

SECTOR ASSESSMENT (SUMMARY): MULTISECTOR¹

A. Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. The early development of social protection in Bangladesh focused mainly on post-disaster relief to support affected people. Food security programs also played a major role early on by providing support for the extreme poor and those affected by seasonal poverty during lean agricultural periods. Conditional cash transfer programs started in the 1990s; and later in that decade the government also invested in allowance programs to support poor elderly people and vulnerable women.² With sustained economic growth,³ Bangladesh significantly reduced its poverty incidence from 48.9% in 2000 to 20.5% in 2019.⁴

2. Nevertheless, one-fifth of people in Bangladesh still live in poverty, and a substantial number are deemed vulnerable.⁵ The 2016 Household Income and Expenditure Survey (HIES) indicated 18.6% of the population as living in a vulnerable status. Those people are sustaining their lives by day work and are highly vulnerable to shocks such as major illnesses and external events. The coronavirus disease (COVID-19) pandemic significantly affected the socioeconomic situation of Bangladesh. To control the outbreak, the government mandated a 2-month nationwide lockdown in March–May 2020, which resulted in simultaneous supply and demand shocks and caused significant job losses, particularly in the informal sector. Due to the COVID-19 pandemic, many vulnerable people fallen back into poverty.

3. **Inefficiency and inadequate coverage.** There are more than 100 social protection programs created in Bangladesh through the years to respond to specific needs, involving multiple implementation ministries and often creating duplications. This was compounded by the absence of an overarching strategic framework. The allocated budget for social protection has been relatively small, i.e., 1.0%–1.5% of Bangladesh's gross domestic product or 12%–15% of government expenditures. This led to highly limited resources for many programs, which made it difficult to attain a reasonable impact on the target groups, or to cover all the eligible people. For example, the old age allowance, a key safety net program for poor elderly people, has full coverage in only about 110 *upazilas* and covers only 60%–70% of the eligible people in the remaining 380 *upazilas*.⁶ ADB's social protection index 2015, which assesses the nature and performance of social protection within and across countries in Asia, shows that the social protection coverage (percentage of intended beneficiaries) was only 16.6% in Bangladesh—

¹ Government of Bangladesh, Planning Commission, General Economics Division. 2020. *Midterm Progress Review on the National Social Security Strategy*. Dhaka; Government of Bangladesh, Planning Commission, General Economics Division. 2020. *Compendium of Social Protection Research in Bangladesh*. Dhaka; and Government of Bangladesh, Planning Commission, General Economics Division. 2015. *The National Social Security Strategy of Bangladesh*. Dhaka. Also: Government of Bangladesh, Ministry of Health and Family Welfare. 2020. *Draft National Urban Health Strategy*. Dhaka; Government of Bangladesh. 2021. *Draft National Financial Inclusion Strategy – Bangladesh*. Dhaka. *Technical background reports on social protection* (ADB. 2020. [Technical Assistance: Support to Address Outbreak of COVID-19 and Strengthen Preparedness for Communicable Diseases in South Asia](#). Manila).

² The implementation of the old age allowance program began in fiscal year (FY) 1997; that of the allowance program for widowed, deserted, and distressed women in FY1998.

³ Bangladesh's gross domestic product grew by an annual average of more than 6% in 2012–2015, 7% in 2016–2018, and 8% in 2019.

⁴ Government of Bangladesh, Bangladesh Bureau of Statistics. 2019. [Bangladesh Statistics 2019](#). Dhaka.

⁵ Bangladesh defines vulnerable people as those with incomes above the national poverty line but below a level of 25% more, i.e., below 1.25 times the national poverty line.

