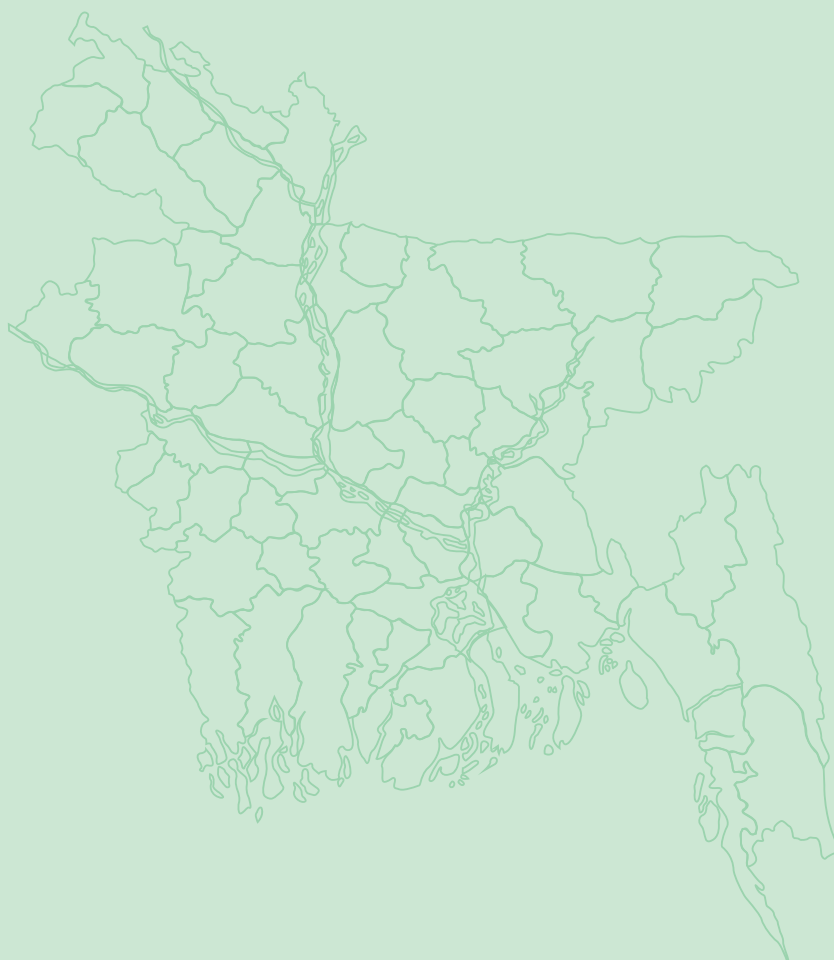




National Social Security Strategy (NSSS) of Bangladesh



JULY 2015

General Economics Division
Planning Commission
Government of the People's Republic of Bangladesh

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NATIONAL SOCIAL SECURITY STRATEGY (NSSS) OF BANGLADESH

July 2015

General Economics Division
Planning Commission
Government of the People's Republic of Bangladesh



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



PRIME MINISTER
GOVERNMENT OF THE PEOPLE'S
REPUBLIC OF BANGLADESH

MESSAGE

Provision of social security for citizens is embedded in the Article 15 (d) of our national Constitution. Bearing this in mind, the Government has been involved in the development of a National Social Security Strategy (NSSS) that will help people move out of poverty. The main vision of the Strategy is to build social safety measures for all deserving citizens, particularly the poor and vulnerable, to make the country free from hunger and poverty. With a strong political commitment of Bangladesh to become a welfare state, I firmly believe that this National Social Security Strategy can do what it has set out to achieve.

“Vision 2021” and associated “Perspective Plan of Bangladesh (2010-2021)” envisage Bangladesh as a Middle Income Country, free from poverty and with healthy and equitable growth, secured health and education, entrenched democracy and capacity to meet the challenges of climate change. As Bangladesh has already been declared as a lower middle-income country, we are fully committed to improving our status to upper middle income country well before the targeted 2021. The National Social Security Strategy is central to our Vision 2021 and will play a vital role in ensuring growth with equity as we move towards this target.

The rate of poverty has decreased from 48.9% in 2000 to around 24.8% in 2015 and the rate of extreme poverty has in the same period fallen from 34.3% to 12.9%. It took 38 years for Bangladesh to be a member of US\$ 100 Billion GDP club, but Bangladesh is going to become a member of US\$ 200 Billion GDP club in 2015-16. Moreover, earlier it took 20 years to double our per capita income, but now we have doubled it within 7 years. With such achievements, Bangladesh is on track in meeting most of the UN's Millennium Development Goals and the country has become a role model for the world by successful implementation of development programmes. Even then, a substantial proportion of the population is still poor, which manifests itself in poverty traps that, if left unattended, will extend to future generations and will stifle growth.

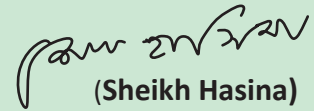
In my opening speech at the conference on 'Scaling up Social Protection in Bangladesh', in Dhaka in 2011, I said that coverage of the safety net programmes has improved and this has been a major factor in reducing the poverty rate. The aim of our programmes is to provide support to more than half of the country's population who are in need of aid and thus facilitate their transformation towards middle income status.

The Government seeks to build on past progress with poverty reduction and further deepen this progress by addressing root causes of poverty and by lowering the impact of risks faced by poor and vulnerable households. The safety net programmes reflect the Government's response to support the poor and the vulnerable population to manage those risks.

I am happy that our Strategy has been finalized and approved by the Cabinet. The Strategy owes its fruition to officials in the General Economics Division of Planning Commission, the Cabinet Division, and the relevant Ministries/Divisions that have been engaged in its formulation and to our Development Partners.

I hope people will cooperate in the implementation of the National Social Security Strategy, for the interest and betterment of Bangladesh and transforming our country into 'Sonar Bangla,' the highly cherished dream of our Father of the Nation, Bangabandhu Sheikh Mujibur Rahman, and take Bangladesh to even higher global parity.

Joi Bangla, Joi Bangabandhu
May Bangladesh Live Forever



(Sheikh Hasina)



A H M Mustafa Kamal, FCA, MP

Minister

**Ministry of Planning
Government of the People's
Republic of Bangladesh**

MESSAGE

The Government of Bangladesh has taken a long term plan – the “Perspective Plan of Bangladesh 2010-2021”, based on which the 6th Five Year Plan was prepared and implemented and the 7th Five Year Plan is being prepared. Apart from that the Government has also approved the National Sustainable Development Strategy 2010-21. All these plans and strategies are in line with the implementation of our cherished “Vision 2021” – which provides a roadmap for accelerated growth with equity and lay down broad approaches for eradication of poverty, inequality and human deprivation.

Bangladesh has recognized and acted on the importance of social security as a core strategy to address the triple problems of poverty, vulnerability and marginalization. However, with rapid urbanisation, growing economic pressure, demand outstripping supply, coupled with emerging effects of climate change, the existing social safety net portfolio presents significant opportunities for consolidation and rationalization around key vulnerabilities. Over past decades the portfolio has incrementally increased every year, now comprising some 145 schemes implemented through 23 Ministries/Divisions, with total spending at a level of 2.02% of GDP or around 13% of the Government budget. An unplanned growth of the portfolio has caused fragmented implementation, with both duplication and under-coverage resulting from incorrect targeting, leakages and lack of inter-ministerial coordination.

Household Income and Expenditure Surveys of the Bangladesh Bureau of Statistics show that the coverage of these programmes for poor and vulnerable households has increased and they have helped reduce poverty. But data also suggest that a large proportion of poor and vulnerable households do not have any access to these programmes. The average benefit size is low and has in many cases been falling in real terms. Consequently, the impact on poverty reduction from the amount of money spent on these programmes is less than what would be possible with a more effective social security system.

The Government of Bangladesh embarked on the formulation of a comprehensive National Social Security Strategy based on the political, social and economic realities of Bangladesh. The Strategy broadens the scope of Social Security from a narrow safety net concept to include employment policies and social insurance to address the emerging needs of a middle income Bangladesh. By broadening the scope and coverage and by improving programme design the Strategy will help lower income inequality and contribute to higher growth by strengthening human development.

The Strategy also includes a robust system of progress and results monitoring, which will build accountability and advance desired outcomes of the programmes. The Ministry of Planning will actively engage in such monitoring of the implementation of the Strategy.

I am happy this document is now final and I deeply thank my colleagues at the General Economics Division and the Cabinet Division, Development Partners, economists and researchers for successfully completing this Strategy that sets forth the vision of social security of the future in Bangladesh.

(A H M Mustafa Kamal)



M. A. Mannan, MP
State Minister

Ministry of Planning and Ministry of Finance
Government of the People's
Republic of Bangladesh

MESSAGE

It gives me immense pleasure to present the final National Social Security Strategy. We are aspiring to the dream of the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman, of making Bangladesh Sonar Bangla, the Golden Bengal. Soon we will realise our dream of achieving Middle Income Country status. The National Social Security Strategy, which has now been approved by the Cabinet, will help to support inclusive growth and reduce poverty, inequality and deprivation to levels required for Bangladesh to attain and maintain Middle Income Country (MIC) status, and will provide protection to mediate new vulnerabilities resulting from the necessary economic transformation.

The National Social Security Strategy is the culmination of years of work that our Government has pursued with various stakeholders, donors, economists, social scientists and researchers. I thank the General Economics Division, the Cabinet Division and our Development Partners that have made this possible.

(M. A. Mannan)



M Musharraf Hossain Bhuiyan

Cabinet Secretary

Government of the People's
Republic of Bangladesh

MESSAGE

The importance of a well-designed system of social safety net programmes within a comprehensive approach to social security has found increasing acceptance within national and global policy circles. Ideas such as social protection floors and net-and-ladder strategies combining protective and promotional goals are serving to mainstream social security within the development agenda.

From this perspective, social security is important not only for addressing vulnerability, but also for solving the problems of entrenched poverty and reducing marginalisation. At the same time, effective social security can also become a key policy plank of a transition to a development strategy that embraces, as Bangladesh is doing, a more forward-looking aspiration prioritising inclusive growth.

Bangladesh began its journey as an independent nation in 1971 with an extraordinarily bleak prognosis. Poverty rate hovered around 70%. Yet four decades later, Bangladesh has succeeded in forging an entirely different script. The report card speaks for itself. Poverty is now down to around 24%. Food production has more than tripled despite shrinking farm land. Population growth rate has been brought down to 1.3%. Major strides have been made on sanitation for all. Bangladesh has established a credible record of sustained growth within a stable macroeconomic framework.

Social safety nets have been a key component of the above story of resilience and transformation. An extensive system of safety net programmes has virtually eliminated post-disaster secondary cycles of death and hunger. Programme growth has also run in parallel to the vulnerability discourse with a focus on identifying segments of the poor who were missing out on existing programme coverage. Indeed, a country whose abiding imagery was that of being at the mercy of disasters is nowadays held up as a role model of development on the global stage.

Though Bangladesh has laid reasonable foundations for a social security agenda in terms of financial commitment and a portfolio of social safety nets, the system on the whole still remains below its potential in terms of its impact on poverty and vulnerability. The current social protection portfolio is truly a case of a sum lesser than its parts. Yet, programme level evaluations indicate considerable variation in performance, suggesting that, when implemented well, safety net programmes can bring about noteworthy improvements in beneficiary welfare.

Against this backdrop, the Government has embarked on a momentous task of framing a comprehensive strategy for its social security engagement. The conceptual framework guiding the formulation of the strategy has been to (i) build on our achievements thus far; (ii) prioritise systemic coherence and policy visibility; (iii) pursue incremental but systematic improvements in programme performance; (iv) continue a responsive strategy of innovations and experimentation that addresses challenges as they emerge; and (v) ensure that an active understanding of poverty and vulnerability dynamics strengthens programme initiatives.

The National Social Security Strategy that has now been finalised is a home grown one, built on our profound experience and fit to the context of Bangladesh. I take pride in having been part of its development, and I convey my deeply-felt thanks to all those who have contributed to its formulation. I particularly thank the officials of General Economics Division of our Planning Commission who pioneered the process of preparing a National Social Security Strategy which has been finally adopted by the Government of Bangladesh.



(M Musharraf Hossain Bhuiyan)



Prof. Shamsul Alam, Ph.D
Member (Senior Secretary)
General Economics Division (GED)
Planning Commission

FOREWORD

At the closing session of a Social Protection Conference in Dhaka in 2011, the Government made a commitment to develop a national strategy for social protection in Bangladesh. A communiqué issued by the Ministry of Planning recognized that better utilization of current and future safety net allocations is critical, as the country can ill afford to ignore meaningful opportunities of cost rationalization. Key issues to be addressed were identified as improved targeting, better design and more effective monitoring to prevent leakages and enhance outcomes, strengthened participatory processes to ensure that programme choices are better aligned to ground realities and beneficiary aspirations, and a streamlined institutional strategy on implementation.

A comprehensive and scaled up social security strategy combining protective and promotional elements is good for growth and good for poverty reduction. The communiqué envisaged a two-track approach of scaling up programmes with proven track records and consolidating innovations in emerging areas such as child nutrition, urban poverty and regional disparities. Ineffective and small scale programmes would need to be discontinued and a coherent portfolio of major programmes developed.

The process to formulate the National Social Security Strategy began in 2012 with an action plan adopted by the Government. The Cabinet formed an Inter-Ministerial Committee chaired by the Cabinet Secretary to oversee drafting of the Strategy, with the General Economics Division of the Planning Commission acting as the secretariat. The Honourable Prime Minister vowed to safeguard social protection of the country's people, adding that to ensure the success of our social safety net programmes in poverty reduction, the Government is determined to boost economic growth and promote a more equitable distribution of income.

A framework paper outlining critical knowledge gaps and key issues to address in the Strategy was prepared in 2013 and served as the foundation for its formulation. International experience sharing, seminars and training courses have brought about enhanced social protection knowledge in ministries. Ten background research papers were produced to help inform the Strategy. A series of consultations took place to ensure engagement of all stakeholders. Three thematic consultations were organized to finalize background research papers. Four regional consultations were arranged in Gazipur, Khulna, Rangpur and Sylhet, with local stakeholders invited to share views and experiences from the field. Two national consultations were held with the support of the General Economics Division: one with think tanks, CSOs, the private sector, media and other stakeholders; and another one with Ministers and Government officials from the various ministries and divisions currently engaged in social safety net programmes. These consultations were conducive to ensure participation of different stakeholders and to reach consensus about the principles and framework of the Strategy.


The core of the National Social Security Strategy, which has now been approved by the Cabinet, is programme consolidation along life cycle risks, with programmes for children, working age people – including specific focus on youth and vulnerable women – the elderly, and persons with disabilities.

The life cycle approach also addresses current gaps in coverage of early childhood needs. The Strategy puts emphasis on reaching out to a range of socially excluded population groups that face various kinds of social discrimination. The Government will ensure that these groups have similar access as the rest of the population to all social security programmes. In addition, programmes tailored to the special needs of socially excluded groups will be implemented.

The Strategy has the vision of moving towards a rights-based approach in line with provisions of the country's Constitution, by building *“an inclusive Social Security System for all deserving Bangladeshis that effectively tackles and prevents poverty and inequality and contributes to broader human development, employment and economic growth”*. During the initial years of implementation, emphasis will be given to hard-core poor and the most vulnerable sections of the population, to support the elimination of extreme poverty.

The Government's Social Security Strategy is a part of policies and programmes that comprises the Social Development Framework. This forms a wider umbrella incorporating the Government's poverty reduction strategy and strategies on education, health, nutrition, population, sanitation and water supply, financial inclusion, women and gender empowerment, social inclusion of ethnic and religious minorities, environmental protection, climate change management, disaster management and social security. The aim of this framework is to have a comprehensive and consistent set of policies that can help Bangladesh achieve better equity and social justice in the context of its development effort.

The formulation of the National Social Security Strategy has benefitted from contributions by a number of stakeholders – all the Ministries, Divisions and Departments currently involved in social safety net programmes, Development Partners particularly we acknowledge the long standing support from UNDP, civil society organisations, researchers, national and international experts. I am grateful to all of them for giving their valuable contributions. I cannot but mention the name of Cabinet Secretary, who was with us in every process and provided guidelines and suggestions in the preparation of NSSS. Without his support, it would not have come to today's shape.



