



Report and Recommendation of the President to the Board of Directors

Project Number: 55041-001
May 2021

Proposed Programmatic Approach, Policy-Based Loan for Subprogram 1, and Administration of Technical Assistance Grant People's Republic of Bangladesh: Strengthening Social Resilience Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 7 May 2021)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.01179
\$1.00	=	Tk84.7667

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
G2P	–	government to person
GDP	–	gross domestic product
HIES	–	Household Income and Expenditure Survey
IMF	–	International Monetary Fund
M&E	–	monitoring and evaluation
MFS	–	mobile financial service(s)
MIS	–	management information system
MOF	–	Ministry of Finance
MOHFW	–	Ministry of Health and Family Welfare
MSW	–	Ministry of Social Welfare
NFIS-B	–	National Financial Inclusion Strategy–Bangladesh
NSIS	–	national social insurance scheme
NSSS	–	National Social Security Strategy
NUHS	–	National Urban Health Strategy
OCAG	–	Office of the Comptroller and Auditor General of Bangladesh
PPPF	–	post-program partnership framework
TA	–	technical assistance
UNDP	–	United Nations Development Programme

NOTES

- (i) The fiscal year (FY) of the Government of Bangladesh and its agencies ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2021 ends on 30 June 2021.
- (ii) In this report, "\$" refers to United States dollars.

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CONTENTS

	Page
PROGRAM AT A GLANCE	
I. THE PROPOSAL	1
II. PROGRAM AND RATIONALE	1
A. Background and Development Constraints	1
B. Policy Reform, ADB's Value Addition, and Sustainability	5
C. Expected Outcome of the Reforms	9
D. Development Financing Needs and Budget Support	9
E. Implementation Arrangements	10
III. ATTACHED TECHNICAL ASSISTANCE	10
IV. DUE DILIGENCE	10
V. ASSURANCES	13
VI. RECOMMENDATION	13
APPENDIXES	
1. Policy Design and Monitoring Framework	14
2. List of Linked Documents	19
3. Development Policy Letter	20

PROGRAM AT A GLANCE

1. Basic Data		Project Number: 55041-001	
Project Name	Strengthening Social Resilience Program (Subprogram 1)	Department/Division	SARD/SAHS
Country	Bangladesh	Executing Agency	Finance Division, Ministry of Finance
Borrower	People's Republic of Bangladesh		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=55041-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=55041-001-PortAtaGlance		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Public sector management	Social protection initiatives		100.00
Finance	Inclusive finance		75.00
Health	Health system development		75.00
		Total	250.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0.000
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Strengthening governance and institutional capacity			
		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.3		Effective gender mainstreaming (EGM)	✓
SDG 2.1			
SDG 3.8			
SDG 5.c			
SDG 8.10			
SDG 10.2			
		Poverty Targeting	
		General Intervention on Poverty	✓
4. Risk Categorization:	Complex		
5. Safeguard Categorization	Environment: C Involuntary Resettlement: C Indigenous Peoples: C		
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		250.00	
Sovereign Programmatic Approach Policy-Based Lending (Regular Loan): Ordinary capital resources		250.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		250.00	
Note: An attached technical assistance will be financed on a grant basis by the Japan Fund for Poverty Reduction in the amount of \$1,200,000.			
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed programmatic approach for the Strengthening Social Resilience Program, and (ii) a proposed policy-based loan to the People's Republic of Bangladesh for subprogram 1 of the Strengthening Social Resilience Program. The report also describes the proposed administration of technical assistance (TA) to be provided by the Japan Fund for Poverty Reduction for the Strengthening Social Resilience Program, and if the Board approves the proposed loan, I, acting under the authority delegated to me by the Board, approve the administration of the TA.

2. The proposed program aims to support the Government of Bangladesh in strengthening the social resilience of its people. The programmatic approach, consisting of two subprograms, is proposed to design and support sequenced policy packages and to enhance the inclusiveness and responsiveness of social development in Bangladesh.¹

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. Bangladesh has made remarkable progress in reducing poverty over the past two decades. The poverty incidence declined from 48.9% in 2000 to 20.5% in 2019.² However, while many people were lifted from extreme poverty, a considerable number continue to live at a subsistence level barely sustained by day work. These are the people who are highly vulnerable to shocks such as major illnesses and external events, including disasters triggered by natural hazards. The 2016 Household Income and Expenditure Survey (HIES) indicated that in addition to those living below the poverty line, 18.6%³ of the population remained vulnerable.⁴

4. The nature of poverty and vulnerability gradually changed as the country underwent urbanization and demographic transformation. The share of the urban population doubled from 20% in 1990 to close to 40% by 2019. Poverty declined in both urban and rural areas, but the decline was greater in rural areas. The number of rural poor fell from 52 million in 1995 to less than 38 million by 2016, while the number of urban poor was kept constant at about 12 million.⁵ Further, demographic changes are creating a new type of vulnerability. The share of elderly people (aged 60 and over) is estimated to be increasing from 7.1% in 2015 to 9.6% by 2025, and to reach 22.0% by 2050 (footnote 3). This has implications for the country's social protection needs since it does not have a comprehensive pension system in place. The 2016 HIES showed that almost 50% of the elderly were poor or vulnerable.

5. The coronavirus disease (COVID-19) pandemic significantly affected the socioeconomic situation of Bangladesh. The growth rate of its gross domestic product (GDP) decreased by 3% in 2020, from a pre-COVID-19 estimate of 8.2%. The economy took a particularly sharp turn in April–May 2020 when international trade and remittances declined substantially. Unemployment

¹ The policy design and monitoring framework is in Appendix 1.

² Government of Bangladesh, Bangladesh Bureau of Statistics. 2019. [Bangladesh Statistics 2019](#). Dhaka.

³ Government of Bangladesh, Planning Commission, General Economics Division. 2020. *Midterm Progress Review on the National Social Security Strategy*. Dhaka.

⁴ Bangladesh defines vulnerable people as those having incomes above the national poverty line but below a level of 25% more, i.e., below 1.25 times the national poverty line.

⁵ While the urban poverty rate declined in relative terms because of the increase in the total urban population, the absolute number of urban poor remained fairly constant.

surged to 22.4% during April–July 2020, from 2.1% in March 2020.⁶ Among those hit hardest by the pandemic are poor people who faced further impoverishment, and many vulnerable people who fell back into poverty.

6. To mitigate the impact of the COVID-19 pandemic, the government introduced stimulus packages in March 2020, such as financial support for health workers and for employment generation. Macroeconomic policies, including monetary and exchange rate interventions, were effective in ensuring external balance and price stability, and helped respond rapidly and flexibly to the internal and external impacts of COVID-19. International trade and remittances have been recovering since late 2020. The unemployment rate decreased to 3.8% in September 2020 (footnote 6). The fiscal deficit is at a manageable level. Both the external debt ratio and the public debt ratio are stable in the medium term. Debt policy and management also remain strong and prudent, which keeps Bangladesh at low risks of debt distress.⁷ The International Monetary Fund (IMF) provided an assessment letter.⁸ According to it, Bangladesh's economy is recovering due to the implementation of the stimulus packages and an expansionary fiscal policy, and it properly eased its monetary policy to mitigate the economic impact of COVID-19 pandemic. However, the uncertainty of a prolonged COVID-19 pandemic remains. Since late March 2021, Bangladesh is experiencing a second wave of the pandemic, and the government had to impose a lockdown to control it, which is expected to slow down the economic recovery and further threatens the livelihoods of poor and vulnerable people.

