabilities, aged 19-59 years; and iii) At the age of 60, people with severe disabilities will transition to the Old Age Allowance.

However, even after several years, the NHD database has not been put to operation. It is worth noting that the PMT score-based targeting may have many other difficulties. Quality of data is a major issue and there is a need to update the social registry on a regular basis as the household status changes over time. Updating a such a large-scale national database is a mammoth undertaking considering the institutional capacity for a country like Bangladesh.

The selection process and the use of PMT score can be complemented by various innovative options that are now being developed by the development researchers. One new innovation which is now being tried out in some countries to analyse the information on mobile phone usage patterns of the households. The idea is that the poorer households will exhibit some characteristic spending patterns. Experts working on big data are currently employing artificial intelligence (AI) to look for these patterns of mobile uses. An example of this would be utilization of mobile phone call record to identify beneficiaries for disaster relief during the 2015 earthquake in Nepal (Dodlova, 2019).<sup>18</sup>

The Bangladesh Bureau of Statistics (BBS) needs to build its capacity in considering these new methodologies as they become available, along with other traditional approaches, in beneficiary selection. Data generation and regular updating, analytical skills, and use of modern technologies in the selection process will be the major areas of capacity development.

Any poverty targeting will likely to be more effective if the beneficiary selection process includes the active participation of and coordination with local representatives. Studies suggest that a combined selection method is likely to reduce both exclusion and inclusion errors, and thus enhance the overall effectiveness of targeting (Grosh et al. 2008; Coady et al. 2004; Mills et al. 2015). Therefore, data-driven targeting exercise complemented by community participation can provide a robust targeting mechanism for Bangladesh. Several developing countries including Cambodia, Ghana, Kenya, Niger, and Tanzania are applying community-based targeting and PMT methods in the beneficiary selection process (Leite, 2014; Dodlova, 2019).

Along with targeting, it is also important to streamline and strengthen the role of digital financial system. The current constraints in operationalising a fully digitised SSP payment system have been discussed in the Mid-term Review of the National Social Security Strategy. Use of digital means in managing and payment for SSPs needs a clear guideline. The Cabinet Division/Finance Division can issue the guideline which should include clear roles and responsibilities of relevant organizations, processes, capacity and awareness development directions and timeline. The financial service providers have an important role in the digitization process. Therefore, clear guidelines regarding their role and incentives should be specified.

### Expanding food-based programmes to ensure food security of the poorest and most vulnerable

Food security generally becomes a concern for low and middle-income countries during and aftermath of a major global crisis, as many agricultural exporting countries with the objective maintaining their internal supplies impose indiscriminate restrictions on trade in farm products. The World Food Programme (WFP) predict that the COVID-19 pandemic could see more than a quarter of a billion

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<sup>18</sup> Flowminder and Ncell, the largest mobile operator in Nepal, collected detailed call records data to allocate disaster relief.

people suffering worldwide from acute hunger by the end of the year.<sup>19</sup> Therefore, ensuring food security for the poor and vulnerable should be a priority. Several food security schemes included in the social security programmes benefit around 2.96 million beneficiaries (Table 4). The budgetary allocation for these schemes was Tk 101 billion in 2019-20. Clearly, these schemes will need to be expanded significantly. The major food distribution programmes in SSPs are Open Market Sales (OMS), Vulnerable Group Feeding (VGF), Gratuitous Relief (GR), School Feeding Programme, Food for Work (FFW), etc.

While there is a debate regarding the effectiveness of food vs cash-based interventions in promoting food security, there is no denying that given the availability of food in the market, it is the purchasing power of various population groups that matters most. Bangladesh has just had a bumper boro crop and thus the risk of food unavailability is somewhat low over the next few months. However, Covid-19 has caused and will perhaps continue to cause supply-side disruptions (e.g. because of any natural disasters and social distancing requirements) that might reduce availability in certain regions. Therefore, an effective strategy will comprise a combination of cash, in-kind, and food distribution measures. The government's decision of the expansion of the Vulnerable Group Feeding (VGF), Vulnerable Group Development (VGD), Open Market Sale (OMS) and Food Friendly Programme (FFP) is thus an important timely measure.<sup>20</sup> As per the implementation guidelines, these programmes run for a shorter time period. It is therefore important to consider expanded duration of these programmes targeting areas with concentration of poor and vulnerable people. For this, the government's food stock policy should be reviewed and if needed precautionary measures will have to be undertaken to deal with a situation of any excessive demand for these programmes. OMS is the only urban-base food distribution programme. Given the huge impact inflicted on urban poor and low-income population groups, the operation of OMS must be expanded to ensure their food security.

Table 4: Food distribution programmes in SSPs

Name of Programme	Beneficiary (lakh)		Budgetary allocation (crore BDT)	
	2019-20	2018-19	2019-20	2018-19
General Relief Activities	-	0.15	210	369.64
Block Allocation for Disaster Management	13.09	14.73	220.84	242.95
Ration for shaheed family and injured freedom fighters	0.30	0.30	33.50	51
Various relief work	-	-	81.00	81
Open Market Sales (OMS)	70.06	89.39	744.21	949.52
Vulnerable Group Feeding (VGF)	70.71	83.41	1892.16	1956.91
Gratuitous Relief (GR)	56.82	56.82	541.74	543.59
Food assistance in Chattogram Hill Tracts	8.42	8.55	306.76	311.57
Food For Work (FFW)	10.75	17.14	964.68	1204.08
Food Friendly Programme	0.50	0.50	638	2624
Food subsidy	-	-	1250.11	1310.17
School Feeding Programme	19.30	25.00	518.1	474.59

Note and source: Only those programmes are considered for which information is available for past two years. "-" indicates information not being available. Data are from the SSPS project office, Ministry of Planning.