⁶ An *upazila* is an administrative unit at subdistrict level. Bangladesh has 492 *upazilas*.

compared with 37.5% in other South Asian countries.⁷

4. More than 100 social protection programs are managed by more than 20 ministries and departments. For example, the Ministry of Disaster Management and Relief runs the workfare type of programs, such as Food or Cash for Work, Test Relief, and Employment Guarantee Program for the Poorest. The food security programs are managed by the Ministry of Food. The Ministry of Social Welfare manages more than 20 programs, including the old age allowance and the allowance for widowed, deserted, and destitute women. Maternity and child-related programs are operated under the Ministry of Women and Child Affairs. The administration processes for the programs have neither been integrated nor fully digitalized.

5. Moreover, the targeting error in beneficiary selection is high in Bangladesh. The 2016 HIES indicated that the rate of exclusion errors (eligible people not covered by social protection) was about 70%, and the rate of inclusion errors (non-eligible people receiving social protection) was about 46%.⁸ A cost–benefit study on social protection indicates that low resource allocation for administrative costs would be associated with high exclusion and inclusion errors. The study suggests that the allocation of adequate administration resources is key to the success of social protection programs.⁹ Streamlining the programs is necessary to allocate adequate resources for program administration and make social protection more impactful. It is also imperative to establish an integrated registry of beneficiaries with a functional management information system (MIS) to (i) help standardize social protection administration across programs, (ii) reduce duplication and leakage, and (iii) improve overall registration transparency.

6. **Financial exclusion.** The rapid development of digital and financial technologies provides ample potential to improve the efficiency of delivering social protection benefits to eligible people. The government aims to enhance the use of digital payments to deliver social protection benefits to beneficiaries.¹⁰ Moreover, the financial inclusion of disadvantaged people is key to improving their income-generating opportunities and strengthen their social resilience. However, the enabling environment has not been developed in Bangladesh. Nearly 50% of the population is still unbanked. A main challenge is on complying with the documentation and identification requirements for opening a bank account. Also, financial institutions have little incentives to produce low-cost financial services. The regulatory authority needs to (i) lower the barriers for disadvantaged people to ease their access to financial services, and (ii) encourage financial institutions to use creativity and new technologies to expand their range of low-cost financial services. The financial inclusion framework requires taking into account the differences between women's and men's needs for financial services and access modes. It is also necessary to create an environment where electronic payments are accepted by a wider range of retailers and suppliers. Further, it is important to ensure that disadvantaged people (i) can afford to access mobile financial services (MFS) and use electronic payment functions, and (ii) have the digital and financial literacy to do so properly and safely.

7. **Limited scope to meet life cycle needs.** Along with an evolving economic and demographic structure, the base for social protection is changing in Bangladesh. The share of the urban population has doubled from only 20% in 1990 to almost 40% in 2019. The current scope

⁷ ADB. 2019. *The Social Protection Indicator for Asia: Assessing Progress*. Manila.

⁸ Government of Bangladesh, Planning Commission, General Economics Division. 2020. *Midterm Progress Review on the National Social Security Strategy*. Dhaka.

⁹ Government of Bangladesh, Planning Commission, General Economics Division. 2020. *Compendium of Social Protection Research in Bangladesh*. Dhaka.

¹⁰ The Government of Bangladesh has established an electronic payment scheme for social protection benefits—government to person (G2P)—and aims to transfer the manual transactions to the G2P system.

of social protection does not match the needs of urban populations. For example, it provides a safety net in the event of seasonal unemployment during lean agricultural periods, but not for non-farm unemployment. Further, the need for health services in urban areas is growing rapidly. The COVID-19 pandemic revealed the health unpreparedness and underscored the need to strengthen health response, preparedness, and resilience. In addition to urbanization, the demographic structure in the country is also changing. Both mortality and fertility have been declining, and although Bangladesh's share of elderly people is still moderate compared with East Asian and Southeast Asian economies, the population is aging. The share of elderly people (aged 60 and over) is estimated to increase from 7.1% in 2015 to 9.6% by 2025, and to reach 22.0% by 2050.¹¹ Moreover, almost 70% of people above the age of 60 are not working. This has critical implications on the economic status of elderly people and the country's social protection needs as it does not have a comprehensive pension system.¹²