7. Continued social protection support is critical to cushioning the effects of the pandemic. The government intends to leverage the COVID-19 pandemic as an opportunity to strengthen its social protection programs as an essential means of building the resilience of the poor;⁹ supporting inclusive recovery; and working toward faster, sustainable, and resilient development.

8. In 2015, the government formulated the National Social Security Strategy (NSSS) with a medium-to-long-term framework for social protection development.¹⁰ The NSSS presents the long-term vision of building an inclusive social protection system that helps prevent poverty and inequality and contributes to broader human development. It seeks to streamline and strengthen the existing social protection programs with a view to achieving better results from the money spent. It defines the medium-term reform targets: (i) improving the coverage of social protection, (ii) developing a national social insurance scheme (NSIS), (iii) harmonizing the social protection programs, (iv) improving financial inclusion by promoting the government to person (G2P) payment system, (v) strengthening the grievance redress mechanisms, and (vi) developing a results-based monitoring and evaluation (M&E) system. The Eighth Five-Year Plan for 2020–2025 (8th plan) stresses the importance of a wider and more inclusive social protection system for an inclusive recovery from the COVID-19 pandemic. The 8th plan suggests accelerating the social protection reforms defined in the NSSS.

9. **Development constraints.** The NSSS points to critical shortcomings in the social protection system: (i) fragmentation with too many programs and targeting errors, (ii) inadequate

⁶ Government of Bangladesh, Bangladesh Bureau of Statistics. 2020. *Report on Perception Survey of Livelihood 2020*. Dhaka. The government conducted a quick survey of households in September 2020 by calling 2,040 mobile phone numbers drawn from random sampling.

⁷ Debt Sustainability Analysis (accessible from the list of linked documents in Appendix 2).

⁸ International Monetary Fund Assessment Letter issued on 2 April 2021 (accessible from the list of linked documents in Appendix 2).

⁹ Government of Bangladesh, Planning Commission, General Economics Division. 2020. *8th Five Year Plan (2021–2025)*. Dhaka.

¹⁰ Government of Bangladesh, Planning Commission, General Economics Division. 2015. *National Social Security Strategy (NSSS) of Bangladesh*. Dhaka.

coverage and benefits, and (iii) narrow scope of social protection.¹¹ It also highlights the increasing importance of achieving financial inclusion of disadvantaged people through advanced financial and digital technologies. It further suggests a conceptual change from the current fragmented approach to a life cycle approach that tackles causes of poverty at different stages of life. For example, the life cycle approach considers maternal support to reduce the economic risks associated with pregnancy and early childhood, and support for the elderly to mitigate the risks associated with old age and disability. The current social protection scope in Bangladesh is too limited to meet the varying social needs arising in a life cycle.

10. **Fragmentation with too many programs.** Bangladesh's social protection initiatives were developed ad hoc, which led to the creation of too many programs and a fragmented system. The early efforts focused mainly on post-disaster relief to support the affected people. Food security programs were also initiated early on, focusing on the extreme poor in rural areas and on seasonal poverty during lean agricultural periods. Various social protection programs were established to meet specific needs. More than 100 programs involving multiple implementation ministries eventually emerged, often leading to duplications and inefficient service delivery, and reducing the impact of social protection. The largest 20 programs receive about 70% of the total social protection budget, while the smallest 50 programs receive less than 2%. The midterm review of the NSSS suggested to consolidate programs to avoid duplications, extend beneficiary coverage, and achieve efficiency. The NSSS envisages such a program consolidation at the ministerial level, but this has not happened. The government first needs to prepare the policy base to facilitate ministerial actions.

11. Further, the programs lack integrated administrative processes as they are managed by various ministries, such as the Ministry of Social Welfare (MSW), the Ministry of Women and Children Affairs, and the Ministry of Disaster Management and Relief. The program administration is not fully digitalized, making it hard to collect comprehensive data and information on social protection beneficiaries, and to implement effective M&E. In addition, social protection programs in Bangladesh have high targeting errors—both exclusion errors (i.e., when people are not covered by social protection despite being eligible) and inclusion errors (i.e., when non-eligible people are covered) (footnote 3). The NSSS stresses the importance of establishing an integrated registry of social protection beneficiaries with a functional management information system (MIS), which will improve registration transparency, reduce duplication, increase the efficiency of programs, and maximize the overall benefits of social protection. It will also make M&E more effective.

12. **Inadequate coverage.** Despite the large number of social protection programs, the budgetary allocation for social protection has been low in Bangladesh—1.0%–1.5% of GDP. This means that many programs do not have enough resources to make a substantial impact on their target groups or are not able to cover all the eligible people. This is true even for key programs such as the old age allowance or the allowance for widowed, deserted, and destitute women.¹² For example, about 380 of 492 *upazilas* (administrative units at the subdistrict level) cover only 60%–70% of the eligible elderly or the eligible women under those programs. As the 8th plan highlights, the COVID-19 pandemic has exposed the substantial social vulnerabilities and the need for scaling up the government's spending on social protection. The plan suggests increasing government expenditure on social protection from 1.2% of GDP in fiscal year (FY) 2019 to 2.0% of GDP by FY2025.

¹¹ Sector Assessment (Summary): Multisector (accessible from the list of linked documents in Appendix 2).

¹² The old age allowance program provides poor elderly people with a reliable source of income. The allowance program for widowed, deserted, and destitute women provides cash transfers to eligible women.

13. **Financial exclusion.** The government recognizes the potential of financial inclusion for disadvantaged people to increase their income-generating opportunities and strengthen their social resilience. The Seventh Five-Year Plan for 2016–2020 suggested promoting financial inclusiveness by developing and enhancing the G2P payment system (digital payment of social protection benefits).¹³ The NSSS also highlights the issue of financial inclusion and the potential of G2P to enhance financial inclusion of social protection beneficiaries. The 8th plan reinforces this policy direction (footnote 9). However, Bangladesh has not yet developed an enabling environment for it. Nearly 50% of the population is still unbanked.¹⁴ A main stumbling block are the documentation and identification requirements for opening a bank account. To improve access to financial services, the government aims to enhance the use of mobile financial services (MFS), which are becoming popular even among disadvantaged people, including women and microbusiness operators. However, MFS transactions are not interoperable across all the banks and all MFS providers, which hinders their wider use. Further, current MFS in Bangladesh do not match the needs of poor households. Poor households need financial products that allow small-value day-to-day transactions, yet the acceptance of digital payments is still limited among retailers and merchants. Moreover, disadvantaged people tend to be hesitant about accessing financial and digital services because of their limited financial and digital literacy. The regulatory authority needs to lower the barriers for disadvantaged people and ease their access to financial services. It also needs to establish incentives for financial institutions and MFS providers to improve the availability of their services, and for retailers to accept digital payments more broadly.