<sup>19</sup> The concern about a major food crisis can be found here <https://insight.wfp.org/covid-19-will-almost-double-people-in-acute-hunger-by-end-of-2020-59df0c4a8072>

<sup>20</sup> FFP operates in rural areas during September-November and March-April where beneficiaries can buy up to 30 kg of rice at a subsidized price of Tk 10/kg. VGF beneficiaries receive different types of food assistance: disaster-affected beneficiaries get 10 to 30 Kg of food grain per month for three months or so following natural calamities; general beneficiaries get 10 kg rice/wheat per instalment mainly during two Eid festivals; and special beneficiaries mainly poor fishermen receive 20-30 Kg of rice/wheat during the fishing ban season of two or three months. The GR provides both cash, as well as kind (such as food, warm clothes, etc.) support to the people at distress.

It is also important now to fast-track the implementation of the school meal programme.<sup>21</sup> The Ministry of Primary and Mass Education (MoPME) piloted school meal programmes in six upazilas from two districts of Borguna and Jamalpur and prepared a draft national policy in this respect. There was also a plan to extend the programme to 2,000 more schools in 16 upazilas. Immediate rolling out of the school meal programmes nationally for all primary school going children can help tackle food and nutritional deficiency for children in the backdrop of economic crisis inflicted by Covid-19. If the implementation will be done in phases, priority should be given to most disadvantaged regions including those in urban areas.

### Developing and strengthening social security schemes for the urban poor

As mentioned earlier, despite rapid rise in urban population, social protection targeting urban poverty and deprivation has remained very scanty. The budgetary allocation data show that the share of SSP expenditure targeting urban households has declined from 11.5 per cent in 2010-11 to less than 5 per cent in 2019-20. Open Market Sales (OMS) is the largest urban-focused programme which sells food at subsidized prices to the poor people. The urban-based programmes listed in Table 5 can hardly capture the dynamics of challenges faced by the urban poor and vulnerable population. Recognizing the multiple challenges to tackle urban poverty, the NSSS highlighted the importance of strengthening social protection in the urban area.

Table 5: Urban-focused programmes in SSPs (crore BDT)

Program Name	Benefit type	2018-19	2019-20
Open Market Sales (OMS)	Food	744.21	949.52
Allowances for Urban Lactating Mothers	Cash	248.88	273.11
Capitation Grants for Orphan Students in Non-Government Orphanages	Cash	105	120
Skills and Employment Program	Training	39.24	372
Skills for Employment Investment Program	Training	394	433.2
Construction of Vocational Training and Rehabilitation Centre for the Disabled at CRP, Manikganj	Training	3.06	1
Urban Based Marginal Women Development	Training	19.75	20.64
Livelihood Development Programme For Hijra (Transgender) Community	Package	11.4	5.56
Establishment of 20 Child Daycare Center Project	Service	12.72	11.74
Establishment/re-establishment of Sarkari Shishu Paribar and Baby Home	Service	1.8	20
Shishu Bikash Kendra (Child Development Center)	Service	5.8	6.3
Development of Haji Nowab Ali Khan Orphanage	Service	0	7
Grants for Residents in Government Orphanages and other Institutions	Service	54.66	63.63
Street Children Rehabilitation Programme	Service	3.7	4
Establishment of Autistic Academy in Bangladesh	Service	6.96	60
Service and Assistance Center for Disabled	Service	62.93	65
Grants for the Schools for the Disabled	Service	25	28
Trust for the Protection of the Persons with Neuro-developmental Disabilities	Service	25.5	27.5
Construction of Colony for the Cleaners of Dhaka City Corporation	Service	45.5	70
Non-Bengali Rehabilitation	Service	10	10
Skill Development and Earthquake Risk Management Fund	-	400	400
Urban Public Environmental Health Center Development Program (UPEHSDP)	Service	111.67	103.8
Urban Resilience Project	Service	412.81	627.05

Source: Author's presentation using data from the SSPS project office

The Covid-19 pandemic has disrupted urban livelihood opportunities in a profound manner. Along with extremely small SSP coverage, congestions in urban areas in general and in slums in particular have made the urban poor face much greater health risks. Immediate and long-term emergency and

<sup>21</sup> The midday school meal programme is different from the School Feeding Programme, which is operating in government primary schools in 104 poverty-stricken upazilas. Under this scheme, each beneficiary student is given a-75gm packet of fortified biscuits daily.

livelihood support programmes should be introduced to capture multidimensional challenges of urban poor and vulnerable households.

To develop and promote social security for the urban poor and vulnerable households, a comprehensive multi-fold programmes should be designed to target different age and occupational groups with a special focus on women. A conditional cash transfer programme can be initiated immediately to provide livelihood support to slum dwellers, beggars, rickshaw-pullers, and wage labourers, etc. There are examples of such programmes in operation in Brazil, Ghana, Mexico and the Philippines, conditional upon the poor households have pregnant women, children of a specific age group, elderly persons, people with disabilities (PWDs), etc. A customized-criteria-targeting (CCT) can be designed based on the indicators of healthcare, nutrition, and education of women and children among urban poor. Besides, the importance of food security and workfare programmes for the urban population should be given due consideration. During the recovery period, the skill development initiatives should be expanded horizontally and training programmes can be offered to the people who have either lost their jobs during the crisis or are not in education, employment and training (NEET).