(Prof. Shamsul Alam)

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AIDS	Acquired Immune Deficiency Syndrome
BBS	Bangladesh Bureau of Statistics
CCT	Conditional Cash Transfer
CFPR-TUP	Challenging the Frontiers of Poverty Reduction - Targeting the Ultra Poor
CFW	Cash for Work
CHT	Chittagong Hill Tracts
CLP	Chars Livelihoods Programme
CMC	Central Management Committee
DFID	Department for International Development
DSS	Department of Social Services
EGPP	Employment Generation Programme for the Poorest
FD	Finance Division
FFE	Food For Education
FFW	Food for Work
FID	Financial Institutions Division
FSVGD	Food Security Vulnerable Group Development
FWP	Food for Work Programme
FY	Fiscal Year
G2P	Government to Person
GDP	Gross Domestic Product
GED	General Economics Division
GR	Gratuitous Relief
HIES	Household Income and Expenditure Survey
HIV	Human Immunodeficiency Virus
HSD	Health Services Division
IDRA	Insurance Development & Regulatory Authority
IGVGD	Income Generation for Vulnerable Group Development
IMED	Implementation Monitoring and Evaluation Division
LDC	Least Developed Country
LFS	Labour Force Survey
LGI	Local Government Institution
LPL	Lower Poverty Line
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MEFWD	Medical Education and Family Welfare Division
MHVS	Maternal Health Voucher Scheme
MIS	Management Information System
MoA	Ministry of Agriculture
MoCA	Ministry of Cultural Affairs
MoDMR	Ministry of Disaster Management & Relief
MoF	Ministry of Food

ACRONYMS/ABBREVIATIONS

MoFin	Ministry of Finance
MoF&L	Ministry of Fisheries & Livestock
MoLGRD&C	Ministry of Local Government, Rural Development & Cooperatives
MoLWA	Ministry of Liberation War Affairs
MoPME	Ministry of Primary and Mass Education
MoSW	Ministry of Social Welfare
MoLE	Ministry of Labour and Employment
MoWCA	Ministry of Women and Children Affairs
NGO	Non-Government Organization
NSIS	National Social Insurance Scheme
NSSS	National Social Security Strategy
OMS	Open Market Sales
ORS	Oral Rehydration Solution
PLHIV	People Living with HIV/AIDS
PMO	Prime Minister's Office
PMT	Proxy Means Test
PVP	Private Voluntary Pension
REOPA	Rural Employment Opportunities for Public Assets
RERMP	Rural Employment and Road Maintenance Programme
RMG	Readymade Garments
RMP	Rural Maintenance Programme
SDF	Social Development Framework
SFYP	Sixth Five Year Plan
SHED	Secondary and Higher Education Division
SID	Statistics and Informatics Division
SMI	Survey of Manufacturing Industries
SS	Social Security
SSP	Social Security Programme
SSS	Social Security System
SASSA	South Africa Social Security Agency
TMED	Technical and Madrasah Education Division
TR	Test Relief
UCD	Urban Community Development
UN	United Nations
UNO	Upazila Nirbahi Officer
UPL	Upper Poverty Line
VGD	Vulnerable Group Development
VGF	Vulnerable Group Feeding
VWB	Vulnerable Women's Benefit

Summary of the Strategy

A. Background

The Government of Bangladesh is strongly committed to reducing poverty, improving human development and reducing inequality. This commitment is reflected in Vision 2021, the Perspective Plan of Bangladesh 2010-2021 and in the Sixth Five Year Plan FY11-FY15. The Government seeks to build on past progress with poverty reduction and further deepen this progress by addressing the root causes of poverty and by lowering the impact of risks faced by the poor and vulnerable population. The Government appreciates that notwithstanding the past impressive progress with poverty reduction, there is a substantial population that remains exposed to poverty owing to various vulnerabilities. These include the population that remains under the poverty line and those that are just above the poverty line but could easily fall below the poverty line because of these vulnerabilities. Evidence shows that the poor and vulnerable group cannot cope with all the downside risks and shocks with their own resources.

The present safety net programmes reflect the Government's response to support the poor and the vulnerable population manage those risks. Household Income and Expenditure Surveys (HIES) show that the coverage of these programmes for the poor and vulnerable households has increased and they have helped lower poverty. But data also suggest that a large proportion of the poor and vulnerable households do not have any access to these programmes. The average benefit of safety net programmes is low. There is considerable leakage of allocated funds and a significant percentage of household beneficiaries are non-poor. Consequently, the impact on poverty reduction from the amount of money spent in these programmes is less than is possible with a better Social Security system.

In recognition of these concerns, the Government of Bangladesh has embarked upon the formulation of a comprehensive National Social Security Strategy (NSSS). The Cabinet meeting held on 10th September 2012 entrusted the General Economics Division (GED) of the Planning Commission to prepare the National Social Security Strategy (NSSS) under the guidance of a Central Management Committee (CMC) for the Social Safety Net Programmes Chaired by the Cabinet Secretary. The CMC provided the terms of reference and overall guidance to the formulation of the NSSS. A Framework Paper was prepared by GED, endorsed by the 11-member Sub-committee of CMC led by Cabinet Division and approved by the Ministry of Planning. A strong process of regional and national consultations helped shape the contents and recommendations of the NSSS. In this regard, the NSSS is fully home-grown and based on the political, social and economic realities of Bangladesh.

The NSSS builds on the past rich experience of Bangladesh and seeks to streamline and strengthen the existing safety net programmes with a view to achieving better results from money spent. It also broadens the scope of Social Security from the narrow safety net concept to include employment policies and social insurance to address the emerging needs of a middle income Bangladesh in 2021 and ahead. By broadening the scope and coverage and by improving programme design the NSSS will help lower income inequality and contribute to higher growth by strengthening human development. While the NSSS reflects the realities of Bangladesh, to the extent relevant it also draws on good practice international experience. To facilitate the preparation of the NSSS ten background papers, prepared by a team of international and local experts, were commissioned on the various issues relating to the NSSS.

B. Past Progress with Poverty Reduction and Remaining Challenges

Remarkably, there has been a rapid decline in the rate of poverty measured in terms of the percent of the population falling below the upper poverty line (UPL). Thus the poverty incidence fell from 48.9 percent in 2000 to 40 percent in 2005. Again the poverty incidence fell from 31.5 percent in 2010 to 24.8 percent in 2015. Commensurately, the percent of chronic poor, defined as population below the lower

poverty line (LPL), fell from 34.3 in 2000 to 17.6 in 2010. It has also declined to 12.9 percent in 2015. On tackling extreme poverty, Bangladesh has in many ways led the way globally. Progress has also been made in reducing the depth of poverty. There has been a continuous narrowing of this consumption gap between 2000 and 2015. Thus in 2000, the poor on average consumed 26 percent less than the basic needs consumption basket defined by the poverty line. This gap narrowed to 23 percent in 2005, 21 percent in 2010. A rough estimate for 2015 is 19 percent.¹

Poverty has declined in both urban and rural areas, although the poverty rate remains much higher in the rural areas. Looking at the regional dimension, the poverty outcomes show a similarly declining pattern. All the Regional Divisions of Bangladesh have registered significant reduction in poverty.

Along with reduction in poverty, considerable progress has been made in enhancing human development. The latest Census Data for 2011 also shows substantial progress in improving the living standards of the poor.

The above record of progress with poverty reduction, human development and living conditions of the poor constitutes a major achievement and as a nation has made Bangladesh proud. It is also a reaffirmation that the development strategy is appropriate and on track. Nevertheless, the poverty challenge remains enormous. There are several aspects of this poverty challenge that have implications for the proper design and coverage of Social Security programmes.

First, notwithstanding past progress, some 31.5 percent of the population (47 million) in 2010 was still living below the poverty line. In 2015, 24.8 percent (39.2 million) people still living below the poverty line. The proportion of extreme poor was 17.6 percent in 2010 which now stands at 12.9 percent in 2015 (20.4 million).

Second, an additional 18.6 percent of the population was consuming less than 1.25 times the UPL. This population is highly vulnerable because a “shock” such as a major illness, a natural calamity or other external events could cause a substantial part of this population to fall back into poverty. Among this combined group of poor and vulnerable population reaching out to those who are most needy ought to be a major focus of the Social Security programmes.

Third, the disaggregation of the poverty profile by location in terms of rural and urban and by Divisions show substantial variations. This geographic variation in the distribution of poverty underscores the need to further refine the poverty profile by other characteristics including gender, age, education, asset and employment in order to design an appropriate poverty reduction strategy and associated interventions. By implication, the Social Security Strategy also needs to be aligned to the poverty profile based on a proper assessment of related risks.

C. Evolution and Performance of the Current Social Security System (SSS)

The NSSS is grounded in learning from the lessons of past experience with Social Security in Bangladesh. There is a long history of formal Social Security in Bangladesh, which, in part, has shaped the nature of the current Social Security system. Recognizing the importance of Social Security in reducing poverty and inequality, there has been unwavering commitment from the Government of past decades to uphold a strong Social Security System responsive to the needs of poor and vulnerable citizens.

At independence, the main Social Security scheme in place was the government service pension. It was complemented by a Provident Fund that provided the government and formal private sector employees a lump sum amount on retirement. In response to the 1974 food shortage and floods in the 1980s, new schemes were developed for poor families that were badly hit. The schemes were mainly public works

¹ Standard estimation of consumption gap requires consumption data by each household. There is no new household survey conducted for 2015 from which a consumption gap estimate could be attempted. In the absence of new household data for 2015, a rough estimation has been provided using the poverty measures of the poor for 2000, 2005 and 2010.

and other food aid programmes, making use of foreign assistance. In the late 1980s the Government began to introduce schemes that addressed risks across the lifecycle, such as school stipend programmes. During the late 1990s, there was also significant investment by the Government supported by donors in various well known programmes like widow and old age allowances managed by non-government organizations (NGOs), providing a range of social services, including social transfers.

There has been a gradual growth in the proportion of transfers provided as cash instead of food, although cash is mainly provided through the lifecycle type programmes. There has also been a significant increase in small schemes among both NGOs and government that include some elements of Social Security.

Reflecting the Government's commitment to Social Security, budgetary allocations have grown in absolute terms as well as a share of GDP. The allocation for Social Security Programmes (SSPs) increased from 1.3 percent of GDP in 1998 to 2.3 percent in FY2011. Since then, it has stabilized at around 2.0 percent of GDP. Although this level of funding is modest by international standards, when measured against the Government's tight budget situation, this represents a substantial commitment, accounting for 13 percent of total government spending.

At the national level the impact of the SSPs spending is partly reflected by the sharp reduction in the incidence of hunger-based poverty. Furthermore, simulation exercise shows that in the absence of SSPs spending the headcount poverty rate would have been about 33 percent, which is 1.5 percentage points higher. The depth of poverty would also have been higher.

Simulation exercises, however, also suggest that a more efficient system that seeks to address the various programmatic and administrative issues will help achieve better results in term of lower poverty rate and a further reduction in the depth of poverty. While the coverage of SSPs has increased over time, some 64 percent of the poor households still do not have access to any Social Security programme. If the target is broadened to include the vulnerable population, the exclusion share of households increases to 68 percent. When this result is combined with the low average benefit provided by most large programmes, the challenge for the Social Security agenda moving forward is substantial.

D. Issues and Challenges of the Present Social Security System (SSS)

Bangladesh's current Social Security System (SSS) is complex, comprising a large number of programmes and managed by many Ministries. According to a comprehensive official compilation prepared by the Ministry of Finance, there are 145 programmes under the Social Security System currently financed through the budget. The total amount being spent on these programmes in FY14-15 is Tk. 307.9 billion, which is equivalent to 2.02 percent of GDP. These programmes are administered by as many as 23 line Ministries/Divisions and there is no formal mechanism for sharing information among the implementing Ministries/Divisions.

Because of the proliferation of programmes, the budget for most programmes is small and the average benefit per individual is low. While coverage of beneficiaries has increased, the targeting performance suggests the need for improvement. For example, in 2010 of the 24.5 percent of households who reported benefitting from at least one of the 30 SSPs covered in the HIES, 82 percent of the beneficiaries belonged to the poor and vulnerable group while some 18 percent of the beneficiaries were non-poor.

A strategic review of programmes shows that some 65 percent of the Social Security Programmes are seeking to address life-cycle related risks. Yet, there are significant gaps. The Social Security coverage of children aged 0-4 years is very small. Furthermore, only a small proportion of people with disabilities and elderly persons receive some form of benefit. Coverage is highest among school age children but the transfers they receive are low in value, a problem that affects almost all of Bangladesh's Social Security schemes.

There is a dominance of food-transfer and rural employment programmes in terms of beneficiary participation as well as funding owing to the nation's focus on eliminating hunger and reducing rural

poverty. With rapid GDP growth over the past 10 years and good agricultural performance, the incidence of hunger and food poverty is being reduced substantially. There is also evidence that the labour market in agriculture is tightening as reflected in growing agricultural real wages. In view of this changing economic landscape, the nature of poverty and the risk profile is also changing. This requires a reassessment of the adequacy of the present Social Security schemes to meet the Social Security requirements of the population of Bangladesh in the 21st Century.

Much of the SSPs are focused on addressing the risks faced by the rural poor. With the evolving economic transformation in Bangladesh where both the GDP and employment domination of the rural economy is declining and the urban economy is growing with an increasing number of poor and vulnerable in the urban areas the Social Security system needs to be rethought strategically to anticipate the importance of these changing economic and social dynamics and develop programmes that do not focus only on the rural poor but instead become a more inclusive system whereby the poor and vulnerable can expect to access SSPs irrespective of where they live.

Presently, the employment market is dominated by informal employment. Bangladesh is aspiring to become a middle-income country by 2021. Already, the per capita annual income level has crossed the US\$ 1,314 mark. As the economy grows and the share of modern manufacturing and organized services in both GDP and employment expands, the requirements demand from the Social Security System will change dramatically. The approach to delivering social benefits will therefore need to broaden from the concept of a safety net to a more inclusive concept of a Social Security strategy that is aligned to the life cycle and incorporates formal employment policies as well as social insurance schemes. This will fit more cogently with the needs of a modern urban-based economy the demand for this is already seen from the risks faced by the Readymade Garments sector.

Another major shortcoming of the present Social Security System (SSS) is the absence of an effective monitoring and evaluation (M&E). There is no formal mechanism for regularly reviewing the performance of the SSS either at the national level or by individual programmes. Some limited efforts aimed at studying the impact of programmes supported by donors have been done in recent years. The findings of these one-off exercises illustrate the critical importance of instituting a well-designed formal M&E system for Social Security Programmes.

E. Lessons of International Experience

The NSSS has benefitted from several lessons from international experiences.

First, there is growing global evidence that Social Security works and is an essential tool in tackling poverty and promoting economic growth. However, the value of any social transfer and programme coverage will have to be sufficiently large to have a meaningful impact.

Second, in the early stages of the development of national Social Security systems, it is common for countries to target schemes at the poorest households. However, as Social Security systems mature, they are shaped by the need to address the causes of poverty and are designed to address the risks and challenges associated with different stages of the lifecycle.

Third, as countries build their Social Security systems, they need to decide the relative balance between public expenditure-financed and social insurance schemes. International experience suggests that tax-financing should be used to provide a minimum level of benefits for citizens, with a particular focus on the poor, those in the informal and subsistence sectors and those without employment. Social insurance schemes should enable those who have sufficient income to invest in an additional level of protection against lifecycle risks.

Fourth, as countries move towards building lifecycle Social Security systems, the question remains on how best to include poor and vulnerable families into public expenditure-financed schemes. Countries have experimented with many different means of identifying the poor including community-based targeting, unverified means tests and proxy means tests but all have relatively high levels of inaccuracy.

Combined approaches work better than one single methodology.

Fifth, proper administrative arrangements involving a coordinating agency, strong implementing agencies, professional staff, a sound MIS, a payment system based on financial institutions, a proper M&E and an appeals system to resolve beneficiary grievances are all elements of a sound Social Security delivery system.

F. The Proposed Social Security Strategy

NSSS in the Context of the Social Development Framework: The Government's Social Security policy must be seen as a core element of the other policies and programmes that together comprise the broader Social Development Framework (SDF). The main objective of the SDF is to have a comprehensive and consistent set of policies that can help Bangladesh achieve better equity and social justice in the context of its development effort. This focus of the SDF is to be achieved through a range of policies and programmes encompassing the Government's poverty reduction strategy, the education strategy, the health, nutrition and population strategy, the strategy for sanitation and water supply, the strategy for inclusive finance, the strategy for women and gender empowerment, the strategy for social inclusion of ethnic and religious minorities, the strategy for environmental protection and climate change management, the strategy for disaster management, the strategy for the children of special needs, elderly and widow and Social Security Strategy. These various strategies and programmes are mostly complementary in nature and tend to strengthen the impact on poverty reduction, reduce vulnerability of the poor and promote social cohesion.

NSSS Vision: The Government bears a constitutional obligation of ensuring citizens' rights to social security. In the long-term, the objective is to move towards building a Social Security system that is available to all the people of Bangladesh who are in need of support, providing them with a guaranteed minimum income but also a comprehensive safety net for those who suffer shocks and crises that may push them into poverty. Therefore, the long-term vision for Social Security is to:

Build an inclusive Social Security System for all deserving Bangladeshis that effectively tackles and prevents poverty and inequality and contributes to broader human development, employment and economic growth.

The current NSSS is designed with this long-term vision in mind. Therefore, over the next five years the Government will take appropriate steps towards achieving this vision, while being cognizant of the reality that substantial change will take time. The Government will focus on building the foundations of a progressive and inclusive system. Over the next five years, the goal for the NSSS is to:

Reform the national Social Security System by ensuring more efficient and effective use of resources, strengthened delivery systems and progress towards a more inclusive form of Social Security that effectively tackles lifecycle risks, prioritising the poorest and most vulnerable members of society.

Priority Challenges for the Medium-Term: Against the backdrop of the review of past Social Security System experience, the priority challenges that will need to be addressed over the next five years are:

- A shift from current discretionary to a targeted universal approach to avoid leakages and under-coverage.
- Expanding coverage of core schemes for the extreme/hard-core poor and most vulnerable people of the society, focusing on mother and child, adolescent and youth, working age, the elderly and people with disabilities. A basic objective for the next five years would be to support the elimination of hard-core/extreme poverty as much as possible.
- For this to be effective, given the dire circumstances of the extreme poor, consideration will need to be given to progressive but substantive scaling up of the 'graduation' programmes that offer real and direct income earning opportunities and formal and informal work to the poorest,

alongside complementary activities that provide poor people with a means to lift themselves out of extreme poverty.

- Ensuring that the most vulnerable women are provided with income security and greater opportunities to engage in the labour market.
- Initiating a social insurance system that enables people to invest in their own social security, providing protection against the risks of old age, disability, unemployment and maternity.
- Expanding coverage to the residents of urban areas and to the socially excluded people.
- Ensuring that the Social Security system supports an effective disaster response system.
- Strengthening the delivery systems for priority transfers by establishing advanced Management Information Systems and professional staff.
- Expanding awareness of the social security programmes for the beneficiaries and motivating potential contributors.

Programme Consolidation along the Life Cycle Risks: The NSSS will strengthen the transformation towards a lifecycle system by consolidating programmes in a small number of priority schemes. The aim is to identify the high priority schemes make the system more inclusive by incorporating a higher proportion of poor and vulnerable people within it. This will be achieved by gradually increasing coverage of priority schemes and ensuring that selection processes prioritise the inclusion of poor and vulnerable families. *The NSSS benefits will be non-discriminatory and will be available to all poor and vulnerable people who satisfy the income criteria and other selection criteria relating to life-cycle or disability described below, irrespective of religion, ethnicity, profession and location.*

The five core life cycle programmes suggested by NSSS are described below:

Programmes for Children: The strategy advocates two core programmes for children:

- A child grant for children of poor and vulnerable family up to age 4. The child grant will be limited to a maximum of two children per family to avoid any adverse implications for the population management policy.
- A school stipend for all primary and secondary school going children and adolescents belonging to the poor and vulnerable households.
- The children will also have the disability benefit, the school meals programme, the orphans programme and the legal provision to ensure that abandoned children get the financial support from the responsible parent.
- Supply side interventions relating to immunization, childcare health and nutrition, water supply and sanitation and nutrition outreach will be strengthened.