14. **Limited scope to meet life cycle social and health needs.** Social protection in Bangladesh focuses on poverty relief in rural areas. Urbanization creates a gap between social needs and available protection because the system does not meet the diversified social needs. For example, social protection provides a safety net for seasonal unemployment during lean agricultural periods, but it has no scheme to help mitigate the impacts of employment loss or sickness on many urban workers. Individuals face different risks across the life cycle, from birth to old age. The poverty rates in households with children aged 0–4 years are higher than the national poverty rates, which indicates the economic challenges caused by having children, particularly if mothers are unable to work (footnote 10). The working-age population faces other risks, such as risks relating to job security. The elderly people face the economic risks associated with aging, such as loss of income and health care costs. Further, economic risks associated with health and injury incidents can occur at any stage of life. Bangladesh's social protection system 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.

15. For the first time in the social protection of Bangladesh, the NSSS presented the concept of risk pooling by proposing to establish an insurance scheme, such as unemployment insurance and occupational injury insurance. The NSSS recognizes the initiation of the NSIS as a major programmatic reform. Further, the NSSS stresses that health-related shocks could be devastating for poor and vulnerable people. The need for health care services is high in rapidly urbanizing areas, but the availability of quality and affordable health services remains limited for many urban people. The COVID-19 pandemic has underscored the need to tackle the weaknesses and strengthen health response and preparedness for unanticipated health crises.

¹³ Government of Bangladesh, Planning Commission, General Economics Division. 2015. *The Seventh Five Year Plan: FY2016–FY2020*. Dhaka.

¹⁴ World Bank. 2018. [The Global Findex Database 2017](#). Washington, DC.

16. **Alignment with Strategy 2030.** The program is aligned with the country partnership strategy, 2016–2020 of the Asian Development Bank (ADB) for Bangladesh, which prioritizes investments in human capital through social programs and improved rural livelihoods;¹⁵ and with the operational priorities of ADB’s Strategy 2030, particularly 1—addressing remaining poverty and reducing inequalities, 2—accelerating progress in gender equality, and 6—strengthening governance and institutional capacity.¹⁶ 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 ensuring the consideration of gender-specific needs in urban health planning, and (iii) strengthen the institutional capacity for social protection by reforming the administration and management of social protection programs.

B. Policy Reform, ADB’s Value Addition, and Sustainability

17. **Proposed policy reforms.** The program provides holistic support to the institutional and policy reforms that will improve the inclusiveness and responsiveness of social development. It defines three reform areas to tackle the cross-sector issues of social development: (i) reform the social protection system by improving its coverage and efficiency, (ii) ease the policy constraints on financial inclusion, and (iii) transform social protection by broadening its scope. The policy actions are sequenced to allow the optimal phasing of reforms. Subprogram 1 supports the establishment of the national policy frameworks and the removal of technical and administrative constraints that make the social protection system inefficient. Building on this, subprogram 2 will focus on improving the administrative efficiency of the system and on strengthening its response to the diversified social and health needs of the people in Bangladesh.

18. **Reform area 1: Coverage and efficiency of social protection improved.** This reform area focuses on improving the coverage and administration of key social protection programs. To reduce fragmentation, it will support harmonization of the social protection system through the program consolidation. To make their management more efficient, the reforms will support to standardize and integrate the administrative processes across programs.

19. For subprogram 1, the government approved an increase in the coverage of the old age allowance, and of the allowance for widowed, deserted, and destitute women, to attain the full coverage of eligible people in 150 *upazilas*.¹⁷ These *upazilas* were selected based on the Poverty Maps of Bangladesh and represent the poverty-stricken areas.¹⁸ In addition, the Ministry of Finance (MOF) operationalized an MIS for administration of the social protection budget management over various programs by implementing the automatic data transfer from MIS databases of relevant line ministries to the MOF’s MIS; this will help standardize and digitalize the administration of social protection program management and improve the efficiency of service delivery. The programs that have similar features and purposes will be consolidated. To make sure that the consolidated schemes and processes are carefully designed and the provision of benefits to eligible people is not interrupted, the government targeted key ministries and issued a directive on the program consolidation to be undertaken by those ministries in subprogram 2. It instructs these ministries to prepare and approve the necessary policies and instruments, such

¹⁵ 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.

¹⁶ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

¹⁷ There are 492 *upazilas* in Bangladesh as of May 2021.

¹⁸ Government of Bangladesh, Bangladesh Bureau of Statistics. 2020. *Poverty Maps of Bangladesh*. Dhaka.

as a framework for defining the programs to be consolidated, as well as procedures and milestones.

20. Under subprogram 2, The ministries will then prepare and approve the policies of program consolidation and announce the initial steps of the program consolidation.¹⁹ The consolidation will reduce the duplication of programs and harmonize the social protection system. To reform program administration, the government will set up an integrated registry of social protection beneficiaries, which will enable it to manage various programs with an integrated entry point for the beneficiaries. The integrated system will not affect targeting or the selection of beneficiaries. It will bring beneficiaries under an integrated system, which will improve the processes of benefit payments and administrative management. As part of its ongoing efforts to improve the social protection coverage, the government will approve an increase in the coverage of benefits for vulnerable and poor people, such as poor mothers; and boost the volume of an open market sale program that sells subsidized food to the urban poor.

21. **Reform area 2: Financial inclusion of disadvantaged people improved.** Financial inclusion is increasingly important for overall social inclusiveness, along with the development of advanced digital and financial technology. This reform area thus focuses on creating the enabling environment for broader financial inclusion by (i) establishing a national policy and strategy, (ii) removing policy constraints that undermine access to and availability of financial services, and (iii) improving policy conditions to make financial services affordable.

22. For subprogram 1, MOF approved the National Financial Inclusion Strategy–Bangladesh (NFIS-B) for submission to the cabinet. The NFIS-B outlines the vision, road map, coordination mechanism, and M&E framework for financial inclusion in Bangladesh. As highlighted in the NFIS-B, the government promotes the use of MFS as a key tool to enhance the financial inclusion of disadvantaged people. To encourage wider uptake of MFS, Bangladesh Bank adopted a system of interoperable transactions across all banks and MFS providers, which eases MFS transactions between operators and improves the availability of MFS for personal users. To further improve access to financial services, Bangladesh Bank simplified the identification and documentation requirements for opening a bank account.²⁰

23. The implementation of the NFIS-B involves multiple stakeholders in both the public and private sectors. To ensure effective coordination, under subprogram 2, a national NFIS-B council will be established at ministerial level. The council will be chaired by the finance minister, and provide the vision, strategic direction, guidance, and oversight for the implementation of the financial inclusion agenda. To broaden the acceptance of digital payments by retailers, Bangladesh Bank will issue a pricing guideline on digital payments, which will standardize and reduce the cost for retailers that accept digital payments. MOF will improve its policy on standardizing MFS commission fees to boost access to MFS by social protection beneficiaries.²¹

24. **Reform area 3: Response to life cycle social and health needs strengthened.** This reform area focuses on broadening the scope of protection from mere poverty relief to more diversified responses to social and health needs. Building on the experience from the COVID-19

¹⁹ The procedures for notifying beneficiaries of the consolidation aspects will be built into the policies on program consolidation.

²⁰ The government also introduced an electronic know-your-customer procedure to improve the accessibility of financial services and ensure the necessary customer due diligence.