#### Expansion of workfare programmes in offering fallback employment options including for the urban poor

A significant component of SSPs comprises workfare schemes (Table 6) that aim to address the seasonal job drought during the lean periods when agricultural activities are slow. The workfare options are mostly low-wage employment targeting the unskilled workers in labour-intensive projects such as construction and reconstruction of rural roads, pond excavation, repair or maintenance of rural infrastructure, waste disposal, etc. In the aftermath of the crisis, expanding these workfare programmes further could be an effective safety net for the poorest and most vulnerable population groups. It must be pointed out that workfare sites can be crowded. Thus, if physical distancing is required, operating these programmes will be difficult although there may be scope for Covid-sensitive projects. The basic idea here is that when the infection from the virus is a major health risk, a transfer programme (such as the universal income support mechanism discussed earlier) is a more preferred option for supporting the people who usually participate in workfare projects. When the pandemic has subsided, workfare programmes need to be expanded to as a major safety net scheme to protect the poor and vulnerable from poverty and hunger, as economy recovery and the associated employment generation can be slow.

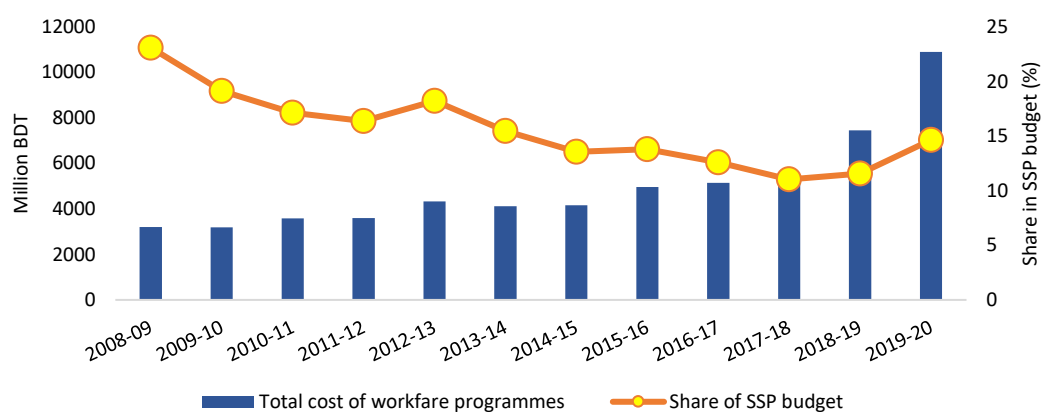
Table 6: Workfare programmes in Bangladesh

Name of Programme	Unit of beneficiary participation	Beneficiary (lakh)		Budgetary allocation (crore BDT)	
		2018-19	2019-20	2018-19	2019-20
Food for Work (FFW)	person-month	10.75	17.14	964.68	1204.08
Work for Money (WFM)	person-month	15.18	15.81	720	750
Test Relief (TR) Cash	person-month	19.06	20.98	1390	1530
Employment Generation Programme for the Poor	person-month	8.27	8.27	1650	1650
Grameen Infrastructure Development	-	-	-	2081.71	4125.53
Agriculture Infrastructure Improvement (Bangladesh Agriculture Infrastructure Development Project)	-	0.69	0.85	33.1	40.85
Haor Infrastructure and livelihood Development	Persons	0.16	1.85	75	867.73
Coastal Climate Resilient Infrastructure Improvement	Persons	0.34	0.27	190	155.5
Rural Settlement Construction for improvement of Rural Livelihood	-	-	-	25.4	25.4
Flood Management and Livelihood Improvement Project in Haor Area	-	-	-	324	552.23

Source and note: Author's presentation using data from the SSPS project office. '-' indicates information not being available.

In the 2019-20 budget, there was a plan for strengthening these programmes covering 65 lakh (6.5 million) beneficiaries for which the budgetary allocation was increased from Tk. 74 billion in 2018-19 to TK 109 billion in 2019-20 (Figure 19). Since 2008-09, the share of workfare programmes in the SSP budget steadily fell from 23 per cent to just 11 per cent in 2017-18. After the increased allocation in 2019-20, the corresponding share should rise to 14.6 per cent of total SSP budget (i.e. 0.38% of GDP).

Figure 19: Budgetary allocation for workfare programmes



Note: Until 2018-19, the information used is based on the revised budget estimates. For 2019-20, the data are from the original budget document.

Source: Author's analysis using data from the SSPS project office.

All the four largest workfare programmes i.e. Test Relief (TR) Cash, Food for Work (FFW), Work for Money (WFM), and Employment Generation Programme for the Poor (EGPP) must be strengthened so that these scheme can target expanded areas with greater beneficiary coverages.<sup>22</sup> The duration of the usual programme operation period, e.g. going beyond the lean seasons, should be increased along with a rise in the remuneration offered. As currently there is no large-scale workfare scheme for the urban poor, it will be an extremely important intervention to develop suitable programmes. Based on the experience of traditional rural workfare programmes, adaptation and innovations will be required to serve the urban poor, many of whom were employed in the informal sector and lost their livelihood opportunities. The potential beneficiaries could work in urban infrastructure development and maintenance, cleaning and repairing public property, roadside plantation, etc.