8. The scope of social protection in Bangladesh is too narrow to meet the diversified social and health needs at different life stages. It mostly focuses on poverty relief in rural areas and is not able to mitigate the risks (causes) of falling into poverty. Individuals face different life cycle risks between birth and old age. For example, the poverty rates in households with children aged 0–4 years are higher than the national rates, which indicates the economic challenges of having children, particularly if mothers are unable to work.¹³ The working-age population faces various other risks, such as those relating to job security. Elderly people face the economic risks associated with aging. Further, economic risks associated with health and injury incidents can occur at any stage of life. The social protection agenda of Bangladesh needs to be upgraded in line with the economic and demographic developments, and not only to mitigate extreme poverty but also to respond to the diversified social and health needs at different life stages.

2. Government's Sector Strategy

9. The government recognized these constraints and formulated the National Social Security Strategy (NSSS) in 2015 as the overarching framework for social protection reforms. The preparation of the strategy was led by a central monitoring committee, chaired by the cabinet secretary. Several regional and national consultations were held to build a nationwide consensus on the needs for the reform and prepare the reform recommendations based on practical social, economic, and political conditions of the country. The NSSS aims to streamline and strengthen the existing safety net programs with a view of achieving better results from the money spent. It further suggests to broaden the scope of social protection from the narrow safety net concept to meeting the diversified social needs of people in a life cycle approach. The government also prepared the initial NSSS action plan in 2018, including a national plan, ministries' action plans, and a thematic cluster action plan, to be executed over the first 5 years of the NSSS, i.e., 2016–2020. A midterm review of the NSSS was prepared in 2020 and provided a performance evaluation of program reforms and institutional reforms. Overall, the implementation of some reforms took longer than planned and was further delayed by the COVID-19 pandemic. While the reforms relating to food security progressed well, others are lagging and need to be accelerated, including the social insurance scheme. Another challenge is the harmonization and consolidation of social protection programs. Further policy actions would be needed to drive that reform. As for the institutional reforms, the government to person (G2P) payment system is steadily being

¹¹ Government of Bangladesh, Planning Commission, General Economics Division. 2020. *Midterm Progress Review on the National Social Security Strategy*. Dhaka.

¹² Government of Bangladesh, Ministry of Planning, Bangladesh Bureau of Statistics. 2015. *Elderly Population in Bangladesh: Current Features and Future Perspectives*. Dhaka.

¹³ Government of Bangladesh, Planning Commission, General Economics Division. 2015. *The National Social Security Strategy of Bangladesh*. Dhaka.

strengthened: the digital payment architecture has been designed and some pilot programs have been conducted. More efforts are needed to extend the use of G2P to cover social protection programs more broadly. The establishment of an integrated registry of benefit recipients involves various ministries and agencies, such as the Ministry of Finance, and requires further coordination between entities, as well as technical assessments of the required MIS.

10. The government also needs to prepare and approve a new NSSS action plan (2021–2026) to clarify other policy actions needed for the achievement of the reform objectives, particularly with regards to (i) support measures for urban populations, including health response; (ii) consolidation of programs; (iii) setup of an integrated registry with functional MIS; and (iv) development of a national social insurance scheme. These areas are also included in the reform agenda of the 8th Five-Year Plan.¹⁴ The plan further highlights the importance of promoting financial inclusion, particularly reducing the financial exclusion of disadvantaged women. It also stresses the issues related to urbanization, and the challenges of responding to the social and health needs of urban populations.

3. ADB Sector Experience and Assistance Program

11. The support of the Asian Development Bank (ADB) for Bangladesh aligns with the country's five-year plans. In line with the 7th Five-Year Plan (2016–2020), ADB's country partnership strategy, 2016–2020 prioritized investments to improve human capital development and rural livelihoods (footnote 17). ADB also provided continued knowledge support on social protection, such as social protection indicators. ADB's social protection indicator is a tool to systematically and comprehensively monitor and evaluate a country's social protection efforts. For Bangladesh, it identified the low level of social protection coverage and the slow progress in establishing a social insurance scheme in the country (footnote 7). In addition, ADB has been playing a major role in urban health with the implementation of three urban primary health care projects to improve health, nutrition, and family planning status of the urban population, particularly the poor, women, and children.¹⁵ As Bangladesh's urbanization continues, ADB's further support is expected to help strengthen the health response to the country's urban populations.