²¹ Bangladesh is increasingly using the G2P electronic payment system for social protection programs, since about 2016. For example, under the cash-transfer programs managed by the Ministry of Social Welfare, Tk6.86 billion was delivered digitally as of June 2020.

pandemic, the government is strengthening the health system's preparedness for infectious diseases and improving the health response to urban populations. This reform area further supports the development of a social insurance system based on the NSIS framework. The government has prepared a technical study for the NSIS framework which includes an analysis of different types of social insurances, such as unemployment insurance and occupational injury insurance. A social insurance scheme will be initially developed based on priority and feasibility, while several types of social insurance may be covered under the NSIS framework.

25. Under subprogram 1, the government issued the directive on the cross-ministerial coordination of preliminary actions to prepare for the selection and development of a social insurance scheme based on the NSIS framework. As a key prior action, the directive informs the authority and responsibility of the MOF for the cross-ministerial coordination and key administrative actions to be conducted before selecting a type of social insurance and its insurance scheme. The Ministry of Health and Family Welfare (MOHFW) approved the policy guideline on public health and medical research to strengthen the preparedness of the national health system. This ensures the proper coordination of research into and response to infectious diseases, including epidemics and pandemics, with corresponding budget allocations. This policy is to improve the evidence-based policy development for strengthening health response and preparedness. The MOHFW also approved the National Urban Health Strategy (NUHS), which provides a framework to strengthen urban health care services in line with the growing health needs of urban populations.

26. Under subprogram 2, the government will define a type of social insurance and its scheme to be developed as an initial national social insurance scheme, in Bangladesh. The government will also approve the new action plan of the NSSS (2021–2026), which includes a national reform plan, and a framework of reform activities to be accomplished by line ministries. Under subprogram 2, the government will also approve the new action plan of the NSSS (2021–2026), which includes a framework of reform activities to be accomplished by line ministries. To improve the response to urban health needs, the Urban Health Coordination Committee will be reformed by redefining its authority, responsibility, and coordination mechanism for overseeing and supervising the cross-ministerial coordination efforts in accordance with the approved NUHS. The MOHFW will also implement a program to improve the capacity of the government's urban health facilities, such as urban dispensaries,²² and provision of services.

27. **Post-program partnership framework.** The post-program partnership framework (PPPF) has been formulated to further strengthen the sustainability of the reforms initiated under the program. The PPPF will particularly focus on evaluating improvements concerning the fragmentation of social protection programs, the level of financial inclusion, and the progress of social insurance development; this will help the government achieve the desired medium-term reform impacts. ADB will continue close policy dialogue with the government and supports its reform efforts under the PPPF. With regard to reform area 1, the PPPF will focus on the progress made in (i) consolidating the social protection programs, (ii) improving the administration of the programs with MISs, and (iii) increasing the coverage of social protection. As regards reform area 2, the PPPF will evaluate the improvements made in the availability and usability of MFS, disaggregated by sex, and urban and rural population. As regards reform area 3, it will monitor the preparation and launch of a pilot national social insurance scheme. Activities under the attached TA will be aligned with the PPPF.

²² An urban dispensary is a type of urban health service provide in Bangladesh.

28. **ADB's value addition and lessons.** The COVID-19 pandemic in 2020 required immediate action to meet urgent health, social, and financial needs. Aligned with the stimulus policy of the Government of Bangladesh and as an integral part of the National Preparedness and Response Plan, ADB provided immediate financial support to help mitigate the impacts of the pandemic with a focus on social safety nets and job security.²³ ADB also supported urgent logistical and systemic needs arising from the COVID-19 pandemic.²⁴ In addition, ADB continued its assistance to better urban health outcomes in Bangladesh by focusing on the accessibility, quality, and use of urban primary health care services.²⁵

29. ADB's experiences confirm the importance of strong and high-level government ownership and commitment to tackling the cross-sector and cross-ministerial issues of social development. The coordination of multiple stakeholders and a clear delineation of roles and responsibilities are crucial to improving social and health responses sustainably.²⁶ It is also important to strengthen public awareness and knowledge of available services and how to access them, to attain the reform impacts. Moreover, the reform process needs to be reasonably flexible to accommodate a longer-term horizon of social and health development, which makes a programmatic approach a suitable tool to support the government's medium- and long-term efforts.²⁷

30. Building on its assistance to an inclusive recovery from the COVID-19 pandemic and the ongoing engagement in the country's health sector, ADB engaged in a comprehensive policy dialogue with the government on social protection. This resulted in key contributions to the design of the government-owned policy packages, such as (i) recognizing the potential of digital and financial technologies to reduce financial exclusion and further enhance inclusive development, (ii) taking a life cycle approach to meeting the diversified social needs, and (iii) acknowledging the necessity of health response and preparedness as a requisite for social resilience. ADB will further strengthen its support by providing attached TA (paras. 38–39) on (i) evidence-based M&E of reforms, (ii) market analysis of MFS usability, (iii) harmonization of social protection programs, and (iv) development of a national social insurance scheme.

31. **Development coordination.** Major development partners supporting social protection in Bangladesh are the United Kingdom's Foreign, Commonwealth and Development Office; the United Nations Development Programme (UNDP); the World Bank; and the Government of Australia's Department of Foreign Affairs and Trade. UNDP helped the General Economics Division of the Planning Commission to formulate the NSSS; and through a TA program (Social Security Policy Support Program), Australia, the United Kingdom, and UNDP assisted the General Economics Division in rolling out the activities under the NSSS. The World Bank supports the institutional strengthening of ministries and the G2P payment system, and also finances part of the costs of major social protection schemes, such as a cash transfer program, and the

²³ 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 COVID-19 Active Response and Expenditure Support Program*](#). Manila.

²⁴ ADB. 2020. [*Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for COVID-19 Response Emergency Assistance Project*](#). Manila.

²⁵ 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 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 Urban Primary Health Care Service Delivery Project*](#). Manila.

²⁶ ADB. 2007. *Completion Report: Urban Primary Health Care Project in Bangladesh*. Manila.

²⁷ ADB. 2014. *Completion Report: Second Urban Primary Health Care Project in Bangladesh*. Manila.

development of the national household database.²⁸ Common support areas of the major partners relate to the (i) improvement in the delivery of social protection benefits through developing and implementing direct payment mechanisms to beneficiaries, (ii) institutional strengthening for the planning of social protection schemes, and (iii) coordination across key social protection programs. ADB closely coordinates with development partners in supporting the government to meet its development needs and is also in close and regular contact with the IMF. The program complements the efforts of development partners by focusing on medium-term institutional and policy reforms to better manage cross-sectoral issues of social development, while at the same time responding to financial needs.

32. Some key areas for further coordination with development partners will be the digital payment of social protection benefits, and the digital and financial literacy of poor and vulnerable people. Also, developing the NSIS is a core longer-term agenda. ADB will keep communicating and coordinating with major development partners to help attain the objectives of social development in Bangladesh.