### Strengthening the existing skill-development SSPs

Scaling up the existing more successful training and development focused SSPs should constitute a timely initiative during the economic recovery phase. There are certain programmes that are not limited to providing temporary jobs only but to assist participants with skill development so that they can find more durable employment in the labour market. These schemes include technical and vocational training along with some allowances. In the 2019-20 budget, a total of Tk 33.7 billion – 4.3

<sup>22</sup> The beneficiaries of TR Cash, FFW, and WFM get to work in cycles in a year and receive 8 kg of rice or wheat or cash equivalent for working 7 hours a day for specific project activities and standardised volumes of work. The Food for Work (FFW) beneficiaries get food for their works while Work for Money (WFM), and Test Relief (TR) Cash beneficiaries get cash equivalent. On the other hand, the EGPP provides short-term employment to the hardcore poor in lean seasons over two cycles (March to April and October to December) for 80 days. The beneficiaries get a daily wage of TK 200 for 7 hours of work, of which TK 25 per day is saved in a bank account which can be withdrawn in the next financial year.



per cent of the social security budget – was earmarked for as many as 16 skill development and training-based SSPs, including the most important ones as mentioned in Table 7.<sup>23</sup> Strengthening these programmes can help the poor and unemployed population with some basic education, including those who lost jobs during the crisis and do not have any livelihood support mechanism in two major ways: (i) by providing short term income support and (ii) by enhancing their future employability in the job market as well as helping them with self-employment. Some of the apparently successful programmes should be expanded to cover more beneficiaries. The Vulnerable Group Development (VGD) programme currently provides livelihood support to 142.5 lakh (0.142 million) beneficiaries under its two different schemes: Income Generating Vulnerable Group Development (IGVGD) providing monthly food ration of 30 kg of wheat/rice or 25 kg of fortified flour; and Food Security Vulnerable Group Development (FSVGD) providing monthly cash support of Tk.100 along with 15 kg flour. Under these schemes, participants are provided with training on life-skills, various trade courses and savings opportunities, according to the implementation guidelines of the programme.

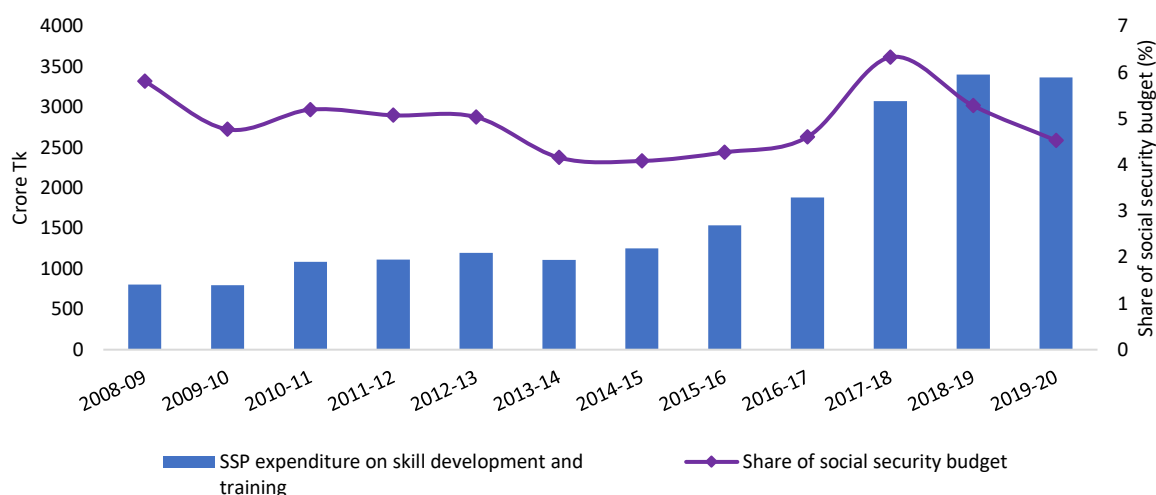
Table 7: SSP expenditure on skill development and training

Name of Programme		Beneficiary (lakh)		Budgetary allocation (crore BDT)	
		2018-19	2019-20	2018-19	2019-20
<b>Vulnerable Group Development (VGD)</b>	person-month	139.81	142.47	1656.45	1698.91
<b>National Services</b>	persons	1.49	1.52	669.6	681.91
<b>Joyeeta Foundation</b>		0.1	0.1	2.4	3.3
<b>Women's Skill Based Training For Livelihood</b>		0	0	6.8	6.8
<b>Urban Based Marginal Women Development (Urban Based Women Development Project Phase-2_2017-18)</b>		0.53	0.53	19.75	20.64
<b>Integrated Rural Employment Support Project for the Poor Women</b>					
<b>Skills for Employment Investment Programme</b>	persons	2.13	2.34	394	433.2
<b>Skills for Employment and Productivity</b>		0	0	15	0
<b>Employment of Ultra Poor in Northern Areas</b>	persons	0.07	0.06	23.28	18.74
<b>Skill and Employment Programme in Bangladesh</b>		0	0	39.24	371.54
<b>Strengthening Women's Ability for Productive New Opportunities (SWAPNO)</b>		0	0	27	43
<b>Skill and Training Enhancement Project</b>		0	0	456	0
<b>Income Generating Activities for Women at Upazila Level</b>	Persons	0.3	0.3	92.96	90.72

Source: Author's presentation using data from the SSPS project office

<sup>23</sup> These include, amongst others, National Services, Joyeeta Foundation, Women's Skill-based Training for Livelihood, Skills for Employment Investment Programme and Strengthening Women's Ability for Productive New Opportunities (SWAPNO)

Figure 20: SSP expenditure on skill development and



The National Services programme can potentially be a highly effective skill development programme targeting the youth. It offers a three-month training to unemployed youths aged 24-35 years with a minimum educational attainment of the Higher Secondary Certificate (HSC) level. The trainees are then provided with temporary jobs (with small allowances) for two years at various local government departments and institutions. Given the huge unemployment problem among the youth, this kind of training and internship-like interventions will be helpful as Covid-19 exerts further pressure on an already weak employment situation.<sup>24</sup> Opportunities for women in this programme should be enhanced. Amongst others, Strengthening Women’s Ability for Productive New Opportunities (SWAPNO) and Joyeeta Foundation are relatively small-scale programmes that also aim to improve empowerment and entrepreneurship of the vulnerable women. The above-mentioned programmes should be strengthened not only by increasing their coverage but also by improving the quality of training provided.