Programmes for the Working Age: The strategy consists of:

- Strengthening education and training programmes to motivate the **adolescents and youth** to complete education and to enable the working youth and the older workforce to acquire required skills.
- Implementing a strengthened workfare programme for the unemployed poor. The Government will in a longer perspective consider converting food-based programmes into cash-based and consolidating fragmented schemes.
- Exploring possibilities of providing unemployment, sickness, maternity and accidental insurance as a part of a National Social Insurance Scheme (NSIS).
- Implementing a programme of financial support to **vulnerable women** (widows, divorced,

destitute, single mother, and unemployed single women including adolescent girls) and facilitate their participation in the labour market. In the strategy, women will be entitled to the Old Age Allowance and the Disability Benefit as relevant. Additionally, in recognition of the special difficulties faced by vulnerable working age women, the strategy advocates a consolidated income transfer under a reformed Vulnerable Women's Benefit (VWB) programme.

- In addition, the strategy provides for expansion of the Maternal Health Voucher Scheme (MHVS) administered by the HSD and MEFWD of the Ministry of Health and Family Welfare and a range of policy measures to facilitate the entry of women in the labour market.

Comprehensive Pension System for Elderly: This reformed programme has four components:

- The Old Age Allowance for senior citizens who are aged 60 years and above and belong to the poor and vulnerable population. Continue with the Government Service Pension under the Finance Division with no change at this time.
- Explore possibilities to establish a National Social Insurance Scheme (NSIS), to be managed under the Insurance Development & Regulatory Authority (IDRA) under the provision of the Insurance Act-2010, based on the principle of employers and employees jointly paying contribution. The NSIS would provide pensions as well as address other contingencies (such as disability, sickness, unemployment and maternity).
- Review options to facilitate the development of Private Voluntary Pension (PVP), which are open to all citizens irrespective of occupation or formality of employment.

The Old Age Allowance and the Government Service Pension will be funded by the Budget. The NSIS and the PVP would be funded through employer and employee contributions.

Programmes for People with Disabilities: The support strategy for the disabled consists of:

- A disability benefit for children with disabilities
- A disability benefit for working age population with disabilities

Preserving the Value of Transfers: To prevent the value of transfers from falling, all cash transfers provided through the above Life Cycle based core schemes will be indexed to inflation. The costing exercise in Chapter 5 shows this should not present a financing problem.

Income Eligibility Criteria: The above programmes will be available to those poor and vulnerable people who meet the other requirements of each specific programme. Income eligibility will be determined on the basis of a Proxy Means Test (PMT) that is being developed by the Statistics and Informatics Division (SID).

Health Insurance and Human Development Supply Side Interventions: The Government is aware that without health financing reforms and adequacy of supply side interventions in health, education, water supply and sanitation, the cash transfers from the life cycle scheme alone will not achieve the desired results. The Government has already adopted a long-term comprehensive health financing reform strategy, which will be fully implemented. Additionally, efforts to strengthen the provision of health care, nutrition, water supply and sanitation, and education and training will continue.

Special Programmes for the Freedom Fighters: The schemes to support the freedom fighters and their families will continue under the consolidated Freedom Fighters' Benefit Programme.

Consolidating Small Schemes: In recent years there has been a rapid expansion in the number of small schemes. Much of this has been led by Development Partners, usually well intentioned as new approaches have been piloted and specific challenges addressed. However, with the formulation of core programmes of the NSSS, it is important that these schemes are adding value in terms of innovative ideas with prospects for scaling up and joining up. Under the leadership of the General Economics

Division (GED) of the Planning Commission, each sponsoring Ministry/Division of these small schemes will be responsible for determining the value of these schemes and will present a business case if they believe that the programme should continue. The GED will, on the basis of the business cases, make proposals to Cabinet Division on which schemes should continue.

Consolidation of Food Transfer Programmes: The transfer of food during and after disaster will continue as a disaster management response under the management of the Ministry of Disaster Management and Relief. Open Market Sales (OMS) managed by the Ministry of Food will be expanded as necessary to tackle hunger and food affordability issues as appropriate. The OMS will remain self-targeted as presently. Food distribution through OMS and as disaster relief will be coordinated with the Government's Food Stock Policy and the Fair Price Policy. The Government will in a longer perspective consider converting all workfare based food programmes into cash transfers based on the recommendations of an in-depth assessment.

Reducing Risks and Vulnerabilities from Climate Change and Environmental Degradation, and Disaster Preparedness: The Government's programmes to address climate change and disaster prevention will be further strengthened as a part of its broader development effort. Agricultural research, embankment and reforest programmes, disaster preparedness etc. are already making important inroads in lowering the vulnerability of the population to climate change and natural disasters. Longer-term programmes such as the planned Delta Region Development can be of further benefit in this regard.

Reaching Out the Urban Population: The Government is mindful of the need to bring more of the poor and vulnerable population living in urban areas under the umbrella of Social Security. Accordingly, steps will be taken to ensure that the priority Social Security schemes for the elderly, children, vulnerable women and people with disabilities are expanded so that urban residents have equal access. The Government also understands that new proposals in NSSS such as the childcare proposals and the NSIS will initially benefit urban residents mostly owing to the location of the formal economic activities. Therefore, special efforts will be made to expand these benefits to the rural population.

Reaching Out to the Socially Excluded Population: A range of socially excluded population that faces various social discriminations based on religion, age, ethnicity, gender, profession and illness. The Government is highly sensitive to ensuring the elimination of all kinds of socio-economic discrimination against these groups through legislative and other affirmative actions. This is a major agenda item for the Government's broader Social Development Framework. The Government will also ensure that these groups have similar access as the rest of the population to all Social Security programmes and to all publicly provided basic services in education, health, nutrition, population planning, water supply and sanitation. The Government believes that these two strands of public policy are the best way to support the development of these groups.

The Government is aware that special efforts will be needed to reach many of the members of this group. This will involve sensitizing staff of Social Security agencies as well as relying on local government and NGOs for identifying potential beneficiaries. An effective grievance redress mechanism will also be helpful to bring members of these excluded populations into the Social Security network.

G. Financing the NSSS

The full financing of the NSSS is based on cost sharing arrangements between the government and the private sector. The Public Expenditure Financed component is only one part of the NSSS financing; the other part is financed by the private sector based on social insurance and employment based regulations. One fundamental policy question is whether the public expenditure-financed component of the NSSS is affordable in terms of available budgetary resources. The financing assumption is based on keeping the spending on Social Security Programme (SSP) constant as a share of GDP (2.2 percent).

This is a conservative assumption for two reasons: First, the Government had planned to increase the share of SSP spending from 2.1 percent of GDP to 3 percent by the end of the Sixth Plan (FY14-15). Second, the updated medium-term macroeconomic framework of the Sixth Plan shows that the consolidation of the ongoing tax reform progress will allow the government's resource base to grow by 3.0 percent of GDP in FY15-16 over the Sixth Plan base year of FY09-10.

The Base Case financing availability assumes that GDP will continue to grow at an average rate of at least 6 percent per year, as presently. *Applying income eligibility and other eligibility criteria, a total of 35.7 million poor and vulnerable people will benefit from the various life-cycle based programmes in FY17-18 when the NSSS is fully implemented. This amounts to 22 percent of the FY17-18 population.* In the Base Case, the available resources are broadly consistent with required resources. Given this estimate the resource mobilization will not be a major constraint to implement NSSS till FY19-20.

These results are comforting for a number of reasons:

- First, the Social Security reform programme is financeable even under conservative financing availability assumptions. The small gap in the first few years could be covered by allocating the modest additional amount required from a growing budget. Importantly, much of the additional benefit goes to the children of poor and vulnerable family, which is a high priority for the Government.
- Second, the projections over the longer-term show that the suggested NSSS is fully consistent with the changing demographics of an ageing population and a declining young age cohort.
- Third, the strategy provides for sufficient financing for non-core programmes to allow resource transfers across programmes depending on the M&E results of individual programme effectiveness.
- Indexation of benefits to inflation does not present any fiscal difficulty.
- Finally, with unchanged benefits, a substantial surplus builds up after FY17-18. The surplus would be larger under a high case GDP growth scenario of 7-8 percent per year. These suggest that the Government would be able to re-examine the benefit levels for possible increases across both life cycle and other programmes to meet the Social Security requirements of the poor. The Government could also introduce and scale up new innovative programmes for the extreme poor or for selected target group (i.e. youths).

Poverty Impact of the Reformed Social Security System (SSS): The simulation results suggest that the restructured programmes will result in significantly better poverty outcomes when compared with the present programmes. The more positive results happen because a substantially larger number of poor households benefit from a better defined and higher average benefit-yielding SSS.

H. Strengthening the Delivery of the National Social Security System

The Government understands that improvements in the administrative arrangements for the NSSS will be critical to its success. Administrative problems and weak governance in the implementation of SSPs are inter-linked. Establishing good institutional arrangements for administering well-designed SSPs will also help lower leakages. The review of past experience suggests that there are number of areas that need to be reformed. The key priorities are to address:

- A vastly simplified institutional arrangement that allows proper planning, implementation and M&E of the National Social Security Strategy (NSSS).
- The professionalization of staff so that there is a group of public servants who are experts in the delivery of Social Security schemes at both national and local levels.
- Effectiveness in identifying recipients for Social Security schemes.
- Up-grading the MISs so that they are able to underpin the effective and efficient delivery of

transfers and promote cross-governmental coordination and monitoring of performance.

- Strengthening payment mechanisms to minimize leakage and to use the Social Security system to promote financial inclusion, in particular among poor and vulnerable families.
- Establishing an effective grievance redress system so that all citizens have recourse to appeal decisions on selection and can notify the competent authorities about instances of misconduct and failures in the delivery of the promised benefit.

Administrative Reforms: The Government will introduce thematic clusters for coordination and cooperation of Ministries/Divisions engaged in programme implementation. The five thematic clusters are: Social Allowances, Food Security & Disaster Assistance, Social Insurance, Labour/Livelihoods Interventions, Human Development & Social Empowerment.

Role of Local Government Institutions (LGIs): Implementing Ministries/Divisions will work closely with the LGIs and NGOs in the delivery programmes. The LGIs will be instrumental in helping identify potential beneficiaries, resolving disputes and helping conduct M&E exercises.

Role of NGOs: The Government will continue, and where necessary, deepen the partnership with NGOs in the area of delivering Social Security services based on the NSSS. Specific areas where NGOs can be helpful concern piloting of innovative ideas for possible scaling up, identification of potential beneficiaries, especially those that are hard to reach because they live in remote areas or belong to the marginalized or vulnerable social group of the population, and helping redress grievances and disputes relating to the implementation of the NSSS.

Establishing a Single Registry Management Information System: The efficient administration of Social Security schemes requires that high quality Management Information Systems (MISs) are in place. A number of developing countries have shown that it is possible to establish effective MIS using advanced technologies. In effect, a form of national Single Registry can be established, based on a network of independent but interlinked scheme-specific MISs.

The Government will, therefore, establish a national Single Registry that uses the database from the national identity system and is based on building scheme-specific MISs that communicate with each other and deliver comprehensive information across government. The SID will take the lead in establishing the Single Registry in coordination with other concerned Ministries/Divisions. To support the national reform process, preparation of the Bangladesh Household Database will be completed by 2017.

Strengthening Government to Person (G2P) Payment Systems that Promote Financial Inclusivity: A further key reform that will be introduced is an initiative to transform the Government to Person (G2P) payment systems so that they promote financial inclusivity and prevent leakages. The Government has already improved the cash delivery systems in some Social Security schemes so that transfers are delivered through financial institutions. Therefore, to take forward this initiative, the Finance Division of the Ministry of Finance will undertake a comprehensive review of current G2P payment mechanisms as well as international experience.

Strengthening Processes for Selecting Recipients of Social Security Schemes: Given the increases in expenditure proposed for core Social Security schemes, it is imperative to ensure that transfers go to the right people. Yet, identifying the right people is a common challenge faced by developing countries, in particular when using poverty-based selection processes. As noted earlier, recently the SID has taken an endeavour to establish a Bangladesh Household Database using the PMT scorecard approach which will be completed by 2017. In view of the limitations of the PMT approach, a combination of PMT, support from local government, and support from NGOs will be employed to identify the poor and vulnerable population. More specifically, PMT scorecard should be used only in conjunction with vetting by local communities including elected representatives and NGOs. Assessing disability is problematic in many countries— both developed and developing but the Government is willing to invest sufficient resources to ensure that the most deserving are able to access the disability benefits.

Appeals Mechanism: The Government understands that it is impossible to always make the correct decisions on recipients. Therefore, the Ministry of Social Welfare in close consultation with SID will develop a nationwide complaints and grievance redress mechanism. The exercise will run in parallel with the task on selection processes and its recommendations will be implemented starting in 2016.

I. Towards a Results-Based Monitoring and Evaluation System for the Social Security Programmes

Once the NSSS has been designed and implemented, an ongoing process of monitoring and evaluation (M&E) will be needed to improve delivery processes, document results, inform policymakers about the effectiveness of alternative approaches, and mobilise political support for sustainability and expansion of the programmes that comprise the strategy.

Coordinating Role of Ministries/Divisions for M&E: M&E activities will be divided into three components. Implementing Ministries/Divisions will monitor progress of their respective programmes; IMED will be responsible for overall monitoring and evaluation of implementation of projects/programmes. Lastly, the role of GED would be to prepare a results framework using a matrix of specific indicators and evaluate performance of NSSS implementation in a holistic approach. The GED will also be responsible for overall coordination of the M&E framework and dissemination of the evaluation results. The Central Management Committee (CMC) headed by the Cabinet Secretary will play a critical supervisory role. In particular, the role of the CMC will be performance review of social security programmes, inter-ministerial coordination, trouble shooting and crisis mitigation.

Dissemination and Use of M&E Results: Emphasis on M&E is placed in order to ensure that best results are obtained from the resources spent on Social Security. It is, therefore, important that there are well-specified mechanisms for disseminating the findings of the M&E. All information needs to be readily available to stakeholders, in this case the beneficiaries, Ministries/Divisions and NGOs involved. The beneficiaries should be aware of the programme outcomes and the eligibility criteria for each programme. This could be best achieved by putting all monitoring data and evaluation results on the websites of the implementing Ministries/Divisions as well as the website of the Planning Commission. All evaluation reports would be shared with the CMC and responsible Parliamentary Standing Committee. GED will be responsible for reporting to the Cabinet Division and subsequently GED and Cabinet Division will report to the Parliamentary Standing Committee the types of actions taken to respond to the findings of the evaluation reports.

Overall Coordination of NSSS Implementation: The NSSS calls for substantial reforms over an extended period of time. Performance Review and Coordination of reform implementation will be done by the CMC chaired by the Cabinet Secretary. The CMC will report on implementation progress to the Cabinet on a regular basis.

Proposed Reforms at a glance

Proposed Reform	Action Plan	Ministry/Division
A. Programme Reforms		
1. Strengthening Social Security for the Children (age <1 – 18) -- Child Benefit -- Primary and Secondary School Stipends -- Continuing Orphan’s and School Meals Programmes -- Ensuring Child Maintenance Payment for Abandoned Children -- Strengthen Immunization, Child Healthcare, Nutrition and Water and Sanitation Programmes.	-- Submit detailed implementation plan for the Child Benefit to the Cabinet Division -- Submit detailed implementation plan for the scale up of the stipend programmes to the Cabinet Division -- Implement programme -- Maintain ongoing programmes -- Develop policy and start implementation, July 2016 -- Take actions to strengthen supply and outreach of these programmes (ongoing)	- Women & Children Affairs (MoWCA) - Primary & Mass Education (MoPME) and Education (MoE) MoPME/MoE - MoSW/MoPME - MoWCA - Concerned Ministries
2.a Strengthening Programmes for Working Age (age 19-59) -- Strengthen Education and Training -- Strengthen Workfare Programmes -- Introducing Unemployment, Accident, Sickness and Maternity Insurance under NSIS	-- Strengthen quality of education and training -- Consolidate all workfare programmes -- Commission study to design unemployment insurance for workers in the organized private sector Submit Plan to Cabinet Division for Approval and start implementation	- MoPME/MoE - Disaster Mgt and Relief (MoDMR) /Local Government Division (LGD) - Labour & Employment (MoLE)
2b. Strengthening Programmes for Vulnerable Women (age 19 - 59) -- Consolidate into one VWB programme on a cash basis. -- Provision of Childcare across all Formal & Informal Employment -- Maternal health care -- Training programme	-- Submit detailed implementation plan for Vulnerable Women’s Benefit (VWB) to the Cabinet Division -- Implement programme -- All government offices and formal private enterprises have childcare facilities -- Continue. Prepare expansion plan, -- Continue training under VGD	- MoWCA - HSD, MEFWD - MoWCA
3. Comprehensive Pension System for the Elderly -- Old Age Allowance (age 60+) -- Government Service Pension -- The National Social Insurance Scheme (NSIS) -- Private Voluntary Pensions	-- Submit detailed implementation plan to Cabinet Division -- Implement the Old Age Allowance programme -- Initiate study to determine the viability of a NSIS -- Recommend options for a NSIS -- Initiate study to determine the viability of a Pension Regulatory Authority	- MoSW - FID, FD