C. Expected Outcome of the Reforms

33. Bangladesh's overarching development objective is to strengthen the social resilience of its people. Aligned with that objective, the reforms' outcome will be inclusiveness and responsiveness of social development improved. Inclusiveness will be supported with policy actions under reform area 1, i.e., by expanding the coverage of social protection beneficiaries in 150 poverty-stricken *upazilas*, with a particular focus on poor women and elderly people. Policy actions under reform area 2 will also improve the enabling environment for financial inclusion and ease access to financial services for the disadvantaged population. Better efficiency will be achieved by streamlining and consolidating the social protection programs, and by standardizing and integrating the administration of the social protection system. Responsiveness will be improved by strengthening the country's preparedness for infectious diseases and its response to health needs of urban populations. Responsiveness will be further strengthened by broadening the scope of social protection, particularly by establishing the NSIS.

D. Development Financing Needs and Budget Support

34. The Bangladesh economy is recovering from the negative impacts of the COVID-19 pandemic by the introduction of stimulus packages totaling \$15.1 billion as of May 2021. The COVID-19 pandemic widened the fiscal deficit. ADB estimates that the annual fiscal deficit will reach \$22.3 billion in FY2021 and \$23.9 billion in FY2022.²⁹ Both domestic and external sources are used to finance the budget deficits. Domestic source is the major source to fill the deficits. The government targets to finance about 68% of deficits in FY2021 and 63% in FY2022. External sources are expected to fill about \$7.1 billion in FY2021 and \$8.8 billion in FY2022. The government has received budget support totaling \$1 billion from ADB, the Asian Infrastructure Investment Bank, and the World Bank in FY2020. Balance-of-payment support totaling \$732 million has received from the IMF.

35. To finance economic and social development needs in face of widening fiscal deficit, additional development financing is required. The proposed program considers the government's financing needs, the availability of alternative financing, including the estimated financial support

²⁸ World Bank also provides financial support for the employment generation program for the poorest which is a workfare program for the poorest in rural areas.

²⁹ ADB. 2021. [Asian Development Outlook 2021 – Financing a Green and Inclusive Recovery](#). Manila.

from other development partners, and debt sustainability. The government requested \$500 million in financial assistance in the form of a programmatic approach, comprising two subprograms worth \$250 million each, from ADB's ordinary capital resources.

36. To help finance subprogram 1, the government requested a regular loan of \$250 million from ADB's ordinary capital resources. The loan will have a 15-year term, including a grace period of 3 years; an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a commitment charge of 0.15% per year; and such other terms and conditions set forth in the draft loan agreement. Based on the straight-line method, the average maturity is 9.25 years, and there is no maturity premium payable to ADB.

E. Implementation Arrangements

37. The Finance Division of MOF is the executing agency. The implementing agencies are the Cabinet Division, MOHFW, MSW, and Bangladesh Bank. To further strengthen the cross-ministerial coordination of the program's implementation, a steering committee was set up, led by the senior secretary of MOF's Finance Division and comprising representatives from the Cabinet Division, MOF's Financial Institutions Division, MSW, Health Services Division, Medical Education and Family Welfare Division, Local Government Division, Bangladesh Bank, Directorate General of Health Services, Department of Social Services, Ministry of Disaster Management and Relief, and Ministry of Women and Child Affairs. The implementation period will be from July 2020 to June 2021 for subprogram 1, and from July 2021 to June 2022 for subprogram 2.³⁰ Each subprogram has a single tranche for disbursement. The proceeds of the policy-based loan will be withdrawn following ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

III. ATTACHED TECHNICAL ASSISTANCE

38. A TA attached to the program will support its implementation, technical analyses, and capacity development for key ministries.³¹ ADB will administer the TA. MOF will be the executing agency. The Cabinet Division, Bangladesh Bank, and the MOHFW will be the implementing agencies. The TA will help (i) carry out the evidence-based M&E of the reforms supported by the program; (ii) strengthen the capacity for developing policies that ensure sustainable social inclusiveness and responsiveness, and (iii) improve people's awareness of inclusive and responsive social protection.

39. The TA is estimated to cost \$1,258,000, of which \$1,200,000 will be financed on a grant basis by the Japan Fund for Poverty Reduction. The government will provide counterpart support in the form of counterpart staff, assistance in arranging meetings with related agencies, and other in-kind contributions. TA funds will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2020, as amended from time to time). All consultants shall be recruited in accordance with the ADB Procurement Policy (2017, as amended from time to time) and associated staff instructions.

IV. DUE DILIGENCE

40. **Safeguards.** The due diligence identified no environmental, involuntary resettlement, and indigenous people impacts as defined by the safeguards assessment matrix of ADB's Safeguard Policy Statement (2009). The policy actions were assessed and will not lead to adverse

³⁰ List of Ineligible Items (accessible from the list of linked documents in Appendix 2).

³¹ Attached Technical Assistance Report (accessible from the list of linked documents in Appendix 2).

environmental and social impacts. The program will support policy actions that will improve the inclusiveness and responsiveness of social development in Bangladesh. Thus, the program is categorized *C* for environmental, involuntary resettlement, and indigenous people safeguards. Investment activities prohibited under the Safeguard Policy Statement will be excluded.

41. **Economic.** The reforms supported by the program will be instrumental in achieving the country's inclusive recovery from the COVID-19 pandemic, and continue the efforts made toward sustainable development. The reforms will improve the efficiency and coverage of social protection, and lower the risks faced by the poor and vulnerable. The transmission channels include addressing administrative inefficiencies, promoting a more responsive distribution of available financial and health-related benefits, and strengthening the financial inclusion of the poor and disadvantaged. International evidence suggests potentially significant benefits from productivity and efficiency savings, avoidable costs, and poverty reduction. Further, reinvesting the savings from reduced administration costs in social protection and health preparedness systems will lead to greater financial sustainability, coordination, and efficiency, which in turn will mitigate the adverse effects of the COVID-19 pandemic and help avoid future economic and social losses.

42. **Poverty.** Although Bangladesh substantially reduced its poverty incidence from 48.9% in 2000 to 20.5% in 2019, it still has a significant number of vulnerable groups. Vulnerable groups are generally defined as those experiencing situational disadvantage, at risk of falling below the poverty line in the face of adverse shocks and circumstances that reduce their income-earning and livelihood prospects. Bangladesh defines vulnerable groups as those who live above the national poverty line but below an income level of 1.25 times the national poverty line. These groups are estimated to account for 40% of the population, including poor and vulnerable people, based on the 2016 HIES. The program will help improve the coverage and efficiency of social protection, with a positive impact on the poor and vulnerable, including elderly people and widows. It will broaden access to financial services for the poor and vulnerable through wider use of MFS. It will also improve urban health care services and thus provide more support to poor and vulnerable urban residents.

43. **Gender.** The program is categorized *effective gender mainstreaming*. Social protection is a critical driver of poverty reduction because it offers the potential to minimize gender inequalities and intersectional dimensions of exclusion and vulnerability based on old age, disability, geographic location, and income status. As a result of the COVID-19 pandemic and associated mobility restrictions, women in urban areas have experienced additional stress, anxiety, and fear, as well as more violence. The program will expand its outreach to excluded and vulnerable women by increasing the coverage of both the old age allowance (benefiting women over 62) and the allowance for widowed, deserted, and destitute women in 150 *upazilas*. The program will enhance the financial inclusion of disadvantaged people by enabling broader access to digital financial services, giving particular attention to the gender gap in financial inclusion and the needs voiced by vulnerable women and groups. It will support the approval of the NUHS to strengthen health care services for urban populations, taking into account their gender-specific needs. The program will also improve the management of social protection with an MIS capable of producing sex-disaggregated data on social protection benefits and providing the tools to obtain quantitative data and analyses of poverty and gender-related aspects.