12. The COVID-19 pandemic in 2020 required immediate support to meet urgent health, social, and financial needs. Aligned with the government's stimulus policy and as an integral part of the National Preparedness and Response Plan for COVID-19, ADB provided emergency financial support with a focus on social safety nets and job security to help mitigate the impacts of the pandemic.¹⁶ ADB also provided support to meet urgent logistical and systemic needs arising from the COVID-19 pandemic.¹⁷

¹⁴ Government of Bangladesh, Planning Commission, General Economics Division. 2020. *8th Five Year Plan (2021–2025)*. Dhaka.

¹⁵ ADB. 2005. [Report and Recommendation of the President to the Board of Directors: Proposed Loan and Asian Development Fund Grant to the People's Republic of Bangladesh for the Second Urban Primary Health Care Project](#). Manila; ADB. 2012. [Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance Grant, and Administration of Grant to the People's Republic of Bangladesh for the Urban Primary Health Care Services Delivery Project](#). Manila; and ADB. 2018. [Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant for Additional Financing to the People's Republic of Bangladesh for the Urban Primary Health Care Service Delivery Project](#). Manila.

¹⁶ ADB. 2020. [Report and Recommendation of the President to the Board of Directors: Proposed Countercyclical Support Facility Loans and Technical Assistance Grant to the People's Republic of Bangladesh for the COVID-19 Active Response and Expenditure Support Program](#). Manila.

¹⁷ ADB. 2020. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the COVID-19 Response Emergency Assistance Project](#). Manila.