Proposed Reforms at a glance

Proposed Reform	Action Plan	Ministry/Division
4. Strengthening the System of Social Security for People with Disabilities	-- Submit detailed implementation plan for the Child Dependency Benefit and the Working Age Disability Benefit to Cabinet Division -- Implement programme	- MoSW - MoSW
5. Strengthening the Social Security System for the Urban Poor	Ensure urban poor households have similar access as rural poor households	- Concerned line Ministries, LGD, FD
6. Consolidate and Reform Food Security Type Programmes	-- Consolidate food transfer programmes coordinate with food stocking policy. -- Food distribution for disaster relief to continue as a disaster relief programme	- Food / Disaster Management and Relief - Disaster Management and Relief
7. Consolidate small and special schemes/programmes	-- Retain schemes that are innovative and can be scaled up	- Line Ministries/ GED
B. Institutional Reforms		
1. Two-Phase Reforms: (1) CMC led Cluster Coordination Approach of Implementing Ministries (2) Ministry of Social Welfare to implement Life Cycle Programmes and Coordinate with SSPs	-- Introduce Cluster Approach to Ministries' SSP implementation -- Review efficiency and effectiveness of the cluster approach and CMC will ensure coordination and supervision of programmes (till 2025) -- Strengthened and reformed Department of Social Services under Ministry of Social Welfare (from 2026 onwards)	- Cabinet Division - GED - Ministry of Social Welfare - Line Ministries
2. Establish a Single Registry Management Information System	-- Commission a review of MISs across all Social Security schemes -- Establish a Single Registry on a pilot basis within SID -- Establish nationwide Single Registry	- SID
3. Strengthen Government to Person (G2P) Payment Systems that Promote Financial Inclusivity	-- Initiate comprehensive review of current G2P system -- Initiate implementation of findings	- FD, B FID - Bangladesh Bank - FD, MoSW and other Ministries
4. Strengthen Processes for Selecting Recipients of Social Security Schemes	-- Review of selection criteria for all programmes -- Implement recommendations -- Combine PMT with use of LGIs and NGOs in identifying beneficiaries	- SID - GED - IMED - MoDMR - Line Ministries
5. Establish a Complaints and Grievance Mechanism	-- Commission study to design the mechanism, -- Initiate implementation	- Cabinet Division - GED - LGD
6. Establish a Results Based Monitoring & Evaluation System	-- Assign M&E responsibilities -- Establish task force to develop M&E framework -- Implement task-force recommendations	- Cabinet Division - GED - GED, IMED

CHAPTER 1

Development Context for National Social Security Strategy

CHAPTER 1

Development Context for National Social Security Strategy

1.1 Background

The Government of Bangladesh is strongly committed to reducing poverty in Bangladesh. This commitment is reflected in Vision 2021, the Perspective Plan of Bangladesh 2010-2021 and in the Sixth Five Year Plan FY11-FY15. The commitment seeks to build on past progress with poverty reduction and further deepen this progress by both addressing the root causes of poverty as well as by lowering the impact of vulnerabilities faced by the poor population. The Government appreciates that notwithstanding the past impressive progress with poverty reduction, there is a substantial population that remains exposed to poverty owing to various vulnerabilities. This includes the population that remains under the poverty line and those that are just above the poverty line (near-poor) but could easily fall below the poverty line because of these vulnerabilities. Evidence shows that the poor and near-poor group cannot cope with all the downside risks and shocks with their own resources. Consequently, various social safety net programmes have emerged in Bangladesh to help the poor and near-poor address the downside risks and shocks that affect their well-being.

Household Income and Expenditure Surveys (HIES) suggest that the coverage of these programmes for the poor and vulnerable households has increased. But data also suggest that a large proportion of the poor and vulnerable households do not have any access to these programmes. The average benefit of safety net programmes is low and falling in real terms. Consequently, the impact on poverty reduction from the amount of money spent in these programmes is much less than is possible with a better Social Security system.

The underlying reasons for this low poverty impact are numerous. The safety net programmes have mainly emerged in a somewhat ad hoc fashion to meet the needs of an ongoing economic or social crisis resulting from an exogenous shock (e.g. natural disaster) or in response to donor initiatives (protection to vulnerable population groups). As a result, they are multiple in numbers, often duplicative, have low budget allocations for individual programmes, and involve multiple implementation agencies. The monitoring and evaluation aspects of these programmes are inadequate and implementation progress is mainly measured in terms of amount of money disbursed rather than results achieved.

Being reactive to existing needs, the programmes are not well-entrenched in a strategic framework, such as the commonly used life-cycle framework, and in particular do not reflect future needs resulting from demographic changes. Additionally, as Bangladesh moves away from a primarily agrarian economy towards a more urban-based manufacturing and modern service economy the underlying social and economic risks faced by the poor and near-poor will also change. Indeed, on counts of both demographic and economic structural changes, a number of important gaps in the structure of Social Security programmes are already emerging. These changes require a broadening of the safety net strategy to a more inclusive concept of a Social Security strategy that also supports recipients of schemes to engage in the labour market as well as social insurance schemes. This vision of Social Security fits much more cogently with the needs of a modern urban-based economy and in the context of a life cycle framework.

In recognition of these concerns, the Government of Bangladesh has embarked upon the formulation of a comprehensive National Social Security Strategy (NSSS). The Cabinet meeting held on 10th September

2012 entrusted the General Economics Division (GED) of the Planning Commission to prepare the National Social Security Strategy (NSSS) under the guidance of a Central Management Committee (CMC) for the Social Safety Net Programmes chaired by the Cabinet Secretary. The CMC provided the terms of reference and overall guidance to the formulation of the NSSS. A strong process of regional and national consultation helped shape the contents and recommendations of the NSSS. In this regard, the NSSS is fully home-grown and based on the political, social and economic realities of Bangladesh.

The NSSS builds on the past rich experience of Bangladesh and seeks to streamline and strengthen the existing safety net programmes with a view to achieving better results from money spent. It also broadens the scope of Social Security from the narrow safety net concept to include employment policies and social insurance to address the emerging needs of a middle income Bangladesh in 2021 with less than 5 percent people in extreme poverty. By broadening the scope and coverage and by improving programme design the NSSS will help lower income inequality and contribute to higher growth by strengthening human development. While the NSSS reflects the realities of Bangladesh, to the extent relevant it also draws on good practice international experience. To facilitate the preparation of the NSSS, a Framework Paper was prepared by GED, endorsed by the 11- member Sub-committee of CMC led by Cabinet Division and approved by the Ministry of Planning. In addition, ten background papers, prepared by a team of international and local experts, were commissioned on the various issues relating to the NSSS. A list of the background papers is contained in Annex-1. Although the NSSS draws on these background papers, they contain more detailed analysis and provide references of research that were reviewed in preparing the NSSS.

1.2 Social Security and Social Development Framework

The Government's Social Security policy must be seen as a part of the other policies and programmes that together comprise the elements of its Social Development Framework (SDF). The main objective of the SDF is to have a comprehensive and consistent set of policies that can help Bangladesh achieve better equity and social justice in the context of its development effort. This focus of SDF is to be achieved through a range of policies and programmes encompassing the Government's poverty reduction strategy, the education strategy, the health, nutrition and population strategy, the strategy for sanitation and water supply, the strategy for inclusive finance, the strategy for women and gender empowerment, the strategy for social inclusion of ethnic and religious minorities, the strategy for disaster management and Social Security strategy. These strategies and programmes are mostly complementary in nature and strengthen the impact on poverty reduction, reduce vulnerability of the poor and promote social cohesion.

Importantly, while Social Security policy has obvious relationship with poverty reduction and human development it is not a substitute for comprehensive poverty reduction and human development strategies. Similarly, Social Security policies, while a major instrument for reducing the vulnerabilities of the poor, are not the only instrument. The Government has many corrective and affirmative action policies to promote social cohesion and inclusion of social groups that might otherwise face discrimination or risk being left out in the society or at the workplace. Another aspect of the Bangladesh development is the frequency of natural disasters resulting from climate change and geography. Proper management of natural disasters and climate change are a major focus of the Government's SDF. Substantial and laudable progress has been made by Bangladesh in improving disaster management and reducing its impact in terms of loss of lives and injuries. Yet substantial vulnerabilities remain. The Government is committed to continually refining and improving in its SDF to achieve its development goals.

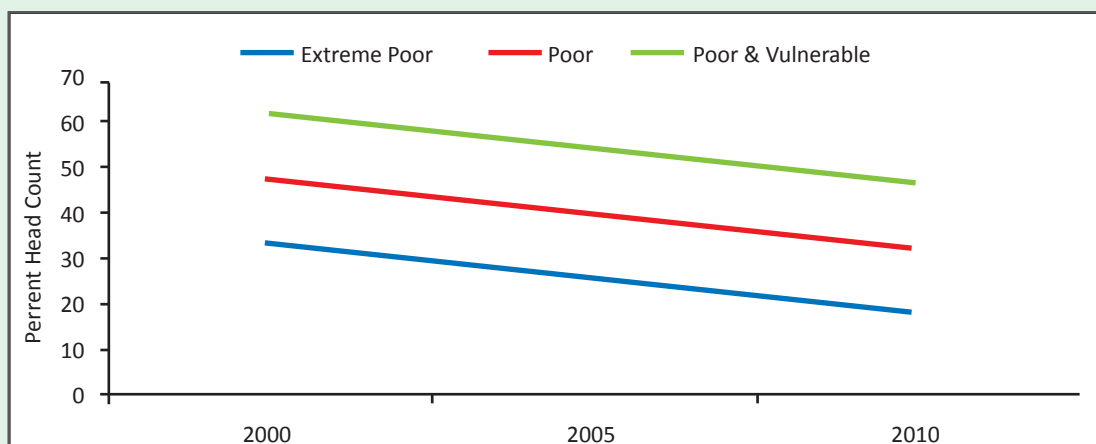
Against the backdrop of the above, it is important to recognize that the focus of this paper is on the formulation of a National Social Security Strategy (NSSS) based on a strategic review and reform of existing policies and programmes that directly fall within the purview of a Social Security strategy. This NSSS is not to be confused with the SDF that is much broader and comprehensive in coverage. The NSSS should also be seen as complementary to other key social development strategies and policies covered

under SDF. A well-defined NSSS will be helpful to avoid confusion and misunderstanding of its focus and coverage and what it should do and what it should not to avoid overlap and duplication with other related strategies.

1.3 Progress with Poverty Reduction

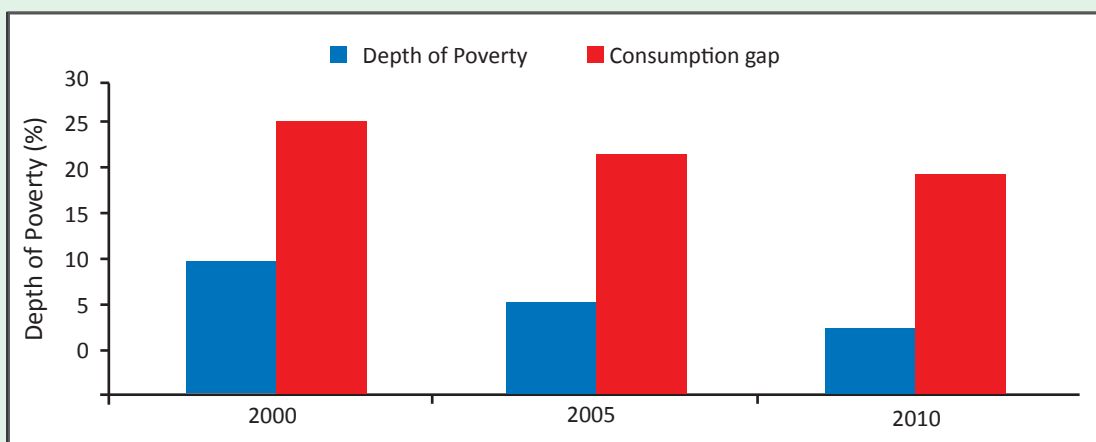
Progress with poverty reduction measured in terms of the headcount index is shown in Figure 1.1. Remarkably, there has been a rapid decline in the rate poverty measured in terms of the percent of population falling below the upper poverty line (UPL). Thus the poverty incidence declined from 48.9 percent in 2000 to 40 percent in 2005 and 31.5 percent in 2010. Again the poverty incidence fell from 31.5 percent in 2010 to 24.8 percent in 2015. Commensurately, the percent of chronic poor, defined as population below the lower poverty line (LPL), fell from 34.3 in 2000 to 17.6 in 2010. It has also declined to 12.9 percent in 2015.

Figure 1.1: Trend in Poverty Reduction 2000-2010



Source: HIES 2000, 2005 and 2010, Bangladesh Bureau of Statistics

Figure 1.2: Depth of Poverty and Consumption Gap (Percent)



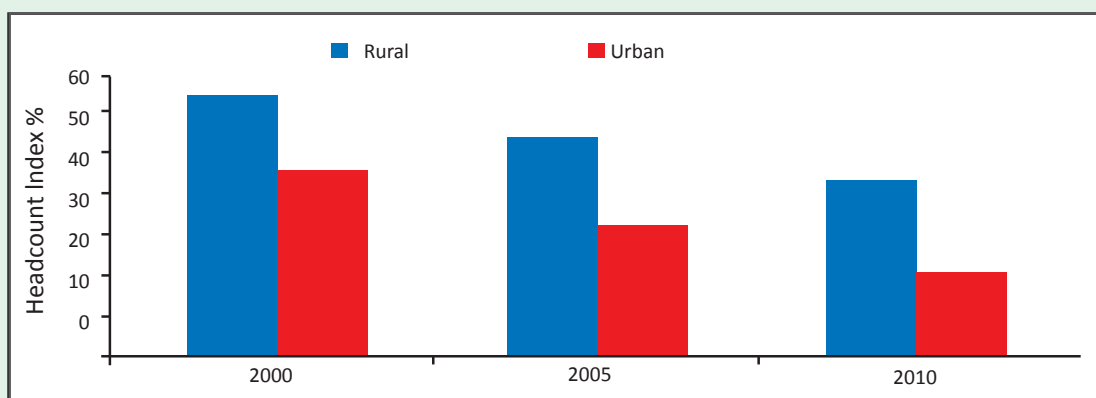
Source: HIES 2000, 2005 and 2010, Bangladesh Bureau of Statistics

² Due to non-availability of HIES 2015 data, GED has estimated that the poverty incidence has fallen further to 24.8 percent in 2015, and population below the lower poverty line has been reduced to 12.9 percent.

Progress has also been made in reducing the depth of poverty. A related measure is the consumption gap, defined as the percent by which the average consumption of poor population falls below the poverty line. These measures indicate the magnitude of the additional effort needed to bring the poor out of poverty. Figure 1.2 shows the depth of poverty and the consumption gap (measured by the ratio of the depth of poverty and the total headcount poverty rate). There has been a continuous narrowing of this consumption gap between 2000 and 2010. Thus in 2000, the poor on average consumed 26 percent lower than the basic needs consumption basket defined by the poverty line. This gap narrowed to 23 percent in 2005, 21 percent in 2010. A rough estimate for 2015 is 19 percent.

The rural-urban poverty pattern is indicated in Figure 1.3. Poverty has fallen substantially in both urban and rural areas, although poverty rate remains much higher in the rural areas.

Figure 1.3: Rural, Urban Poverty Progress



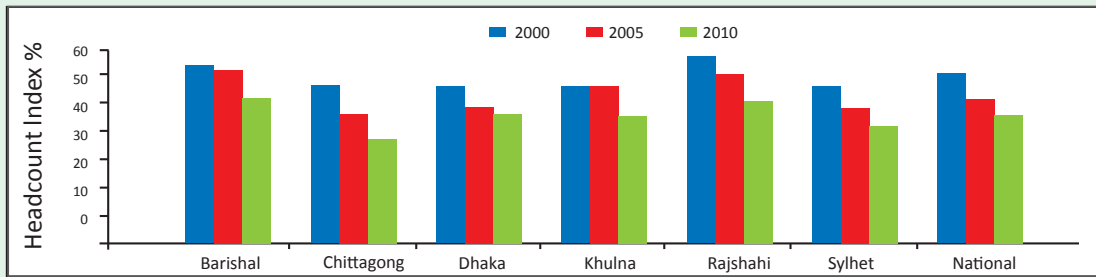
Source: HIES 2000, 2005 and 2010, Bangladesh Bureau of Statistics

Looking at the regional dimension, the poverty outcomes show a similarly declining pattern. All the six Divisions of Bangladesh have registered significant reduction in the incidence of poverty (Figure 1.4). Even so, the gaps in poverty rates across divisions remain substantial. Rajshahi Division has the highest rate of poverty (39.4 percent), which is significantly higher than the national average (31.5 percent), whereas the Chittagong Division exhibits the lowest poverty incidence (26.2 percent), which is much lower than the national average. Rajshahi and Khulna similarly show higher poverty incidence than the national average, whereas Sylhet and Dhaka have lower than national average poverty levels.

A further interesting regional result coming out of the HIES 2010 data is the distribution of poverty between the recently created Rangpur Division and the redefined Rajshahi Division that now excludes the districts belonging to the Rangpur Division. Remarkably, the poverty incidence for the redefined Rajshahi Division (29.7 percent) is not only lower than the national average, but also lower than Dhaka. On the other hand Rangpur exhibits a much large incidence of poverty (42.3 percent), which makes Rangpur the poorest among all 7 divisions.

³ Standard estimation of consumption gap requires consumption data by each household. There is no new household survey conducted for 2015 from which a consumption gap estimate could be attempted. In the absence of new household data for 2015, a rough estimation has been provided using the poverty measures of the poor for 2000, 2005 and 2010.

Figure 1.4: Divisional Poverty Trends



Source: HIES 2000, 2005 and 2010, Bangladesh Bureau of Statistics

The above record of progress with poverty reduction, human development and living conditions of the poor constitutes a major achievement and as a nation has made Bangladesh proud. It is also a reaffirmation that the development strategy is appropriate and on track. Nevertheless, the poverty challenge moving ahead remains enormous. There are several aspects of this poverty challenge that have implications for future poverty reduction strategy. Additionally, these aspects have important bearing in judging the adequacy of the Social Security strategy.

The disaggregation of the poverty profile by location in terms of rural and urban and by Divisions shows substantial variations. This geographic variation in the distribution of poverty underscores the need to further refine the poverty profile by other characteristics including gender, age, education, asset and employment in order to design an appropriate poverty reduction strategy and associated interventions. By implication, the Social Security strategy also needs to be aligned to the poverty profile and proper assessment of related risks.