44. **Governance.** Public expenditure and financial accountability assessments for Bangladesh were carried out in 2006, 2010, and 2016. The country has made progress in developing its public financial management system with effective fiscal measures since the 2010 assessment. However, it is necessary to further strengthen the institutional capacity for

implementing public financial management reforms and to strengthen the capacity of oversight institutions such as the Office of the Comptroller and Auditor General of Bangladesh (OCAG). Improvements are particularly necessary in the areas of internal and external audits. In principle, OCAG is an independent institution. However, it still requires more capacity enhancements to fully exercise its oversight functions. Inadequate human resources are causing significant delays in submitting external audit reports to the Parliament, and in following up on the audit findings. ADB is providing capacity-building support to OCAG for the provision of training to audit staff, and for the development of an audit manual for foreign-aided projects.³² On the plus side, MOF's major role in budget management contributed to the country's strong record of fiscal discipline.

45. Bangladesh has most of the formal legislation in place to be compliant with the United Nations Convention against Corruption. However, Transparency International indicates that the country's performance in anticorruption efforts is mixed, and the improvement in score is insignificant. A major challenge is the effectiveness deficit of the Anti-Corruption Commission. The commission needs to come up with a strategy to develop institutional capacity and trust.

46. **Risks and mitigating measures.** Major risks and mitigating measures are summarized in the table and described in detail in the risk assessment and risk management plan.³³

Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Coronavirus disease (COVID-19) impacts are prolonged and more severe than expected, which exacerbates the situation of poor and vulnerable people.	The government has introduced strong stimulus and mitigation measures, such as (i) an increase in public expenditures, (ii) fiscal stimulus, (iii) expanded social safety net programs, and (iv) an increase in money supply. The government also presents a medium-term economic recovery strategy in its 8th Five Year Plan (2020–2025). The post-program partnership framework will also help sustain the ongoing policy dialogue and reform momentum.
Weak internal and external auditing capacity may lead to reduced efficiency and transparency of the government support programs.	Ongoing technical assistance from the Asian Development Bank (footnote 32) helps build the capacity of the auditor general of Bangladesh and the capacity for program auditing. Also, the World Bank is providing support to strengthen the overall capacity of the Office of the Comptroller and Auditor General of Bangladesh. ^a
Weak cross-ministerial coordination may delay the preparation of program consolidation.	The program steering committee, led by Senior Secretary of Finance Division, Ministry of Finance, and comprising representatives from all relevant ministries and agency, has been set up to strengthen the cross-ministerial coordination on the program implementation.
Limited capacity of line ministries may delay the preparation of policies on the consolidation of social protection programs.	The attached technical assistance will support the line ministries in strengthening their technical capacity for program consolidation.

^a World Bank. 2018. *Strengthening Public Financial Management Program to Enable Service Delivery Program for Results*. Washington, DC.

Source: Asian Development Bank.

47. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government.

³² ADB. 2018. [Technical Assistance to the People's Republic of Bangladesh for Capacity Building for Improving Portfolio Performance](#). Manila.

³³ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

V. ASSURANCES

48. The government has assured ADB that the implementation of the program shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement, as described in detail in the draft loan agreement. No disbursement shall be made unless ADB is satisfied that the government has completed the policy actions specified in the policy matrix relating to the program.

VI. RECOMMENDATION

49. I am satisfied that the proposed programmatic approach and policy-based loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve:

- (i) the programmatic approach for the Strengthening Social Resilience Program, and
- (ii) the loan of \$250,000,000 to the People's Republic of Bangladesh for the Strengthening Social Resilience Program, from ADB's ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 15 years, including a grace period of 3 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Masatsugu Asakawa
President

27 May 2021

POLICY DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objective			
Social resilience of people strengthened (National Social Security Strategy of Bangladesh, 2021–2025) ^a			
Outcome		Risks and Critical Assumptions	
Inclusiveness and responsiveness of social development improved		R: COVID-19 impacts are prolonged and more severe than expected	
Prior Actions: Subprogram 1 Completed July 2020–June 2021	Policy Actions: Subprogram 2 July 2021–June 2022	Outcome Indicators	Post-program partnership framework July 2022–June 2024
Reform Area 1: Coverage and efficiency of social protection improved			
<p>1.1. MOF operationalized the management information system for social protection budget administration to improve administrative efficiency (with sex-disaggregated data of beneficiaries)</p> <p>1.2. Cabinet Division issued a Directive on consolidation of social protection programs as the basis for cross-ministerial action</p> <p>1.3. MOF approved to allocate budget for full coverage of eligible elderly people under the old age allowance program in 150 high poverty stricken <i>upazilas</i> (administrative units at the subdistrict level)</p> <p>1.4. MOF approved to allocate budget for full coverage of eligible women under the allowance for widow, deserted and destitute women program in</p>	<p>2.1 The government will establish an integrated registry system of social protection beneficiaries</p> <p>2.2 Three ministries will develop and approve respective policies on consolidation of social protection programs to formulate consolidation framework and plan, and inform on initial program consolidation</p> <p>2.3 MOF will approve an increase in the budget allocation for the open market sale program (sale of subsidized grains for urban poor) by increasing the volume of the sale of subsidized food to support basic needs of the urban poor^c</p> <p>2.4 MOF will approve an increase in coverage of a social protection program for disadvantaged women, such as poor pregnant and lactating mothers^d</p>	<p>By June 2023:</p> <p>a. At least two social protection programs in at least 260 <i>upazilas</i> achieved full coverage of eligible beneficiaries (2020 baseline: 110 <i>upazilas</i>) Source: MOF's social protection budget information and the program monitoring report</p> <p>b. At least 80% of social protection programs with cash-based benefits managed under a standardized and integrated management system with connection to G2P (2020 baseline: NA) Source: MOF's social protection budget information and the program monitoring report</p> <p>c. Social protection program fragmentation reduced in at least three ministries⁹ (2020 baseline: NA) Source: NSSS review report and the program monitoring report</p>	<p>MOF and line ministries monitor the implementation of increased coverage of key social protection programs in high poverty stricken <i>upazilas</i> to ensure the sustainability of improved coverage.</p> <p>CMC under NSSS monitors the progress of program consolidation to evaluate the improvement in fragmentation of social protection programs</p> <p>MOF sustains the operation of an integrated management information system (standardized and digitalized system) for social protection administration</p>