#### Extending social security support to returnee migrant workers and their families

According to BMET, each year around 600,000 Bangladeshi workers migrate to different destination countries with the current stock of migrant workers is estimated at 70 million. Covid-19 has put the migrant workers into severe distress. Many have lost their jobs and returned to Bangladesh with either little or no saving. Some migrants are staying jobless in the destination countries. The migrant workers and their families who have been affected by the crisis, and are in need, should be offered effective social security assistance.

Returnee migrants are facing multiple challenges including lack of employment opportunities and large debts accumulated to finance migration costs that would have been paid with higher incomes earned abroad, forgone incomes of their families that are no longer receiving remittances, and even discrimination by community members fearful that migrants may transmit Covid-19 (World Bank, 2020b). Several labour sending countries have undertaken policies and programmes for the welfare of migrant workers: Myanmar approved an emergency cash transfer targeting internal and returning international migrants which will be financed by a consortium of international donors; The National Agency for Placement and Protection of Indonesian Migrant Workers (BNP2TKI) in Indonesia has

<sup>24</sup> Bangladesh has one of the highest proportions of the youth (27.4%) not in employment, education or training (NEET). According to one estimate (ILO, 2018), the youth unemployment rate in Bangladesh has almost doubled over the past seven years or so.

facilitated the return of documented and undocumented migrants from Malaysia; The Philippines has undertaken a cash assistance support for its international migrant workers who have been affected regardless of whether they have returned or are staying abroad; Thailand has provided generous cash assistance to the returnees along with other complementary measures.

Following these examples, Bangladesh should also provide some financial assistance to the affected migrant workers and their families. The support should also be extended to the workers who are staying abroad but lost their jobs, and to undocumented workers. For the reintegration of migrant workers in the domestic labour market, the government has already announced loans of Tk 500,000-700,000 for returnee migrant workers to enable them pursuing viable income-generating activities. This programme should be strengthened further. Some training facilities on entrepreneurship and self-employment can also be helpful. For returnees, Bangladesh had a programme in SSPs called Skill Development Fund for Expatriate Returnees and New Entrants to Labour Market, which was discontinued in 2011-12. A review of the need for reintroducing it can be considered. Such a programme can also be developed outside the social protection schemes attracting and facilitating the participation of people with the previous experience of working abroad.

Bangladeshi migrants work in modern infrastructure, power, manufacturing, and services sectors in the destination countries. They acquire on-the-job first-hand experiences, developing their skill sets that are not so easily available in Bangladesh. Many returnee migrants will offer the required skills in many development and industrial projects in the country (RMMRU, 2020). Measures should be undertaken to integrate them into the domestic sectors.

#### Expanding micro-credit programmes

Microcredit has its long history in reducing poverty and vulnerability of rural households in Bangladesh. These initiatives also have a positive impact on women empowerment and food security. There are four microcredit programmes operating under the SSPs (Table 8). Fund for Micro-Credit through PKSF is the largest microcredit scheme providing subsidized loans to about 268 lakh (about 0.27 million) beneficiaries in 2019-20. Micro-credit for Women Self-employment and Interest free Micro Credit Programme are two other SSPs operating at a limited scale. Besides, several Non-Government Organizations (NGOs) are providing loan under microcredit programmes. In light of COVID-19 disruptions, the current microcredit schemes should be expanded with some innovations to benefit small enterprises. The coverage and loan amount can be expanded along with relaxing any stringent eligibility criteria.

Table 8: Microcredit schemes in SSPs

Name of programme	Beneficiary (lakh)		Budgetary allocation (crore BDT)	
	2018-19	2019-20	2018-19	2019-20
<b>Fund for Micro-Credit through PKSF</b>	79.37	268.56	232	785
<b>Micro-credit for Women Self- employment</b>	0.28	0.34	5.00	6.00
<b>Social Development Foundation</b>	-	-	400	235
<b>Interest free Micro Credit Programme</b>	0.21	0.21	41	58
<b>Total</b>	<b>79.86</b>	<b>269.11</b>	<b>678</b>	<b>1084</b>

Source: Author's presentation using data from the SSPS project office

### Fast-forwarding National Social Security Reforms

As mentioned earlier, the NSSS proposed reforms to streamline and strengthen the existing system of social protection with a view to achieving better results. The objectives of NSSS-outlined major programme reforms include, amongst others, adopting a lifecycle system for social security, consolidation of big and small programmes to strengthen social security system in terms of quality and coverage, and making the entire system more inclusive by incorporating a higher proportion of poor, vulnerable and socially excluded groups within it, strengthening the social security system for the urban poor, and developing a national social insurance scheme, etc. On the other hand, institutional reforms stipulated progress making towards such goals of achieving a strengthened and reformed Department of Social Services under the Ministry of Social Welfare to implement lifecycle programmes from 2026 onwards, establishing a single registry management information system to provide an effective social register for selection of beneficiaries, strengthening government to person (G2P) payment systems and establishing a results based monitoring & evaluation system. Under each major programmatic and institutional reform component, the NSSS Action Plan specifies a list of time-bound activities which are to be undertaken by the relevant line ministries and departments.