There is growing evidence that, as a result of transformations to the economy and society, traditional forms of care for vulnerable populations is breaking down. This is common in all countries as a result of demographic changes and processes such as urbanization and migration. As has happened across all countries as they develop, it is essential that the Social Security strategy sets mechanisms by which the government can step in to ensure a minimum income for the most vulnerable citizens. International experience indicates that Social Security transfers can also enable vulnerable citizens to re-engage with their social and kinship networks while providing them with a dignified existence.

1.4 Evolution and Summary of Social Security Programmes in Bangladesh

Bangladesh has a long history of formal Social Safety Net Programmes, which, in part, has shaped the nature of the current Social Security system. At independence, the main Social Security scheme in place was the Government Pension. It was complemented by a Provident Fund that acted as a savings vehicle for government and formal private sector employees, providing them with a lump sum amount on retirement. However, in response to the 1974 food shortage and floods in the 1980s, new schemes were developed for poor families that were badly hit. The schemes were mainly public works and other food aid programmes, making use of foreign assistance. In the late 1980s the Government began to introduce schemes that addressed risks across the lifecycle, such as school stipend programmes. During the late 1990s, there was also significant investment by the Government supported by donors in various well known programmes like widow and old age allowances managed by non-government organizations (NGOs), providing a range of social services, including social transfers.

There has also been a gradual growth in the proportion of transfers provided as cash rather than food, although cash is mainly provided through the lifecycle programmes. By the mid-2000s, foreign food aid was mostly withdrawn and replaced by food transfers funded from taxation. There has also been a significant increase in small schemes among both NGOs and government that include some element of Social Security.

This led over the preceding four decades to a substantial programme portfolio that has served to temper the extremes of poverty and provide a crucial cushion to the growth process by ensuring disaster resilience.

Table 1.1: Capturing the timeline of the demand-driven process of innovations

Time Period	Innovations	Contextually Relevant Factors
Mid to late 1970s	VGF Scaled-up FFW Micro-credit	Innovations- a response to the food shortage of 1974
Mid 1980s	VGF transformed to VGD (later to IGVD) to re-orient focus from relief to relief + development	There were concerns that feeding alone was not enough to reduce chronic hunger and criticism from civil society that poor were being made dependent spurred new initiatives to add training for income-generating activities and bring NGO collaboration
Late 1980s	RMP: Workfare innovations - adding promotional goals to protection goals - extending workfare projects beyond earth-work e.g. social forestry, road maintenance	Innovations- a response to the devastation of consecutive floods of 1987 and 1988 which saw new policy emphasis on all-weather infrastructure in place of seasonal earthen infrastructure
Early 1990s	CCTs Food-for Education Programme	Introduction of Food For Education and Female School Stipend Programmes were driven by two contextual factors: i) a political factor contingent upon the return of parliamentary democracy in 1991 that saw elected leaders seeking new sources of political support; ii) an instrumental search for new use for food aid on the phasing out of Palli Rationing programme;
Late 1990s	VGF Card Old Age Allowance Widow Allowance	VGF card was an innovation occasioned by the devastating flood of 1998 when rapid deployment of a food security Programme was urgently necessary. The two allowance programmes were innovations driven by competitive populist politics
Early 2000s	Graduation goals A series of successor programmes to RMP and VGD with more explicit combination of protection and promotional goals	A discourse shift from protection goals to protection + promotion goals
Mid 2000s	Geographic Targeting Monga affected area, chars	Greater recognition of poverty pockets
Late 2000s	Employment Guarantee	The food price hike of 2007-08 spurred a new initiative that saw a major innovation in terms on introduction of employment guarantee (bulk employment during slack seasons) in workfare programme

Three factors were at work behind the above process of innovation and experimentation. The first has been the embedded humanitarian ethos that has always been a hallmark of the society of Bangladesh and that prioritized relief for temporary food insecurity whether due to disasters or lack of employment. Two foundational programmes arose out of this ethos – the VGF (Vulnerable Group Feeding) programme in 1974 that involved food transfers to extreme poor households and the scaled-up FFW (food-for-work) programme in 1975 that was a food-based workfare programme. These foundational programmes became the cornerstone of an expanding portfolio of programmes that addressed the core concern of temporary food insecurity.

However, by about the second decade of the new country's existence, a second driver of programme innovation and experimentation also came into play, namely a concern to introduce 'ladders' besides the 'nets' of safety net programmes so that beneficiaries could move beyond temporary relief to more sustainable gains. Introduction of such 'ladder' components whether through human development (training, education stipends, awareness-building), financial strengthening (savings, income supplement, access to micro-credit), employment guarantee or asset transfers led to a succession of programme experimentations and innovations that continues till date.

The third driver in the growth of the safety net portfolio has been a more universal social protection approach of addressing population groups with special needs such as the old, disabled and vulnerable women. This segment of the safety net portfolio essentially got its start from the 1990s when electoral democracy had a new beginning.

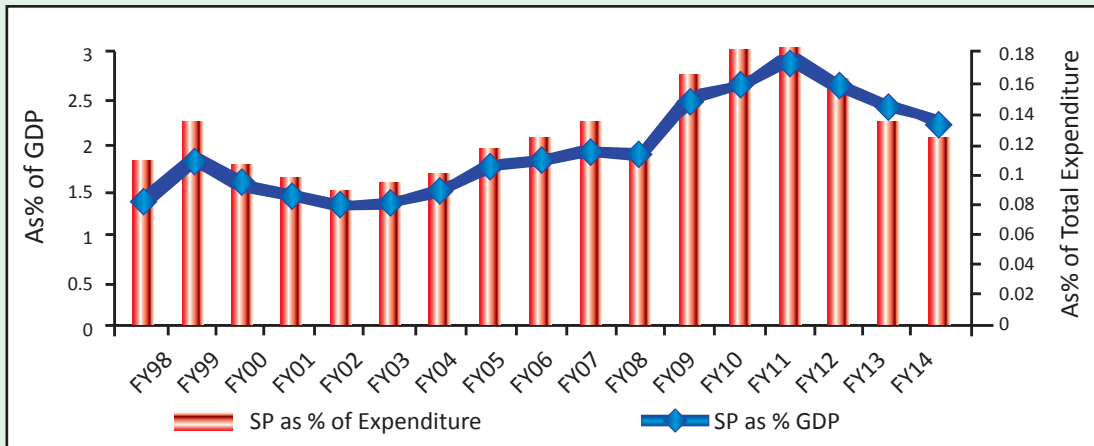
There have also been a great deal ongoing experimentation and innovations on process issues. These have included a move from food to cash, entitlement cards, use of banking channels, use of local governments in implementing programmes, geographic targeting and monitoring mechanisms.

There has thus been a significant demand-driven element in the growth of the social protection agenda in Bangladesh both as response to crisis events or as responses to new democratic aspirations. Bangladesh also appears to have pursued a pragmatic path of incremental programme experimentation rather than a legalistic path of abstract rights in developing its social protection agenda. The original food security-focused VGD programme and the public works RMP have inspired many follow-on programmes such as IGVGD, FSVGD, CFPR-TUP, REOPA, RERMP that have incrementally embraced more complex goals of graduation in their design and reach. Programme growth has also run in parallel to the vulnerability discourse with a focus on identifying segments of the poor who were missing out in existing programme coverage. This underlay the later focus on marginal communities such as the char-dwellers as well as the broader geographic targeting agenda initially with the Monga belt and now with the Haors and coastal communities.

Reflecting the Government's commitment to Social Security, budgetary allocations have grown in absolute terms as well as a share of GDP. As shown in Figure 1.5, the allocation for Social Security Programmes (SSPs) increased from 1.3 percent of GDP in 1998 to 2.3 percent in FY2011. Since then, it has stabilized around 2.0 percent of GDP. Although this level of funding is modest by international standards, when measured against the government's tight budget situation, this represents a substantial commitment, accounting for 13 percent of total government spending, and reflects the high priority accorded by the Government to this aspect of the social development policy.

Bangladesh's current Social Security system is complex, comprising a large number of programmes and managed by many ministries. According to a comprehensive official compilation prepared by the Finance Division, there are 145 programmes under the Social Security system currently financed through the budget. The total amount being spent on these programmes in FY14-15 is Tk. 306.4 billion, which is equivalent to 2.02 percent of GDP. These programmes are administered by as many as 23 Ministries/Divisions and there is no formal mechanism for sharing information among the implementing Ministries/Divisions.

Figure 1.5: Social Security Expenditure as % of GDP and Total Expenditure



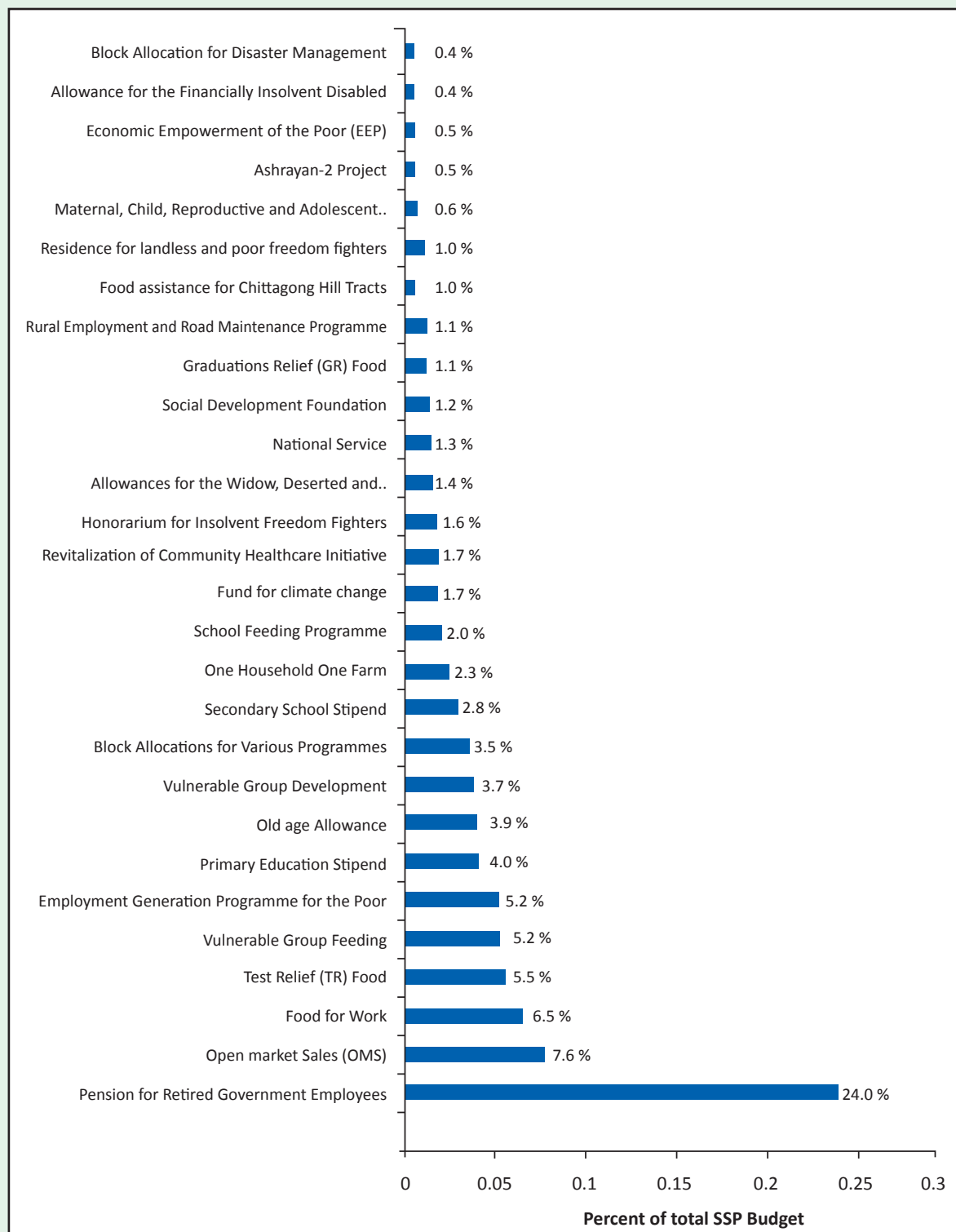
Source: Finance Division

A review of the SSPs also indicates that there are serious overlaps among the various programmes and many are too small to have any significant impact on the target groups. About 58 percent of programmes have an annual budget of less than Tk. 500 million (US\$ 6.3 million) and collectively account for only 4 percent of Government’s total Social Security spending.

Figure 1.6 shows the distribution of the SSPs by major individual programmes. The term major is defined to include all programmes that had a budget allocation in FY13 of Tk. 1 (one) billion or more (US\$ 12.5 million or more). Some 28 schemes meet this criteria and account for 92 percent of total spending. The Figure reveals some important aspects of the present structure of the SSPs. The top ten programmes account for some 69 percent of the total FY13 SSP Budget. When measured in terms of budgetary allocation, the pensions programme for the government employees and their families is the single largest programme accounting for nearly a quarter of all money allocated for SSP in FY2013. The other nine large programmes in terms of budget share are: Open Market Sales (7.6 percent), Food for Work (6.5 percent), Test Relief (5.5 percent), Vulnerable Group Feeding (5.2 percent), Employment Generation Programme for the Ultra Poor (5.2 percent), Primary Education Stipend (4 percent), Old Age Allowance (3.9 percent), Vulnerable Group Development (3.7 percent) and Block allocations for various programmes (3.5 percent). The remaining 18 major programmes defined by the Tk. 1 (one) billion allocation criteria are still small in terms of budget share, individually absorbing 2.8 percent or less of the budget and jointly accounting for only 20 percent of the FY13 SSP Budget. This suggests that the multiplicity of programmes can be easily consolidated to make the programme administration more manageable and lower the administrative cost.

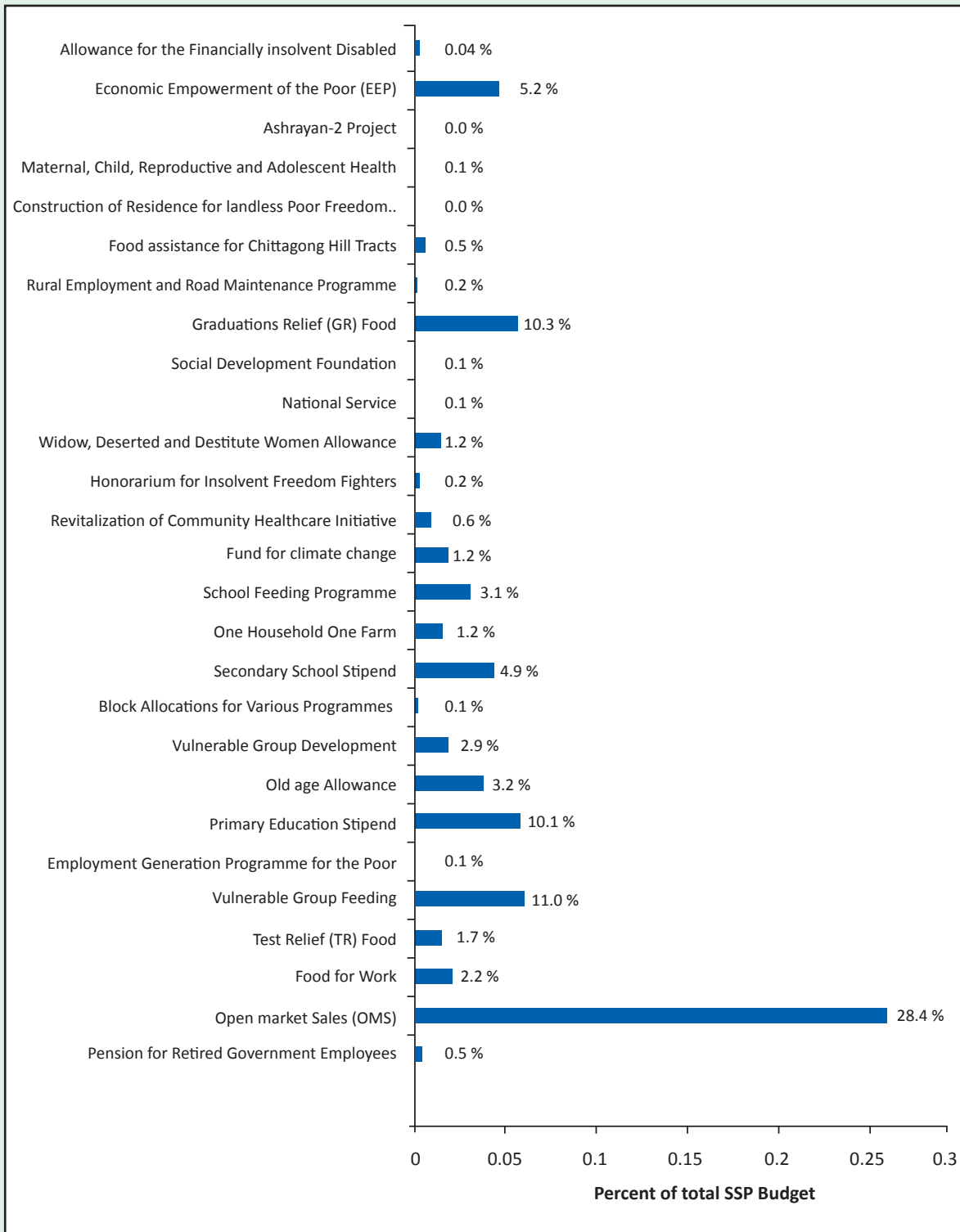
An important issue is the outreach of these programmes in terms of number of beneficiaries. Data from the Finance Division of the Ministry of Finance shows that the Tk. 306.4 billion allocated for the 145 Social Security programmes in FY 2014-15 are being distributed to some 80.8 million beneficiaries. This, however, is a gross figure in the sense that it counts each beneficiary of a programme as one individual whereas it is most likely that an individual benefits from multiple schemes. The HIES 2010 suggests that some 24.5 percent of the total households benefited from at least one SSP. This yields a gross beneficiary count of 37 million for 2010, which is significantly lower. There are some good reasons why the HIES numbers might be different from the Finance Division numbers. These include the three year lag between HIES 2010 and FY 2013 data, the possible under-reporting in the HIES by beneficiary household, and the exclusion of programmes from the HIES data. Even so, the discrepancy appears large enough to merit a serious effort to reconcile the two data sources to the extent that is practicable. This is indicative of the need to have a strong Management Information System (MIS).