Prior Actions: Subprogram 1 Completed July 2020–June 2021	Policy Actions: Subprogram 2 July 2021–June 2022	Outcome Indicators	Post-program partnership framework July 2022–June 2024
150 high poverty stricken <i>upazilas</i>	<p><u>Under transaction TA (BAN: 55041-001)^e</u></p> <ul style="list-style-type: none"> • Knowledge of relevant ministries on social protection program consolidation improved. • Capacity of the government on monitoring and evaluation of social protection coverage improved. • Administrative capacity of the government on social protection program management under the integrated system strengthened. 	<p>d. At least 70% of the participants in seminars reported increased knowledge on program consolidation, M&E, and administration under the integrated system. (2020 baseline: NA) Source: Training consultant's report and survey of training participants)</p>	
Reform Area 2: Financial inclusion of disadvantaged people improved			
<p>1.5. MOF approved the NFIS-B for submission to the Cabinet to address financial exclusion of the disadvantaged population, covering the poor and vulnerable women and men</p> <p>1.6. Bangladesh Bank issued a circular on simplified documentation requirements for opening individual retail accounts to improve accessibility to financial services by individuals and microbusiness operators</p> <p>1.7. Bangladesh Bank issued a circular on interoperable e-transactions to cover all banks and MFS providers to increase MFS transactions among personal users and enterprises</p>	<p>2.5 National council of NFIS-B^f will be formulated for NFIS-B implementation to provide strategic directions and guidance, approve policy actions and provide oversight in implementation of financial inclusion agenda</p> <p>2.6 Bangladesh Bank will issue a pricing guideline on digital payments to promote wider acceptance of digital payments by retailers and merchants</p> <p>2.7 MOF will issue an updated circular on the standardization of MFS commission fees to further improve access to MFS of social protection beneficiaries</p>	<p>By June 2023:</p> <p>e. The number of active MFS accounts increased annually by at least 5%, disaggregated by sex, and urban and rural (2020 March baseline: 26.8 million) Source: Bangladesh Bank database</p> <p>f. At least 70% of participants in seminars reported increased knowledge on M&E and MFS including market behavior, utilization, and digital payment acceptance. (2020 baseline: NA) Source: Training consultant's report and survey of training participants)</p>	<p>Bangladesh Bank assesses the usability of MFS and acceptance of digital payments in the market to evaluate the level of financial inclusion in the country</p>

Prior Actions: Subprogram 1 Completed July 2020–June 2021	Policy Actions: Subprogram 2 July 2021–June 2022	Outcome Indicators	Post-program partnership framework July 2022–June 2024
	<p><u>Under transaction TA (BAN: 55041-001)^e</u></p> <ul style="list-style-type: none"> • Capacity of the government to enhance MFS availability and utilization strengthened. • Capacity of the government on monitoring and evaluation of financial inclusion of disadvantaged people improved. • Knowledge on market behavior for MFS utilization and acceptance of digital payments improved. 		
Reform Area 3: Response to life cycle social and health needs strengthened			
<p>1.8. MEFWD, MOHFW approved the policy guideline on public health and medical research, including infectious diseases, to strengthen health preparedness for epidemics and pandemics^b</p> <p>1.9. HSD, MOHFW approved the NUHS to strengthen the health response for the urban population, considering the differing healthcare needs of women and men</p> <p>1.10. Cabinet Division issued a Directive on cross-ministerial coordination action for the selection of a type of social insurance and its scheme based on the NSIS framework</p>	<p>2.8 UHCC will be reformed by specifying the authority, responsibility, and coordination mechanisms, to oversee and supervise the cross-ministerial coordination for NUHS implementation</p> <p>2.9 Based on the approved NUHS, MOHFW will implement a program to improve the capacity of government’s urban health facilities, such as urban dispensaries, and provision of services</p> <p>2.10 NSSF CMC will approve a new action plan of the NSSF (2021-2026) to provide the national plan for continued reforms in social protection and a framework of reform activities to</p>	<p>By June 2023:</p> <p>g. At least 1 pilot of national social insurance scheme commenced^h (2020 baseline: NA) Source: NSSF review report and the program monitoring report</p> <p>h. At least 70% of participants in seminars reported increased knowledge on social insurance scheme, urban protection and urban health care service improvement, and monitoring and evaluation. (2020 baseline: NA) Source: Training consultant’s report and survey of training participants)</p>	<p>CMC under NSSF monitors and evaluates the preparation and progress of social insurance piloting</p>

Prior Actions: Subprogram 1 Completed July 2020–June 2021	Policy Actions: Subprogram 2 July 2021–June 2022	Outcome Indicators	Post-program partnership framework July 2022–June 2024
	<p>be accomplished by line ministries</p> <p>2.11 The government will select a type of social insurance, such as unemployment insurance, and its scheme to be developed as an initial national social insurance scheme in Bangladesh</p> <p><u>Under transaction TA (BAN: 55041-001)^e</u></p> <ul style="list-style-type: none"> • Knowledge of the government on improvement in urban health care services strengthened. • Capacity of the government on piloting of a social insurance strengthened. • Capacity of the government on monitoring and evaluation of health preparedness and response improved. 		

Budget Support

ADB: Subprogram 1: \$250 million (ordinary capital resources loan)

Subprogram 2: \$250 million (ordinary capital resources loan)

JFPR: \$1.2 million (Technical assistance grant)

ADB = Asian Development Bank, CMC = central management committee, COVID-19 = coronavirus disease, G2P = government to person, HSD = Health Service Division, JFPR = Japan Fund for Poverty Reduction, M&E = monitoring and evaluation, MEFWD = Medical Education and Family Welfare Division, MFS = mobile financial services, MOF = Ministry of Finance, MOHFW = Ministry of Health and Family Welfare, NA = not applicable; NFIS-B = National Financial Inclusion Strategy of Bangladesh, NSIS = National Social Insurance Scheme, NSSS = National Social Security Strategy, NUHS = National Urban Health Strategy, TA = technical assistance, UHCC = urban health coordination committee.

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

^b The translated name of the policy guideline is *Integrated Medical Science Research and Development Fund Management Policy with Budget Allocation for Funds*.

^c The target increase in the volume of subsidized food will be determined during subprogram 2 preparation.

^d The target number of *upazilas* for the increase in coverage will be determined during the subprogram 2 preparation.

^e The attached transaction technical assistance is submitted for approval together with subprogram 1 and will be implemented from July 2021 to December 2023.

^f The national council of NFIS-B is the institution at the ministerial level, chaired by the Finance Minister.

^g The program consolidation requires a long process for the careful implementation to ensure the continued provision of benefits to eligible beneficiaries. The outcome indicator is to measure the improvement in administrative efficiency of social protection by reducing programs' fragmentation through consolidation in the three ministries. It assesses the commencement of the program consolidation in each ministry, while progress on program consolidation will be monitored and assessed under the post program partnership framework.

^h The development of a social insurance scheme requires the lengthy process. Therefore, the outcome indicator targets the start of piloting the selected insurance type of social insurance and its scheme. The implementation of the piloting will be monitored and evaluated under the post program partnership framework.

Contribution to Strategy 2030 Operational Priorities: Operational priority indicators to which this operation will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible for the list of linked documents in Appendix 2).