A review of implementation of NSSS reforms, undertaken in 2019, finds the progress made on various reforms slow. Of the 86 quantitative performance indicators that were evaluated under the programmatic reforms, only 26 (about 30%) were found to be on-track, while as many as 48 indicators (about 56%) were either moderately or severely off-track. On institutional reforms, the review assessed a total of 50 identifiable indicators as outlined in the NSSS and the Action Plan. Of this, just 14 (28%) were found on-track, while as many as 33 (66%) were found to be either seriously or moderately off-track.

Figure 21: Implementation status of programmatic reform performance indicators

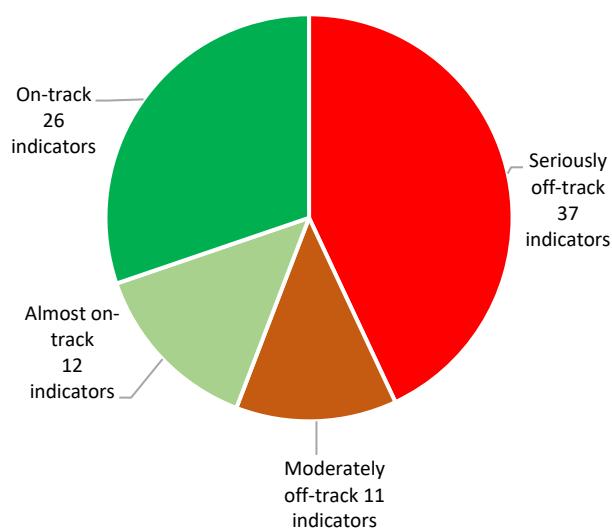
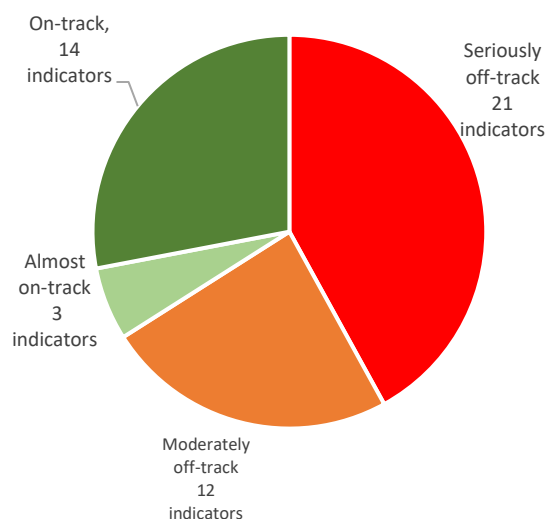


Figure 22: Implementation status of all performance indicators under institutional reforms



The Covid-19 crisis should be perceived as an important opportunity to gear up the on-going reform process. There is need for a fresh look at the issues by updating the current NSSS Action Plan and attaching an appropriate priority to make rapid progress on the outstanding reforms. A befitting response in the aftermath of the crisis will be to fast-forward the reform process by pushing up the deadline for the first phase of the reform to 2023 (rather than 2025 as envisaged in the NSSS). This will ensure instituting a reformed and strengthened Ministry of Social Welfare to operate the lifecycle-based programmes well within the implementation of the 8<sup>th</sup> Five-Year Plan. Then, more challenging long-terms issues associated with a modern, comprehensive social protection scheme can be undertaken. To trigger a reinvigorated approach to social protection reforms, an NSSS Implementation Task Force (NITF) should be established at the Cabinet Division regular monitoring of the progress made on the tasks specified in the Action Plan. This high-level monitoring can boost the implementation process.

#### Capacity building of the ministries

The inherent institutional inertia, capacity inadequacy of various ministries and departments, and political economy dynamics arising from various ministries'/departments' involvement in on-going social protection schemes and various vested groups' involvement (e.g. in beneficiary selection) in ground-level implementation, etc. act as important barriers for the implementation of social security programmes. Capacity constraints (both technical and financial) of implementing ministries have also been highlighted (e.g. Midterm Implementation Review of the NSSS). Therefore, there is a need for capacity development of the concerned ministries and departments. In the short term, capacity building support can be sought from development partners and think tanks. Amongst others, capacity development in information technology, electronic data handling, and big data management will be highly beneficial for the SSP reforms.

## Seeking coordinated assistance from the development partners

The role of development partners in delivering social protection support in Bangladesh is undeniable and will continue to remain indispensable if Bangladesh wants to build an effective system based on the lessons learnt from the Covid-19 shock. Starting with humanitarian support, they were instrumental in developing various social safety net schemes. Not only financial assistance, but they also provided critical technical assistance in conceptualising various schemes, helping learn from the experiences of other countries, introducing innovations to programme design and delivery, and undertaking evaluation exercises. Their support has become even more vital since the onset of COVID-19 crisis.