Figure 1.6: Distribution of Major Social Security Programmes (SSP) (% of FY13 SSP Budget)



Source: Finance Division

Figure 1.7: Distribution of Beneficiaries by Major Programmes



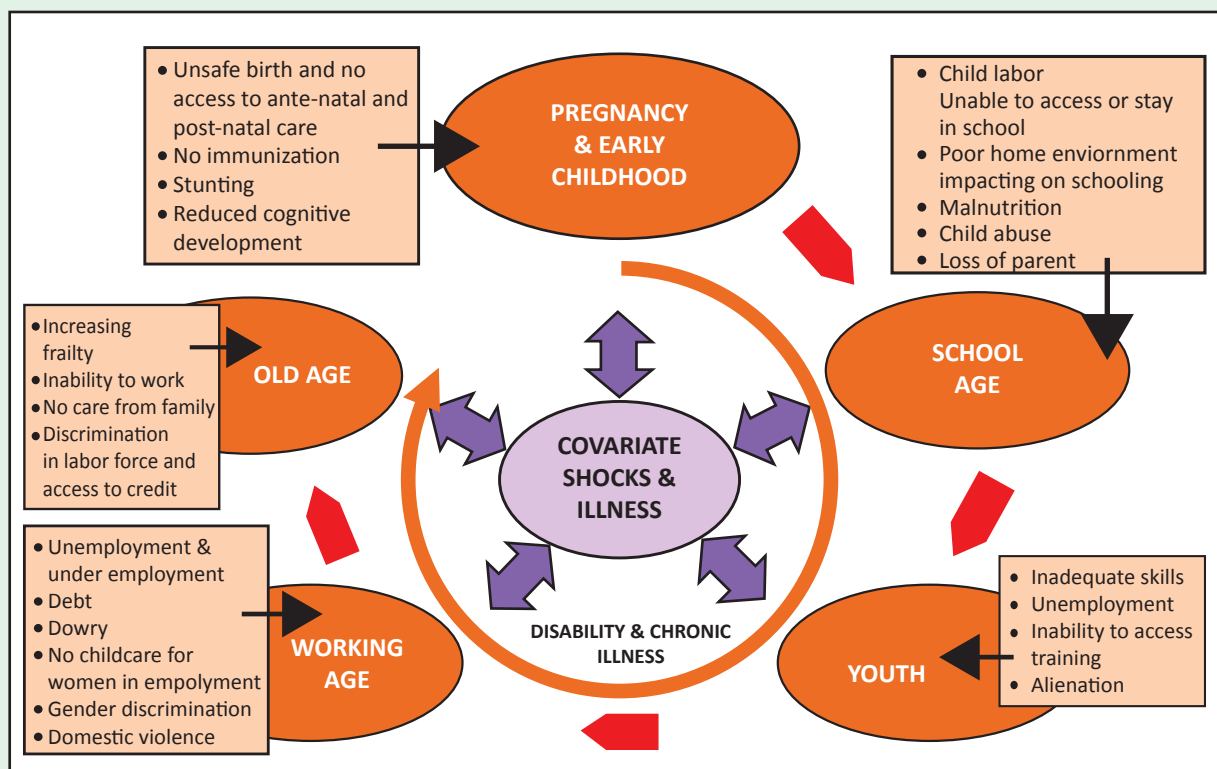
Source: Finance Division

The distribution of beneficiaries by major programmes is shown in Figure 1.7. Some 6 programmes account for 70 percent of the beneficiaries. The largest scheme is the Open Market Sales (OMS) accounting for 28 percent of total beneficiaries. This is followed by the Vulnerable Group Feeding Programme (11 percent of total beneficiaries), the Gratuitous Relief Food Programme (10.3 percent), the Primary School Stipend Programme (10.1 percent), the Economic Empowerment of the Poor

Programme (5.2 percent) and the Secondary School Stipend Programme (4.9 percent). However, in terms of budget share these programmes account for only 21 percent of total SSP budget. The government pension programme, which accounts for over 24 percent of the national SSP budget, reaches only 0.5 percent of total SSP beneficiaries.

A more strategic and analytically elegant way of looking at the structure of the current programmes is to classify them in the context of a life cycle framework. The poor and vulnerable population faces shocks and challenges at different stages of the life cycle (Figure 1.8). Some of the underlying risks if not addressed on time could have life-lasting negative impacts. For example the special health care need faced by a mother during pregnancy and delivery or child care needs during infancy (age 0-2) if not managed well could easily jeopardize the infant’s well-being for the entire life span. Similarly, the vulnerabilities faced by a poor old person (age 60 plus) are much more challenging than those faced by a poor person during the working age cycle. A Social Security system that recognizes these differences in risks at different stages of the life cycle and seeks to address them will likely provide a more effective support system than one that does not specifically responds to the needs of the life cycle related risks.

Figure 1.8: Life Cycle Risks



It is, therefore, not surprising that the Social Security systems of most countries gradually evolve to address the risks and challenges across the lifecycle. In essence, countries shape their Social Security systems to provide support to various demographic groups, although most countries also have a small safety net for those who fall through the gaps or need additional support. To a large extent, the lifecycle approach underpins the Social Protection Floor (SPF) that has been endorsed by the United Nations and its member countries, including Bangladesh.

The analysis of Chapter 2 shows that many existing social programmes of Bangladesh fit in the life cycle framework even though this was not used explicitly as a strategic consideration. But the analysis also shows there are major concerns. Much of the Social Security budget is spent on government pensions and general purpose food distribution schemes. Programmes to mitigate pregnancy and early childhood risks and disability are remarkably limited in both beneficiary coverage as well as financing. The average benefit of the old-age allowance programme (excluding government pension) is very low and lots of poor old-age people are excluded. The disability benefits and vulnerable women’s programmes similarly suffer from low coverage and low average benefits.

1.5 Effects of Social Security Programmes on Poverty

The 2.0 percent of GDP being spent by Bangladesh on Social Security represents a substantial amount of resources in an environment of a tight budget situation. It is therefore imperative that the allocated financing achieves good results. At the national level the impact of the SSP spending can be assessed by a number of indicators. Three important indicators include the reduction of hunger, the impact on poverty and the impact in lowering the depth of poverty (the poverty gap).

One major achievement of Bangladesh is the sharp reduction in the incidence of hunger based poverty in Bangladesh. The 2012 Report on the progress with the Millennium Development Goals (MDG) shows that the percent of hungry people in total population has fallen from 34.6 percent in 1990 to 16.8 percent in 2012. In terms of absolute numbers, the total number of people suffering from hunger has fallen from 37 million to 25 million over the same period. This is no mean achievement and a combination of good agricultural progress, especially in the area of food-grain production, along with a strong food security focus of the Social Security strategy since 1975 has contributed to this.

The impact of SSPs on poverty reduction is shown in Table 1.2. It is important to note that the simulation results are done in the context of the HIES 2010 data and use the 30 Social Security programmes reported in the HIES 2010. These 30 schemes are a subset of the 145 Social Security programmes.

The first row reports the results from the HIES 2010. This is used as the baseline to measure the impact of SSP spending. The second row reports the simulated poverty impact in the absence of any SSP transfers. In the absence of SSP spending the poverty rate would have been about 33 percent, which is 1.5 percentage points higher. The depth of poverty would also have been higher. The impact on extreme poor is somewhat smaller compared to the estimated impacts on the poor due to the inadequacy of the transfer amount in relation to the need of the extreme poor. While this result is comforting in that the SSP spending has helped lower poverty and its depth, it does not indicate how efficiently the money was being spent. To get a measure of that, results of two additional simulations are reported in Table 1.2.

Table 1.2: Poverty Impact of Social Security Programmes (SSP) Spending

Simulations	Poverty rate (HCI)	Poverty Gap	Depth of Poverty (Poverty Gap/Poverty Rate)
Against Upper Poverty Line			
HIES 2010 Outcome	31.5	6.5	20.6
Outcome without SSP	33	7.4	22.4
Outcome with SSP benefits concentrated on the extreme poor	32	5.8	18.1
Outcome with SSP benefits targeted to the poor	29	6	20.7
Against Lower Poverty Line			
HIES 2010 Outcome	17.6	3.1	17.6
Outcome without SSP	19.1	4.1	21.5
Outcome with SSP benefits concentrated on the extreme poor	13.5	2.2	16.3

Source: Simulation based on HIES 2010, Bangladesh Bureau of Statistics

Row three of Table 1.2 simulates the poverty impact if it were possible that all SSP spending reported in 2010 was targeted perfectly to the extreme poor. In this case, the poverty impact in terms of reduction of the head count index based on the upper poverty line would have been negligible but there would have been a significant reduction in the incidence of extreme poverty (based on the lower poverty line)

and in the depth of poverty. This result suggests that even with perfect targeting, while the per capita resource transfer to the extreme poor would have lifted many from extreme poverty, the transfer amount would not have been adequate to lift them over the upper poverty line.

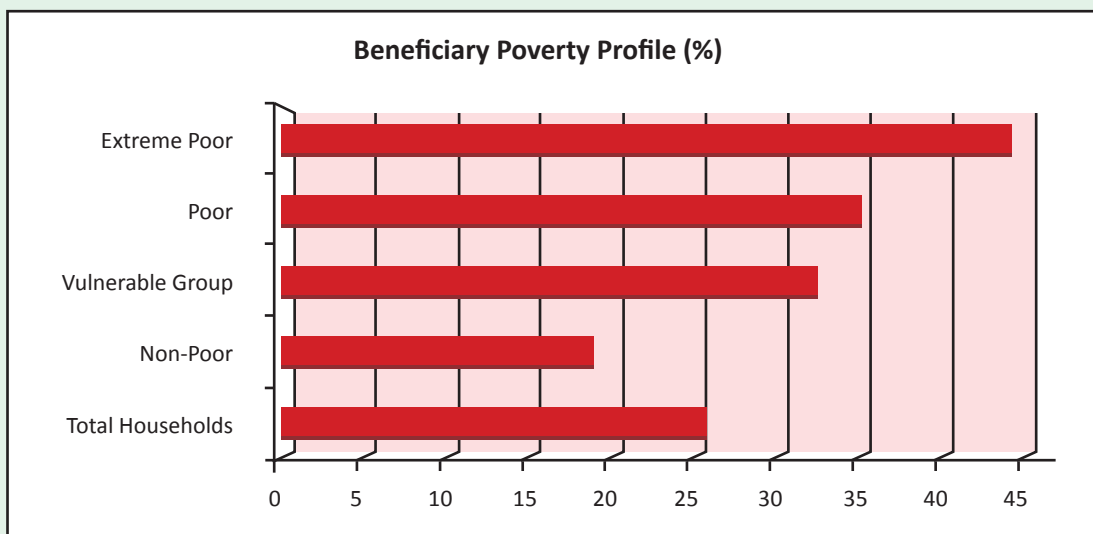
In Row 4 the simulation shows the result of perfect targeting to the poor group based on the upper poverty line. The impact on poverty reduction would have been significantly better; the incidence of poverty would have been reduced to 29 percent, which is 2.5 percentage points lower than in the base case (HIES 2010).

These simulations are indicative of the inefficiencies of the present system of distribution of the benefits of the SSP in regards to the poor. While it is recognized that a perfect targeting is not a practicable proposition, especially in the context of a developing country like Bangladesh, the performance gap in term of poverty reduction impact is significant enough to suggest that a more efficient system that seeks to address the various programmatic and administrative issues will help achieve better results. The simulation results are based on actual HIES 2010 SS programmes. With improved programme design and better implementation, the poverty impact of SSPs will be even better.

Some additional insights can be gained by looking at the poverty profile of the present SSP beneficiaries using the HIES 2010 results. This is illustrated in Figure 1.9. In 2010 of the 24.5 percent households who reported benefitting from at least one of the 30 SSPs covered in the HIES, some 34 percent were extreme poor and 43 percent were extreme poor. Some 32 percent belonged to the vulnerable group and 18 percent were non-poor. On the whole, the distribution of beneficiaries appears progressive.

From the Social Security strategy point of view, a more pertinent question is how much of the poor and vulnerable population is covered by the Social Security net. This is a critical question since the main objective of an efficient Social Security system is to reduce poverty and help the poor and vulnerable to cope with risks. As Figure 1.9 shows that some 57 percent of the extreme poor and 66 percent of the poor households do not have access to any Social Security programme. If the target is broadened to include the vulnerable population, the exclusion share of households increases to 69 percent. When this result is combined with the low average benefit provided by most large programmes, the challenge for the Social Security agenda moving forward is substantial.

Figure 1.9: Social Security (SS) Beneficiary Poverty Profile 2010



Source: Simulation based on HIES 2010, Bangladesh Bureau of Statistics

Another important policy question is the coverage of the SSPs by location aspects. Evidence shows that by and large the present SSP system is focused mostly on the rural poor. Thus, the 2010 HIES shows that the percent of rural households covered by different Social Security programmes was 30.12 as compared with only 9.42 percent for urban households. The rural-urban gap remains for all Divisions. However, one positive aspect of the spatial dimension is that the coverage of SSPs is higher for the poorer divisions of Rangpur, Barisal and Khulna as compared with Dhaka, Chittagong and Sylhet Divisions.

1.6 Issues and Challenges for the National Social Security Strategy

The above brief review of the present Social Security System (SSS) suggests a number of important issues and challenges that will need to be addressed in designing the proposed NSSS. These are summarized in bullet form:

- The Social Security System (SSS) is an important element of the Government's strategy to fight hunger and poverty. Evidence suggests that this has been very helpful for fighting hunger and has also helped lower poverty.
- The multitude of programmes (145), most of which are very small both in terms of resources they provide and the number of beneficiaries they cover, and the number of Ministries/Divisions (23) involved in administering these schemes suggest that this fragmented system is not an efficient way to proceed. Consolidation of the programmes to a manageable few and implementing them in a coordinated way based on a strong management information system (MIS) would yield significant efficiency gains by lowering administrative costs and reducing leakages.
- A more strategic review of programmes by life cycle shows that although some 65 percent of the Social Security programmes are seeking to address life-cycle related risks, there are serious gaps. Thus, programmes for addressing pregnancy and early childhood and old age risks have low coverage and low-levels of funding (excluding the Government service pensions). Similarly, programmes for addressing the disability challenges are very small.
- Bangladesh is going to face new challenges such as an ageing population, a breakdown in traditional care practices (especially among some of the poorest), increasing migration from rural areas and growing urbanization. The Social Security system needs to be able to adapt to address these new challenges.
- There is a dominance of food-security related and rural employment programmes in terms of beneficiary participation as well as funding. With rapid GDP growth over the past 10 years along with good agricultural performance the incidence of hunger and food poverty is being reduced substantially. There is also evidence that labour market in agriculture is tightening as reflected in growing agricultural real wages. In view of this changing economic landscape, nature of poverty and the risk profile is also changing, with remaining pockets of poverty, e.g. char, haor, coastal belt, hill districts etc., that cannot reap the benefits of the country's economic progress, this requires a careful review of the adequacy of the present SSS to meet the Social Security requirements of the population of Bangladesh in the 21st Century.
- Much of the SSS is focused on addressing the risks faced by the rural poor. With the evolving economic transformation in Bangladesh where both the GDP and employment share of the rural economy is declining and the urban economy is growing with an increasing concentration of poor and vulnerable population in the urban slums, the SSS needs to strategically anticipate these changing economic and social dynamics and develop programmes that address the risks faced by the poor and the vulnerable irrespective of location of residence.

- It has to be recognized that there are different characteristics of urban and rural poverty. Also, the face of urban poverty may differ across the urban spectrum – from mega-cities to secondary towns. While an overwhelming majority of the rural poor are employed in the informal sector, the urban poor are increasingly being employed in the formal sector, which brings labour market interventions designed to promote protection of workers and their integration into social protection to the fore. The typical targeting strategies that have worked so well in dealing with rural poverty may not work when it comes to dealing with the different kinds of vulnerabilities faced by the urban poor. While income poverty is much lower in urban areas, making the need for income generation social security less apparent, there are emerging vulnerabilities for the urban poor, related to social insecurity, tenancy rights, health, sanitation, nutrition, etc.
- Climate change poses new vulnerabilities to a land already burdened with disasters. Communities particularly at risk may include coastal population, population in the low-lying haor areas and urban settlements in vulnerable environments.
- Presently, the employment market is dominated by informal employment. Bangladesh is aspiring to become a middle income country by 2021. Already, the per capita income level has crossed US\$ 1,314 mark. As the economy grows and the share of modern manufacturing and organized services in both GDP and employment grows, the needs of the SSS will change dramatically. The SSS agenda for the middle income economy will be vastly different from the present agenda that is dominated by concerns of food security and rural employment. The approach to SSS will need to broaden to bring in social insurance and employment regulations issues. This debate is already happening in the context of the Readymade Garments (RMG) sector.
- In the context of a very tight budgetary envelope, the Government has done well to gradually enhance the budget allocated to SSPs. While this is a laudable effort, the very low coverage of the poor and vulnerable suggests that even with efficiency improvements in the use of funds the current level of funding may not be adequate for the Social Security needs of a middle income country. Identifying the financing needs of a well-designed SSS and possible financing options is an important challenge for NSSS moving forward.
- The simulations indicated that there was significant room for improving the effectiveness of present SSS in terms of poverty impact. In addition to consolidation and simplification of programmes noted earlier, a careful approach to programme design and beneficiary selection that aims to increase the participation of the poor and vulnerable and exclude the non-poor will be an important challenge for the new NSSS. A related issue is the adequacy of attention to marginalized and excluded groups such as vulnerable women (including widows and divorcees), people with disabilities, high risk groups including people living with HIV/AIDS, Backward People, homeless, displaced and street children.
- A major shortcoming of the present SSS is the absence of a monitoring and evaluation (M&E) system. There is no formal mechanism for reviewing the performance of the SSS either at the national level or by individual programmes. Special studies of the impact of a few programmes supported by donors have shown the value of doing regular M&E. The lack of a results-based M&E system is a part of the reason for the emergence of such large numbers of programmes. A results-based M&E can play an important role in helping the government strengthen and improve its SSS based on performance against specified quantitative targets and baseline.