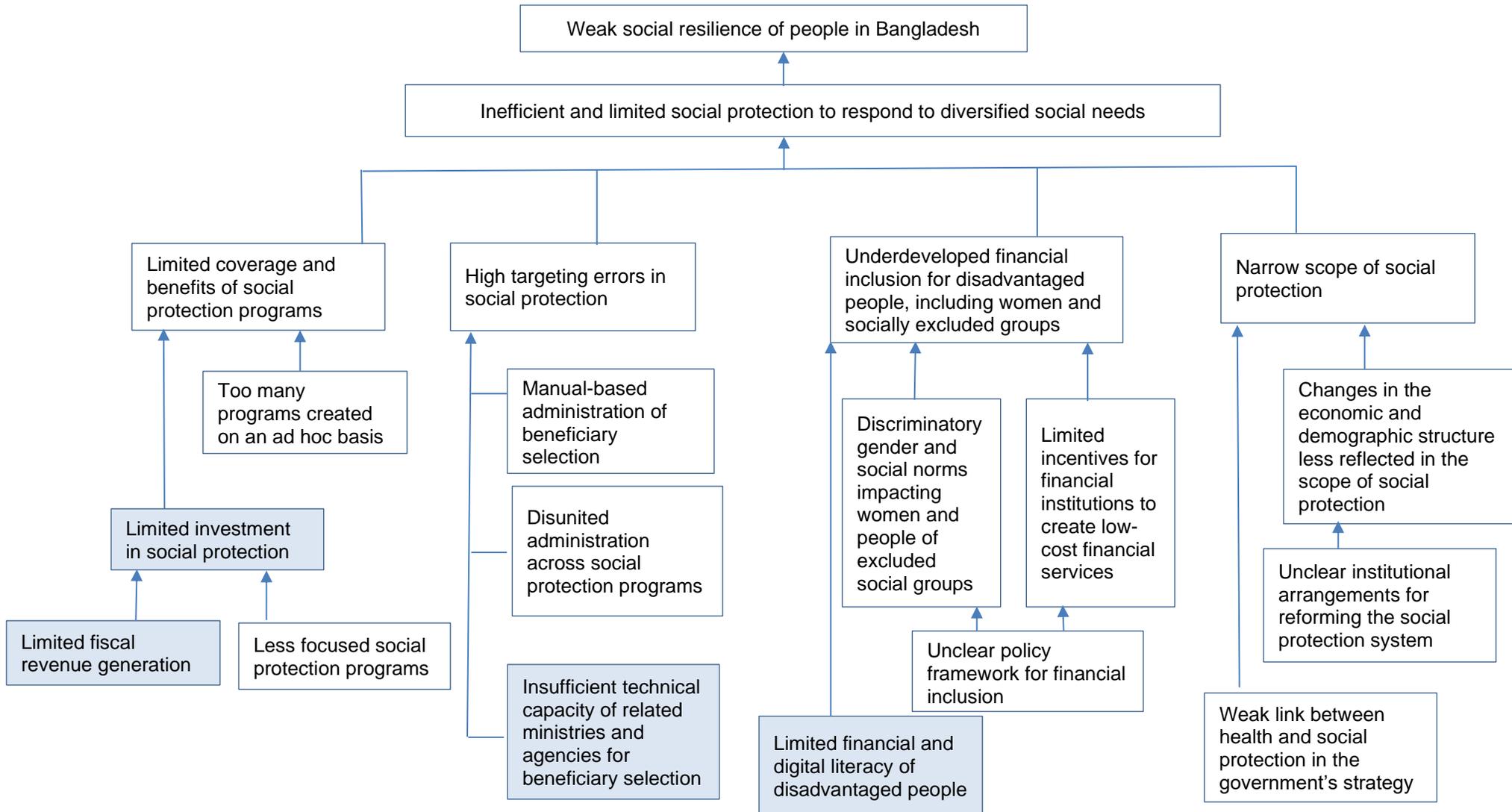
13. Building on its assistance toward an inclusive recovery from the pandemic in the medium term, and its ongoing engagement in the country's health sector, ADB undertook comprehensive policy dialogue with the Government of Bangladesh on social protection. This resulted in key contributions to the design of the government-owned policy packages, such as (i) exploiting the potential of digital and financial technologies to reduce financial exclusion and further enhance inclusive development, (ii) using a lifecycle approach to meeting diversified social needs, and (iii) recognizing the necessity of health response and preparedness as a requisite for social resilience.

14. Based on the policy dialogue with the government, the proposed program focuses on three reform areas: (i) coverage and efficiency of social protection improved, (ii) financial inclusion of disadvantaged people improved, and (iii) response to life cycle social and health needs strengthened, to improve the inclusiveness and responsiveness of social development in Bangladesh. The scope of the program is in line with the NSSS (para. 9) and the 8th Five-Year Plan (para. 10). The program is aligned with ADB's country partnership strategy, 2016–2020, which prioritizes investments in human capital through social programs and improved rural livelihoods,¹⁸ and three of the operational priorities of Strategy 2030:¹⁹ 1—addressing remaining poverty and reducing inequalities, 2—accelerating progress in gender equality, and 6—strengthening governance and institutional capacity. The program will (i) have direct positive impacts on poor, vulnerable women and men by improving the coverage of key social protection programs, (ii) contribute to gender equality by strengthening the consideration of gender-specific needs in urban health planning, and (iii) strengthen the institutional capacity for social protection by helping reform the management of social protection programs.

¹⁸ ADB. 2016. [Country Partnership Strategy: Bangladesh, 2016–2020](#). Manila. ADB's country partnership strategy for Bangladesh, 2021–2025 is under preparation. The program is included in ADB. 2020. [Country Operations Business Plan: Bangladesh 2021–2023](#). Manila.

¹⁹ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

Problem Analysis Diagram for Multisector



Note: Shaded boxes are not to be covered by the proposed program.