Many development partners work in specialised areas and as such their support in those relevant areas will be extremely helpful (NSSS MTR, 2019). Covid-19 has shown enormous gaps in the current social protection system and addressing them in the future will require coordinated response. Doing a roadmap for donor coordination will make the collaboration and implementation easier. In this respect, perhaps the World Bank and Bill & Melinda Gates Foundation can be requested for assistance on developing and sustaining the national household database (NHD) and other improved techniques to targeting beneficiaries; ILO can help in formulating and implementing NSIS, unemployment and injury insurance, and developing any mechanism to provide support to informal sector workers; ADB, the EU, and DFID, can assist in implementing some major SSPs; UNDP can provide the support to design and implement urban social security schemes; UNICEF and WFP can help with the Child Benefit Programme, Vulnerable Women's Benefit, maternity insurance and other children-related programmes. This list is not exhaustive and does not constrain the participation of many other development partners. In all cases, there will be opportunities for collaboration and for which effective coordination will be needed. The technical coordination support can be provided by the General Economics Division (GED) of the Ministry of Planning while the overall supervision of coordinated assistance and implementation can come from the Cabinet Division in the Prime Minister's Office.

It was mentioned in the Midterm Implementation Review of the NSSS that many stakeholders, including those from the private sector, development partner' community and NGOs, have been relatively less proactive in the implementation of the NSSS. There is now an opportunity for proactive re-engagement with the objective of establishing a strengthened social protection system.

## Medium to Long-term Measures

### Implementing NSIS including the provision for unemployment insurance

Tackling unemployment-related vulnerability is a daunting task for a country like Bangladesh which has about 52 million workers or 85 per cent of the employed workforce in the informal sector. This large extent of informality makes for any targeted insurance scheme, including unemployment insurance, to work. Several countries have exploited their unemployment or social insurance schemes to provide livelihood support to the employees affected by Covid-19. For example, employment insurance in Malaysia provides a wage subsidy of US\$138 to US\$277 per month for up to three months to assist employers to retain their workers; about 13.3 million formal sector workers in Thailand who are registered under the social security administration receive unemployment benefits; the unemployment insurance in South Africa is compensating affected workers with a new national disaster benefit; sick and unemployed workers in Morocco covered by social insurance received a monthly benefit of US\$204 during March-June 2020 (ILO, 2020). The challenges remain in tracking and compensating workers in the informal sector, as insurances in many countries cannot cover informal

sector workers. In Vietnam, individuals including informal sector workers who have lost their jobs but not covered under unemployment insurance, are being supported with cash transfers.

In Bangladesh, social insurance or unemployment insurance is not in place and it is also difficult to capture most informal sector workers under any sort of insurance scheme. The NSSS proposed a National Social Insurance Scheme (NSIS) based on the principle of joint contribution from employers and employees to the national social insurance fund. The fund would cover pensions for the elderly as well as other contingencies (i.e. disability, sickness, workplace accidents, unemployment and maternity benefits). The NSIS, either tax-financed or contributory, would be implemented in a phased manner – initially for the formal sector employees and then to be expanded to the informal sector. An initial framework of the potential NSIS incorporating the provisions of sickness, maternity, employment injury and unemployment insurance has been prepared. There are two other alternative frameworks – a universal scheme covering the entire working-age population by the government and a scheme that cover entire working population in the formal sector. However, considering the current crisis, innovative options for developing the NSIS should be looked into. Developing a suitable NSIS and its rolling out nationally constitutes a priority.

#### Strengthening complementary programmes to promote social protection

The NSSS duly emphasised the importance of complementary strategies in nutrition, healthcare, education, water supply and sanitation for ensuring the success of social security programmes. The complementary programmes should be treated as integral part of SSPs – any development of these measures will strengthen the social protection package. Complementary programmes have positive spill-over benefits to enable people to overcome poverty and vulnerability.

The role of complementarity of health services cannot be overstated. Covid-19 has reduced the already limited access to even non-Coronavirus health care facilities. While the current focus is to minimise the immediate health risk from Covid-19, any medium to long-term health consequences of this crisis (including those due to unavailability of services) are still unknown and can have poverty and vulnerability impact on many households. Public health expenditure (as proportion to GDP) in Bangladesh has been one of the lowest amongst the global economies and the out-of-pocket payments (OOPs) are amongst the highest (Mollah & Chi, 2017). In Bangladesh, OOPs comprise 93 per cent of private health expenses—much higher than that of low and middle-income country average of around 50 per cent (Razzaque, et al. 2020). One important way forward for Bangladesh is thus to improve the health system alongside the social security system. In the short-term, while there is now an unprecedented priority to mitigate the health risk for the overall population, ensuring better health services and access for the poor and vulnerable should be seen as an integral part of developing an effective social protection system. Enhanced and sustained investments in health sector is needed in the post-crisis period to enhance the affordability, availability, accessibility, acceptability and quality of health services (ILO, 2020).

#### Dealing with labour market issues

There are major labour market issues and reforms that will require policy attention for a strengthened and inclusive social protection system. Expanding labour market support for the poor and vulnerable segment of population is critically important for building resilience against any major economic shocks. Improved labour market access along with increased earning potential will require extended skill development training through technical and vocation education and other skill development interventions. While there are several skill development initiatives as part of current social security

programmes, it is important to strengthen these initiatives nationally, ensuring access of poor and vulnerable households. Quality of skill development initiatives and relevance to job market is another matter of consideration. Creation of more jobs in the formal sector and transformation of many informal sector activities into formal spheres will remain prominent fundamental challenges.