1.7 The Way Forward

Clearly, the agenda for reforming the SSS is substantial. It is therefore opportune that the Government is rethinking the strategy for SSS in the context of a comprehensive NSSS. The agenda for the new NSSS should be guided by the lessons of experience with SSS in Bangladesh as well as knowledge from a review of good practice international experience.

Chapter 2 provides a detailed review of the poverty profile of Bangladesh and the various risks and uncertainties faced by the poor population in the context of the life cycle framework. It then maps the present schemes against this profile to get a comprehensive view of the adequacy of the present SSS. It also looks at the changing demographic profile of Bangladesh to throw additional light on how the distribution of the risks faced by the population will likely change over the medium to long term and draw the implications for NSSS.

While the NSSS will need to be grounded in the socio-political environment of Bangladesh, it can benefit substantially from looking at good practice examples of international experiences. Other countries are likely to have faced similar challenges and identifying these good practices and relating these options to the Bangladesh context can be very helpful. As such, Chapter 3 provides a review of good practice international experience with SSS drawing on examples from both developing and advanced economies.

Chapter 4 builds on the analysis of chapters 1-3 to develop a strategy for Social Security for Bangladesh. The strategy looks at the immediate challenges and also identifies the agenda for the longer-term. The short-term agenda is focused on reforming Bangladesh's SSS by ensuring more efficient and effective use of resources, greater consolidation of schemes, strengthened delivery systems and progress towards a more inclusive Social Security that effectively tackles life cycle risks, prioritizing initially the most vulnerable members of the society. The long-term agenda anticipates the changing socio-economic dynamics of Bangladesh as it moves to a middle income economy. It seeks to help build an inclusive Social Security system for all the people of Bangladesh that are effective in helping Government's efforts in tackling and preventing poverty and rising inequality, while contributing to broader human development, employment and economic growth.

A sound strategy must be financeable. In the expanded Social Security system, both public resources and private funding will be needed. Chapter 5 looks at the financing implications of the strategy articulated in Chapter 4 and identifies the financing role of the government and the private sector.

A good strategy must not only be financeable but also must be well implemented. Chapter 5 looks at the various implementation issues associated with the NSSS. It provides a broad review of existing implementation arrangements and identifies the specific gaps and concerns. It provides an analysis of the guiding principles that must underlie the implementation arrangements for the proper implementation of the proposed strategy.

A results-based M&E can be very helpful in helping implement the NSSS properly. By providing vital data on how well the programmes are being implemented and whether the programmes are achieving the expected results, the M&E can help refine and reform the various schemes of the NSSS. Chapter 7, which is the last chapter of the NSSS, therefore provides an outline of the elements of a good results-based M&E system at the national level and for individual programmes.

CHAPTER 2

Poverty Profile, Risks and Adequacy of Existing Social Security Interventions

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Poverty Profile, Risks and Adequacy of Existing Social Security Interventions

2.1 Introduction

Social Security systems are established, not only to tackle poverty, but to provide families with protection against the challenges, shocks and crises that make them susceptible to falling into or go deeper into poverty. Some crises can hit at any time, such as ill health or covariate shocks like natural disasters or economic recessions. Others are risks faced by individuals across the lifecycle, from birth to old age.

The Social Security systems of most countries gradually evolve to address the risks and challenges across the lifecycle. In essence, countries shape their Social Security systems to provide support to various demographic groups, although most countries also have a small safety net to address covariate risks or need additional support.

This Chapter looks in detail at the poverty profile and risks in a life cycle framework. It then analyses the present structure of Social Security programmes and reviews its adequacy in the context of changing socio-economic environment and demography.⁴

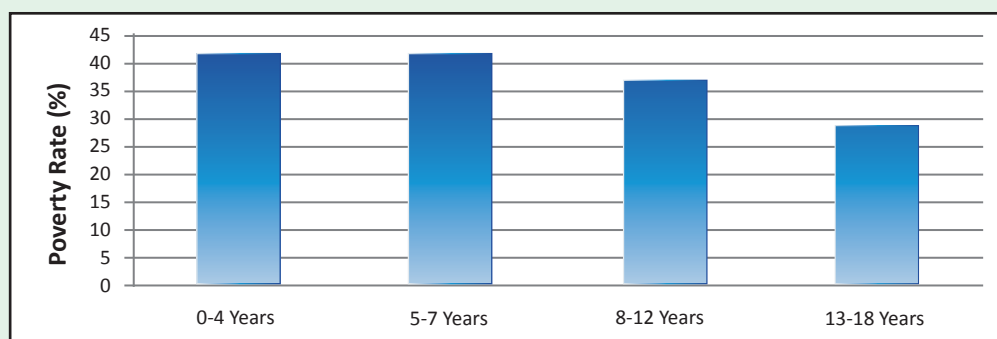
2.2 Understanding Poverty Profile from Life Cycle Perspective

The poverty profile of Bangladesh in the life cycle framework is discussed below:

2.2.1 Pregnancy and Early Childhood

Figure 2.1 indicates, poverty rates in 2010 in households with children aged 0-4 years are – at 41.7 percent – much higher than national poverty rates, indicating the challenges and additional expenses caused by having young children, in particular if mothers are unable to work. Indeed, some women – including many in the garment industry – have to give up work once they have children. When the near poor are included, around 57 percent of households with children aged 0-4 years could be regarded as poor or vulnerable to poverty.

Figure 2.1: Poverty Rates of Households with Children of Different Age Groups, 2010

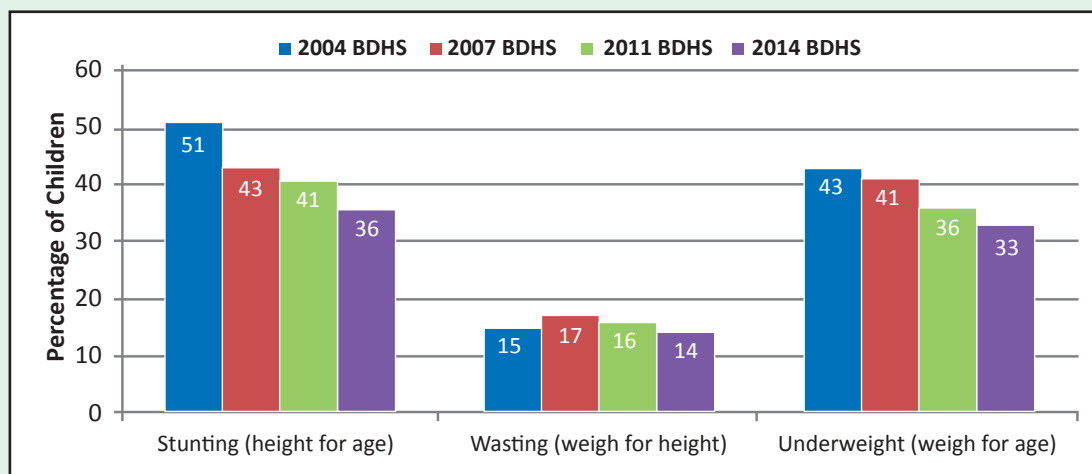


Source: HIES 2010, Bangladesh Bureau of Statistics

⁴ This Chapter is based on research reported in background papers 1, 2, 3, 5 and 8. The list of background papers is contained in Annex 1. The background papers contain more detailed analysis than is reported here and a list of all research used to support the analysis of this chapter.

Major risks faced by children at early stages of childhood are stunting and underweight owing to under-nutrition. Under-nutrition impacts on their cognitive development, affecting them throughout their whole lives. Figure 2.2 shows the progress on stunting and underweight children between 2004 and 2014. Stunting rates, estimated at 68 percent in 1990, fell to 36 percent in 2014. Despite this progress, it is evident that the challenge remains significant, especially in rural areas where stunting levels – at 38 percent – are significantly higher than in urban areas (at 31 percent).

Figure 2.2: Progress in Reducing Under-nutrition in Bangladesh (2004-14)



Source: Bangladesh Demographic and Health Survey 2014, NIPORT, Ministry of Health and Family Welfare

The causes of stunting are complex but there is a strong correlation between poverty reduction and improved nutrition, suggesting that higher incomes help reduce under-nutrition. The highest rates of stunting prevail among poor families. Low incomes are likely to impact negatively on nutrition because they restrict dietary options and increase the proportion of rice in the diet. As incomes rise and poverty falls, Bangladesh will likely continue to make progress in improving nutrition of young children.

2.2.2 School Age

As children grow, a major challenge they face is attending school. In recent years, school enrolment has increased. For example, school enrolment among poor children aged 6-10 years increased from 72 percent in 2005 to 78 percent in 2010, while among those aged 11-15 it increased from 54 percent to 70 percent. Enrolment among girls is higher than for boys in both age groups. The increase in enrolment is an encouraging trend but it is evident that much still needs to be done, in particular in upper primary and secondary schools.

While there is a range of reasons for children staying out of school, poverty is likely a significant cause. Although poverty rate is lower for higher age children (Figure 2.1) this is probably due to an increase in child labour among older children. Around 17.5 percent of children aged 5-17 years are child labourers, with 24 percent of boys and 10 percent of girls. Among older children, the proportion will be much higher. The majority of child labourers are from poorer households. The main reduction in child labourers since the mid-1990s has been among girls, which reflects the impact of the introduction of the Female Secondary Stipend programme and suggests that poverty does drive child labour and child marriages. It is also likely that some adolescent girls come under pressure to care for younger siblings and, as a result, leave school. The absence of childcare facilities means that if women want to return to work after giving birth they will have to find others to care for their children.

2.2.3 Young People

The main challenge faced by adolescents and young people is lack of skills. Many do not gain sufficient secondary education and there is not enough vocational training available to compensate.

More specifically, there is neither easy access to equivalent non-formal education programme to complete basic education nor skills development programmes to transition into. Indeed, businesses complain that insufficient skilled labour is a major impediment to growth, while also discouraging garment companies from locating outside Dhaka. However, providing vocational education alone is not the solution. In the long-term, it is probably more important to ensure that children and adolescents gain an adequate secondary education to prepare them for the labour market.

The reality for most adolescents and young people from poor families is that they end up among the ranks of the rural underemployed. If adolescents and young people do not gain the skills they need, there is a danger that Bangladesh will not fully realize the demographic dividend resulting from a growing labour force and low dependency ratios.

2.2.4 The Working Age Population

The challenge of underemployment faced by young people is reflected in the rest of the working age population. As indicated by the 2010 Labour Force Survey, while open unemployment rate is 4.1 percent, some 9 percent of the employed are working less than 20 hours per week. Bangladesh's great competitive advantage is its large pool of labour, yet this is currently underutilized. The challenges faced by the working age population are diverse. Many suffer from severe social and economic disadvantages that are extremely difficult to overcome. These include a lack of access to land or residence in areas – such as the western region or the Chars - where resources and/or markets are limited. Low levels of education and literacy compound their disadvantages. Many – indeed a third of the labour force – have no option but to engage in low-paid daily wage labour, mainly in the agricultural sector, with many living in absolute poverty. Without assistance from Social Security, these families will be unable to break out of the intergenerational cycle of poverty.

Working women face additional disadvantages due to gender discrimination. Female labour force participation is low – at 36 percent – compared to 83 percent for men. This may reflect traditional attitudes to women and their weak bargaining power within households. Wages for female workers are also low, and they can earn up to 60 percent less than men for the same work. The ability of adolescent girls and young women to enter and remain in the labour force is constrained by these factors and also childcare responsibilities, which may help explain the high levels of poverty among families with young children. Although women are finding significant employment in garment factories, many have to leave once they give birth.

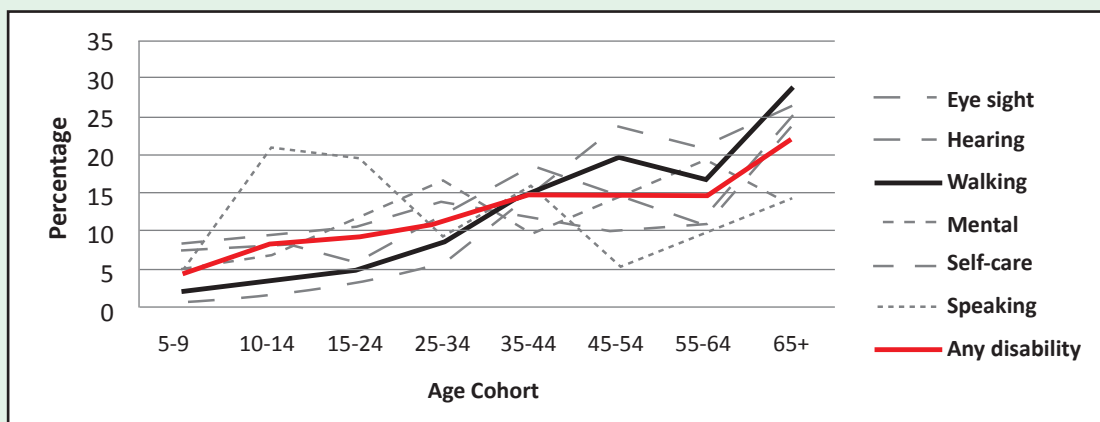
An inadequate Social Security system means that families with children also have to provide care and support to those elderly people and people with disabilities who are in need of assistance. In effect, this is an informal tax on working families that limits their ability to invest in productive activities while reducing the support they can give to their own children. In other developing countries, old age pensions and disability benefits paid at reasonable levels are able to reduce demands on families with children, with significant benefits for working families.

Family wellbeing can deteriorate significantly if breadwinners suffer shocks, in particular illness. Health shocks are the most common challenge faced by households. Studies have suggested that 90 percent of households identified poor health as the main cause of economic difficulties. Around two-thirds of treatment costs relate to out-of-pocket expenditure.

2.2.5 Disability

Disability can occur at any stage of life. Around 8.9 percent of the population – 8 percent of males and 9.3 percent of females – has some form of disability, although those who could be regarded as severely disabled comprise 1.5 percent.⁵ As Figure 2.3 indicates, disability prevalence varies over the lifecycle, with a significant increase from around age 50. By far the highest rates of disability are among older people. Prevalence is also higher among women than among men. A significant proportion of households – 31 percent – have a disabled member, while 6.3 percent have someone with a severe disability.

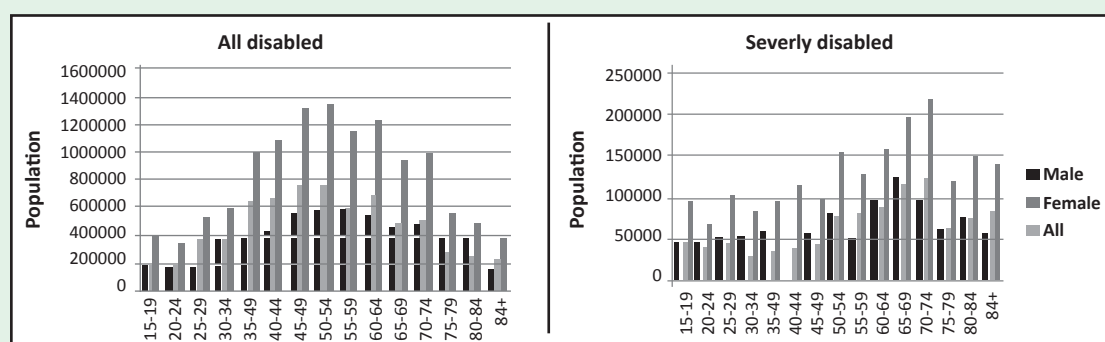
Figure 2.3: Incidence of Disability in Bangladesh by Age Cohort (2010)



Source: HIES 2010, Bangladesh Bureau of Statistics

However, the numbers of people with disabilities in each age group shows a different pattern, as seen in Figure 2.4. The highest numbers of disabled people are among those aged between 40 and 65 years, at an age when they would hope to engage actively in the labour market. Indeed the number of people with disabilities increases by 300 percent between ages 20-25 years and 50-54 years, with women significantly more affected. However, the number of severely disabled people is highest among the elderly aged between 60 and 75 years.

Figure 2.4: Numbers of People with a Disability in Each Age Group

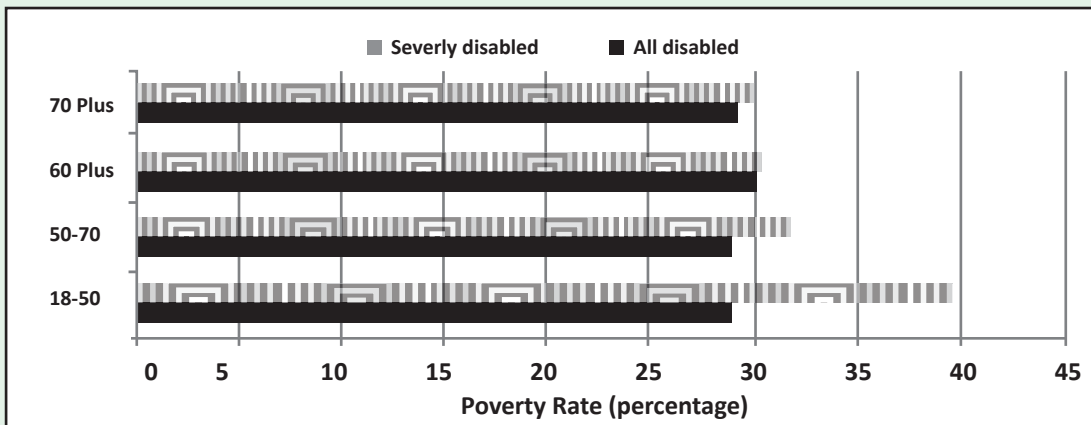


Source: HIES 2010, Bangladesh Bureau of Statistics

The poverty rate of households with disabled members is similar to the national poverty rate, at 31.5 percent, but the poverty rate of households with a severely disabled member is higher – at 34.7 percent – suggesting that disability can place a greater burden on households. Furthermore, poverty rates vary between different age groups from among the severely disabled (Figure 2.5). It is evident that if a working age adult is disabled, it has a significant impact on the household. Indeed, the poverty rate for this group reaches almost 40 percent.