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=55041-001-3>

1. Loan Agreement
2. Sector Assessment (Summary): Multisector
3. Contribution to Strategy 2030 Operational Priorities
4. Development Coordination
5. International Monetary Fund Assessment Letter
6. Summary Poverty Reduction and Social Strategy
7. Program Economic Assessment
8. Risk Assessment and Risk Management Plan
9. List of Ineligible Items
10. Management-Approved Concept Paper
11. Attached Technical Assistance Report

Supplementary Document

12. Debt Sustainability Analysis

DEVELOPMENT POLICY LETTER



আ হ ম মুস্তফা কামাল, এফসিএ, এমপি
মন্ত্রী
অর্থ মন্ত্রণালয়
গণপ্রজাতন্ত্রী বাংলাদেশ সরকার



A H M Mustafa Kamal, FCA, MP
Minister
Ministry of Finance
Government of the People's
Republic of Bangladesh

No. MOF/FM/2021/ 369

Date: 11 April, 2021

Subject: Budget Support for Strengthening Social Resilience Program (Subprogram1)

Dear Mr. Asakawa,

On behalf of the Government of the People's Republic of Bangladesh (GOB), we would like to thank the Asian Development Bank (ADB) for its continued support for our inclusive and social development. This development policy letter signifies our interest in obtaining a total of \$500 million budget support loan under the Strengthening Social Resilience Program (two subprograms of \$250 million each) to implement reforms aimed at helping Bangladesh improve inclusiveness and responsiveness of social development to strengthen social resilience of people in Bangladesh.

Bangladesh economy grew impressively over the past decade, crossing the lower middle-income country threshold in 2015, and recently (February 2021) meeting the UN eligibility criteria to graduate from the least developed country status with potential graduation from the least developed country in 2026. Bangladesh also achieved remarkable success in improving indicators in education, health and social sector. Poverty reduced significantly, from 40% in 2005 to 20.5% in 2019. Hard core poverty reduced to 10.5%. However, the pandemic dealt a blow to Bangladesh's quest for rapid economic growth, as the growth rate slowed to 5.2% in fiscal year (FY) 2020, from 8.15% in FY 2019. With the pandemic weakening global demand, the growth in exports has been slow. The pandemic disrupted supply chains and dampened domestic demand for manufacturing and services sector outputs. This led to lower tax collections; and fiscal deficit widened, in consequence. There were widespread job losses, including for women and other vulnerable groups. This has brought challenges reversing the hard-earned gains in poverty reduction over the past decades.

To combat the pandemic's effects, protect lives and livelihoods, and trigger a quick economic revival, we rolled out several measures, equaling \$14.6 billion. These included strengthening health sector services, implementing an economic stimulus package, expanding the social safety net coverage and increasing public expenditure giving priority on job creation. These timely measures helped contain the pandemic's spread and saved lives, with the infection and death rates steadily declining till March, 2021. These measures also created a favorable impact in terms of reviving economic activity and creating jobs. A turnaround is observed in domestic manufacturing and service sector activities with slowly recovering export growth.

The policy matrix of the Strengthening Social Resilience Program contains specific reforms, including those completed already and for which we have requested ADB's assistance. Policy actions under subprogram 1 runs from July 2020 to June 2021, and those under subprogram 2

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আ হ ম মুস্তফা কামাল, এফসিএ, এমপি
মন্ত্রী
অর্থ মন্ত্রণালয়
গণপ্রজাতন্ত্রী বাংলাদেশ সরকার



A H M Mustafa Kamal, FCA, MP
Minister
Ministry of Finance
Government of the People's

will be implemented from July 2021 to June 2022. To attain the inclusive and responsive social development, the policy-based loan will help implement reforms in the three areas: (i) improving coverage and efficiency of social protection, (ii) improving financial inclusion of disadvantaged people, and (iii) strengthening response to lifecycle social and health needs.

In the first subprogram, the GOB has improved the coverage and efficiency of social protection. It has approved the increase in coverage of two key social protection programs: (i) the old age allowance program and (ii) the allowance program for widowed, deserted, and destitute women, to attain the full coverage of eligible elderly people or eligible women in 150 *upazilas* under respective programs. The efficiency of social protection management has been improved by operationalizing the standardized and integrated system of social protection budget management. Further, the GOB undertook a reform towards the social protection program harmonization by issuing the directive on social protection harmonization which requests the concerned ministries to prepare and approve the program harmonization framework and planning.

The GOB has also enhanced the financial inclusion of disadvantaged people. The National Financial Inclusion-Bangladesh (NFIS-B) has been completed and submitted to the Cabinet for approval. The NFIS-B provides the vision, roadmap, coordination mechanism, and monitoring and evaluation framework for financial inclusion in Bangladesh. Bangladesh Bank adopted interoperable transactions across all the banks and MFS providers to ease MFS transactions among business operators and improve the usability of MFS by personal users. Further, to improve access to financial services, the Bangladesh Bank has simplified documentation requirements for opening personal retail accounts.

Further, the GOB undertook reforms in health preparedness and response, and boarding the scope of protection in Bangladesh. To strengthen the national health system preparedness, the policy guideline on public health and medical research was adopted. Based on this policy guideline, the issue of infectious diseases has been included in the scope of the public health and medical research with corresponding budget allocation. Further, to strengthen response to health needs of urban population, the National Urban Health Strategy (NUHS) has been approved, which provides a national strategic framework to strengthen urban health care service provision. Further, the GOB has initiated the development of a social insurance scheme in Bangladesh. It has issued the directive on the cross-ministerial coordination action for the National Social Insurance Scheme (NSIS) framework, which is the base for the cross-ministerial action to select a scheme of social insurance. We have already implemented the subprogram 1 policy actions under the three reform areas, for which we have sought ADB's assistance (\$250 million).

We are also fully committed to implementing the subprogram 2 policy actions, building on the foundations created by the policy actions under subprogram 1. These reforms will further improve the social protection coverage by focusing on key social protection program, considering the needs of disadvantaged women. It will further improve the social protection management system and program harmonization. The concerned ministries will prepare and adopt the harmonization framework and planning for the commencement of program

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মন্ত্রী
অর্থ মন্ত্রণালয়
গণপ্রজাতন্ত্রী বাংলাদেশ সরকার



A H M Mustafa Kamal, FCA, MP
Minister
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consolidation. Under the NFIS-B, the National Council of NFIS-B will be established for the cross-ministerial coordination and supervision. Further, a pricing guideline on digitalized payments will be adopted, which will enhance a wider acceptance of digitalized payments through mobile financial services. The GOB will also improve the accessibility of mobile financial services by disadvantaged people. The GOB will also continue to strengthen the response to social and health needs with a focus on urban health and a national social insurance scheme.

The COVID-19 pandemic has enhanced our intention to strengthen inclusiveness and responsiveness of social development as a crucial means of resilience building for the poor and vulnerable. Our continued efforts are necessary to improve inclusiveness of social protection and effectively respond to diversified needs.

In view of the foregoing, the support provided by ADB under the Strengthening Social Resilience Program, in recognition of our completed policy actions in the first subprogram, will help us partly finance the pandemic-induced higher fiscal deficit, and continue funding operations and policy actions including those consistent with the abovementioned reforms. Overall, ADB support will help us attain the inclusive recovery from COVID-19 pandemic and continued efforts towards sustainable development.

In closing, we would like to thank ADB for working closely with GOB in timely and suitably designing this program. We look forward to the early approval and delivery of subprogram 1 of the Strengthening Social Resilience Program.

Sincerely Yours,

(A H M Mustafa Kamal, FCA, MP)

To

Mr. Masatsugu Asakawa
President
Asian Development Bank
Manila, Philippines.