#### Developing a well-resourced social protection system

The budgetary allocation for social protection is extremely low for a populous country like Bangladesh and the average benefit obtained by the beneficiaries is exceedingly small, as shown earlier. Therefore, one fundamental policy issue that the policymakers will have to confront is the financing of a reasonably well-resourced social protection system. The Covid-19 pandemic has shown that economic disruptions and the related vulnerability can be widespread. Also, the time is ripe to review – with the growing economic prosperity, as reflected in various macroeconomic indicators – if the social security system plays a meaningful role in addressing poverty and vulnerability. It is important to bear in mind that transitioning to a modern social protection system would require a sea change from the traditional approach to offering only negligible benefit to the beneficiaries. In the medium to long term, social protection spending should be regarded as an important investment that actually tackles poverty and vulnerability. The massive effort towards targeting of beneficiaries against such a miniscule value of the benefit from SSPs requires some serious re-thinking. The pros and cons of a universal system needs to be better appreciated and debated for informed policy decision. It has also been argued that increasing budgetary allocation should not be a binding constraint since such spending will likely to command a popular support and can enforce a more progressive taxation system (Kidd and Sibun, 2020). These issues need to be carefully evaluated in developing an effective social protection system in the future.



## V. Concluding Remarks

Covid-19 is causing a devastating impact on people's life and livelihoods. The rapid spread of virus infection continues with the death toll rising each day. Economic activities have plunged with all major economic indicators such as overall GDP growth, exports, remittances, and employment under severe downward pressure. Poverty incidence and vulnerability have risen dramatically. Although expected to be temporary in nature, these shocks could mean loss of several years in accomplishing the goal of zero poverty once normalcy returns. And there is a considerable possibility that the new normal will differ from the pre-pandemic one. With the right policies, this is an opportunity as well: to build back to a more sustainable development path.

As the global economies, including Bangladesh, are facing a twin challenge of containing the health pandemic as well as addressing the economic and social impacts, health and social protection systems are the central focus of policy responses to this crisis. With initial weak health and social protection systems, Bangladesh – like many other developing countries – appears to be in a difficult situation to provide an effective response to the unfolding consequences.

Bangladesh's policy support measures are mostly focused on the economic recovery process targeting mainly the firms and their workers – mostly in the formal sector. While many countries have rolled out large-scale direct income support programmes, Bangladesh has until now considered limited cash transfer programmes. As a vast majority of workers are employed in the informal sector, there exists no formal mechanism to support them with any direct transfer. Furthermore, long-term poverty and deprivation rather than unemployment are the targeting criteria for social protection. The support provided through social protection programmes also falls far short of what would be needed to offset a significant portion of losses households have experienced.

This paper has argued that a much more proactive policy support measure is possible within the existing means. Given that infection and death rates are rising, an immediate intervention should employ a simple and universal income support measure to reach out to the poor and needy, including those working in the informal sector. There is a consensus that when the majority of the population is poor or near poor and when a country lacks the capacity to target people quickly, universal transfers are likely to be more effective. A modified near-universal approach is also possible if households are asked to self-select into the programme. A 70-percent population coverage, based on the self-selection principle, with a cash transfer of Tk 2,500 per month per household – the same amount of assistance was provided as a one-off payment to 5 million households – would cost for a full year (12 months) a reasonable 2.75 per cent of GDP. Bangladesh has the required digital financial services infrastructure to deliver such an emergency income support scheme. The government could make this initially a temporary social protection measure, and use the lessons learnt in deciding whether, and in what form, universal support can become a permanent part of the social protection system.

In the absence of a universal income support programme, expansion of schemes for specific population categories would be helpful. Thus, for instance, stipend programmes for primary and secondary schools, old age allowance, maternity allowance, and disability benefits can be made universal, increasing the amount of benefit. Such expansion could bring more than 50 per cent of the households under the ambit of some social security support from the current level of 27 per cent.

Since Bangladesh places a strong emphasis on beneficiary targeting, which is currently fraught with huge errors, targeting capacity, in the short to medium-term, should be enhanced by building a robust

social registry and utilising such instruments as poverty means test scoring analysis and other data-driven identification processes, complemented by community-based targeting and verification. The short- to medium-term programmes should also include expansion of food-based programmes to ensure food security, strengthening the programmes for the urban poor including the workfare programmes, and enhancing skill development and micro-credit programmes. Devising support mechanisms for returnee migrant workers will also be important as many migrant workers lost their jobs in the wake of the crisis.

The crisis hit Bangladesh as various reforms – as part of the National Social Security Strategy – were underway. Given that a recent review found the reform process being slow, this crisis represents a major opportunity for speeding up the implementation of the measures suggested in the national strategy. This paper also recommends seeking coordinated assistance from the development partners in dealing with the current gaps in the existing social protection system and building a more effective one.

In the medium to long term, Bangladesh will have to focus on more fundamental and structural issues in social protection. One obvious challenge is to introduce unemployment insurance and consider innovative approaches to cover workers in the informal sector. These will provide Bangladesh with a strengthened element of automatic stabilizers in the case of future shocks. How to develop other support measures in areas of nutrition, health care, education, etc. to complement social protection is another important consideration.

Labour market issues and reforms will require policy attention for developing an inclusive social protection system. This includes, amongst others, policies for facilitating transformation of informal activities into formal spheres and increased income-earning potential for poor and vulnerable households. Finally, building an effective and inclusive social protection system will require building a strengthened and expanded contributory component, and much higher resources than currently available. Addressing it will require informed policy discourse as well as considering political economy implications including the need for a more progressive taxation system.

An extraordinary crisis of this scale would require an elaborate public policy response and there exist opportunities for pursuing more proactive social policy options. The vulnerabilities exposed should be regarded as important lessons, particularly in developing effective and inclusive health and social protection systems. Many measures taken during the crisis can lay the foundation for long-term improvements, while many challenges experienced should pave the way for undertaking reforms, injecting resources to effectively address long-neglected needs, and developing institutional capacities.

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