⁵ According to the World Disability Report 2011 by the World Bank and WHO reported that approximately 15% of the world's population has a disability, with this rate being closer to 20% in the poorest areas of developing countries. The report also indicates that many disability surveys underestimate prevalence.

Figure 2.5: Poverty Rates of Households with People with Disabilities, by Age Group



Source: HIES 2010, Bangladesh Bureau of Statistics

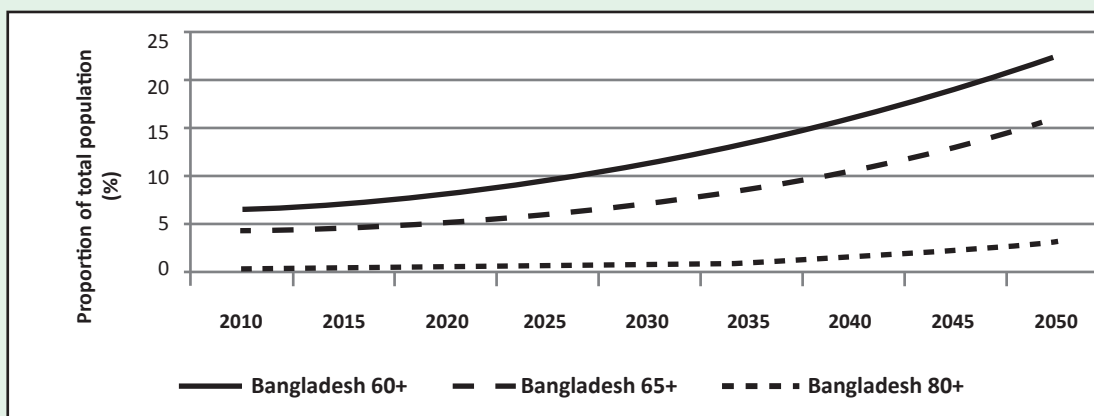
Becoming disabled during working age has significant repercussions for families. Research suggests that 87 percent of those becoming disabled left employment within one year. As people lose employment, their incomes are slashed. Furthermore, 90 percent of care takers – mainly their wives – had to spend more time caring for their husbands, thereby reducing their own ability to gain an income. Around 26 percent had to forgo 15 hours work a week to care for their husbands and 28 percent gave up 26 hours. The income loss can be considerable and they also face significant additional health costs.

2.2.6 Old Age

Demographic changes underway in Bangladesh mean that the population is gradually ageing. Currently, around 7 percent of the population is over 60 years and, as Figure 2.6 indicates, this will increase significantly in the coming decades, reaching almost 12 percent by 2030 and 23 percent by 2050.

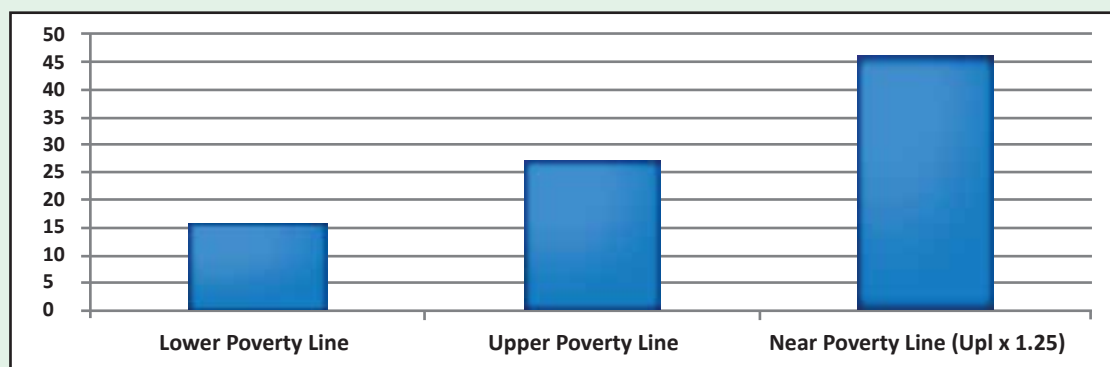
Figure 2.7 and 2.8 capture the poverty profiles of the older people in Bangladesh. According to HIES 2010 some 28.2 percent of people aged over 60 are found below the poverty line. However, when the vulnerable population is considered (1.25 x UPL), there is a substantial increase in the proportion of older people considered poor and vulnerable (Figure 2.7). This highlights that many older people are bunched close to the poverty line, and therefore are vulnerable to falling into poverty in the event of a shock to their own livelihood, or to that of a member of their network.

Figure 2.6: Proportion of Population Aged 60 Years and Above



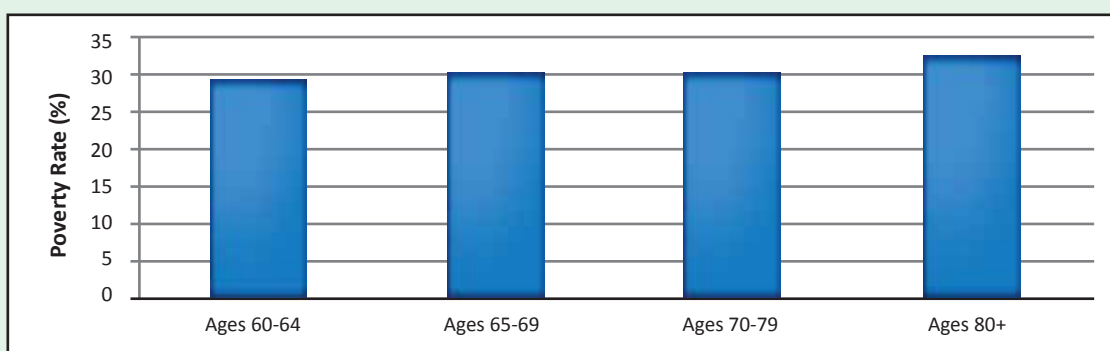
Source: World Population Prospects: The 2012 Revision, Department of Economic and Social Affairs of the United Nations Secretariat, UN Population Division

Figure 2.7: Proportion of Older Populations Vulnerable to Poverty



Source: HIES 2010, Bangladesh Bureau of Statistics

Figure 2.8: Poverty Rates among Different Older Age Groups



Source: HIES 2010, Bangladesh Bureau of Statistics

Figure 2.8 suggests that poverty rates increase with ageing. In the absence of an effective old age pension system – many older people in Bangladesh continue to work, but often with insecure and vulnerable livelihoods. Older people can face discrimination in the labour market. Indeed, older people are often denied access to micro-credit. One survey found that only 19 percent of older people were able to access credit, compared to an average adult participation rate among Bangladesh’s poor of 45 percent. As the elderly become increasingly frail and disabled, work becomes less of an option, while costs – in particular for health care – can rise, which may explain why poverty rates increase as older people age, in particular for those above 80 years. They become more dependent on their children for support, which, if not forthcoming, can place them in a very disadvantageous position. Given the changing age structure of the population and increasing proportions of the population that will be living with older people this could undermine future achievements in poverty reduction.

2.3 Understanding Poverty Profile of Specific Groups

Some additional insights on the needs of Social Security can obtain from a review of the poverty profile of special groups based on location or specific social-economic characteristics emerging from religion, ethnicity, illness and profession.

2.3.1 Urban Poor

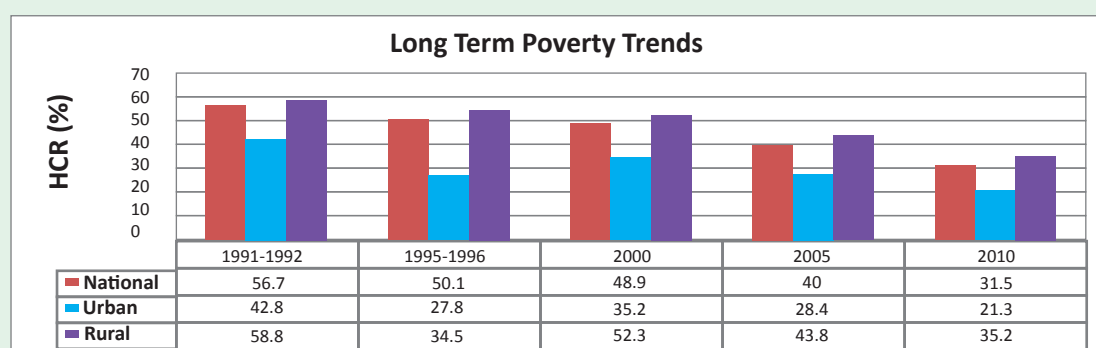
The rapid rise in urban population is now a global phenomenon. The UN estimates that 57 percent of the population of Least Developed Countries (LDCs) will be living in urban areas by 2025. Amongst these countries, Bangladesh experiences one of the highest rates of urbanization with the urban population

doubling from around 21 million in 1990 to 43 million in 2010. Rapid urbanization has, therefore, serious implications for urban poverty trends and patterns.

In Bangladesh, over the last twenty years, the rural poverty headcount declined continuously, albeit with different rates, but the trends in urban poverty incidence has not been uniform (Figure 2.9). It registered a sharp decline from 1991-92 to 1995-96 but then increased in 2000. Since then, urban poverty has continued to decline. Overall, between 1991-92- 2010, urban poverty rate fell from 42.7 percent to 21.3 percent. Yet, the fluctuating poverty rates are symptomatic of their vulnerability to shocks.

Research shows that the condition of life of the urban poor is normally worse than those of rural poor. Urban poverty is often associated with such factors as being wage labourers; low-paid informal sector workers; having lack of access to housing, basic utility services, education and health services; being subject to violence; experiencing food insecurity and malnutrition; being voiceless and powerless; having weak social network; and so on. Apart from adequate livelihoods and living environment, physical and psycho-social security is also important for the urban poor in order to protect their social assets.

Figure 2.9: Trend of Urban, Rural and National Poverty (1991 - 2010)



Source: HES1991-92 and HIES, various years, Bangladesh Bureau of Statistics

2.3.2 Socially Excluded People

There are various forms of social exclusion which include exclusion from participation in decision-making and political processes, exclusion from the access to employment and material resources, and exclusion from integration into common cultural processes. All these exclusions, when combined, create acute forms of exclusion that find a spatial manifestation in particular neighbourhoods and this involves discrimination against individuals and groups based on one or many different social attributes or elements of social identity. Such discrimination can occur as the result of formal or informal activities of the state as well as institutions and organizations in the private sector (including families, villages, and community associations).

As a condition or an outcome, social exclusion is a state where excluded individuals or groups are unable to participate fully in their society. Factors include the following: (a) Social identity, such as race, ethnicity, caste, religion, gender and age; (b) Social location, such as remote areas, stigmatized areas, war or conflict areas; (c) Social status, including the health situation (disability, illness of HIV/AIDS and other stigmatizing diseases), migrant status (including refugees), occupation and level of education.

The socially excluded population includes the Backward People, tea garden workers, bede (river gypsies) people living with HIV/AIDS, people with disabilities, transgender, homeless, beggars, etc. A common form of exclusion for these groups is exclusion from wider social (support) networks, which can be essential in areas where state services are lacking. The impact of this exclusion is felt both in terms of economic disadvantage and loss of moral support. Other common manifestations of exclusion are: unequal access to employment opportunities, unequal access to formal services such as health and water and sanitation, and landlessness, which are often cited as particularly damaging form of discriminations.

Ethnic Communities: Relative to the total population, Bangladesh has a fairly small ethnic population. According to the Population Census 2011, more than 1.5 million ethnic people live in several districts of Bangladesh, which is 1.1 percent of the population in Bangladesh. There are approximately forty-five ethnic minority communities living both in the hill regions and in the plain lands. About one third is in the Chittagong Hill Tracts but other areas in which these communities live include Chittagong, greater Mymensingh, greater Rajshahi, greater Sylhet, Patuakhali and Barguna. Chakma, Garo, Manipuri, Marma, Munda, Oraon, Santal, Khasi, Kuki, Tripura, Mro, Hajong and Rakhain are some of the well-known ethnic minority communities of Bangladesh. The people of ethnic communities in Bangladesh belong to mainly three religions: Buddhists (43.7 percent), Hindus (24.1 percent) Christians (13.2 percent) and others 19 percent.

Research suggests that the Chittagong Hill Tracts (CHT) is one of the most disadvantaged and vulnerable regions in the country. Only 7.8 percent of all CHT people completed primary education and 2.4 percent completed secondary education. 'Food Poverty' is widespread in CHT. Most people of ethnic communities in CHT are not secured in relation to availability of food during most time in a year; Ashar (June-July) and Sravan (July-Aug) being the worse months. The prevalence of absolute poor and hardcore poor among people of ethnic communities are 65 percent and 44 percent respectively. Households living below lower and upper poverty lines are 78 percent and 89 percent respectively among people of ethnic communities. Households below lower poverty line range between 100 percent for Lushai and 71 percent for Chakma, and households below upper poverty line range between 100 percent for Lushai and 84 percent for Chakma.

Backward People: In the context of traditional Hindu society, backward status has often been historically associated mainly with occupations regarded as impure. People involved in professions like sweeper/ janitors, people who work at the morgue, butchers etc. traditionally formed the bulk of the backward class. Backward People in Bangladesh are referred to professions which are considered impure such as sweeping, sewerage, cleaning, tea garden labouring, burying of dead bodies, processing of mustard oil, gardening, shoe and leather work, drum beating, washing, etc. Social boycott and forced labour are often imposed on Backward People as a means to control and exploit their labour. There is no census based data; however some estimates suggest that there are almost 4.5 - 5.5 million Backward People in Bangladesh.

Research suggests that economic disparity is not the only problem faced by these marginalized groups. The types of challenges they face include: (1) untouchability and hatred (2) social exclusion (3) lack of dignity (4) estrangement from livelihood (5) forced eviction from land (6) insecurity within family and society (7) ignorance and lack of information (8) environmental disaster (9) lack of access to legal aid services (10) lack of access to government services.

People Living with HIV/AIDS: The numbers of detected HIV-infections and AIDS-deaths are growing steadily in Bangladesh. In 2011, 445 new HIV infections were detected adding up to a total of 2,533 detected cases in the country over time. Furthermore, 251 patients developed AIDS and 84 died during 2011, raising the cumulative numbers to 1,101 and 325 respectively. The true number of PLHIV in Bangladesh is difficult to assess as representative testing of the general population is almost impossible to perform at such low prevalence. The latest official data from August 2012 estimates the total number of adults and children living with HIV in Bangladesh to 7,700 (4,900-16,000). Prevalence estimates suggest that HIV/AIDS remains at less than 1 percent amongst most at-risk populations.

Bangladesh has had some success according to the different indicators: the HIV prevalence remains low, under 0.1 percent in the general population, but the number of reported infections continues to increase. Regarding condom use at high-risk sex, there is a significant improvement from 6.3 percent in 1990 to 44-67 percent in 2010.

Poverty is an overwhelming issue; a large proportion of the people living with HIV are migrants who have returned home; many people living with HIV are unemployed who had jobs before but don't have jobs now, many have gone back to their rural homes due to low level of education, skill and

unemployment. If people living with HIV are food insecure, then they alarmingly lose the desired good outcomes of quality HIV treatment and care. Food insecurity among people living with HIV worsens viral suppression and lowers CD4 count, thereby, exacerbating HIV related morbidity and mortality.

HIV affected people generally tend to be socially excluded because the illness is considered as a social stigma. In addition, infected/affected women and children are deprived from property after the death of their husband/father. They are also often denied justice against violence, which increases their vulnerability. AIDS orphans are victimized for HIV status of their parents. The major hindrances that hamper people living with HIV in filing complaints include fear of disclosure and discrimination, sexual and gender based violence, financial constraint, and lack of access to free legal services.

Widowed and Distressed Women: According to available data from the Bangladesh Bureau of Statistics, widowed, divorced and abandoned women constitute about 11.3 percent of total married women in the country. In the eyes of society, a widow is often treated as a burden and is therefore neglected; a widow is seen to have lost their honour in the family and society, particularly in the poor community. The widowed women do not have freedom of choice, which is one of the basic requirements of empowerment. Particularly in the rural areas most of the rural women of Bangladesh are basically housewives and their husbands are the only earning members of their families.

Becoming widowed has not only adverse economic consequences but it has also adverse social and psychological impacts. Among the destitute women those who are divorced or old and have minor children are most exposed to uncertainties. In the rural areas of Bangladesh, in the poverty stricken households, old people, especially old women, are treated as a burden on the family and some are even forced to move out to the streets for begging. Family support is often absent because children cannot earn enough to maintain themselves.

2.4 Coping with Risks: Idiosyncratic and Covariate Risks and Shocks

Households in Bangladesh face multiple idiosyncratic shocks that are household specific, such as health shocks (illness/injury), loss of employment and loss of assets. They also face a number of covariate or community level shocks such as natural disaster, epidemics, domestic political crisis and global recession. More than half of all households of Bangladesh were affected by shocks during 1997-2006/07 periods. Health related shocks invariably come out as the most frequent shocks in all studies (reported by 24-44 percent of households). Other frequent shocks are death of poultry and livestock (21 percent), environmental and climate induced shocks (15-18 percent) and wedding dowry related expenditure shocks (some studies indicate up to 23 percent).⁶

The biggest covariate shock emerges from the frequency of natural disasters that occurs almost on a yearly/bi-yearly cycle. The geographical setting of Bangladesh makes the country vulnerable to natural disasters.

The consequences of shocks for households and their ability to cope with shocks depend on the nature of the shock, frequency and intensity of shock and households' initial characteristics. With regard to nature of the shock evidence shows that shocks that affect individuals or households have different consequences compared to shocks that occur at the community level, i.e., covariate shocks. Shocks have stronger adverse effects on households with lower endowments in terms of education, ownership of land and ownership of assets.

When shocks hit households they develop strategies to cope with shocks and their consequences. Use of savings is the most important mechanism to cope with shock; about 34 percent households report use of this mechanism. A higher proportion of non-poor households use savings, low interest loans, deplete assets/sell products at lower price and reduce consumption of non-essential products to cope

⁶ Santos et al: "How Do the Poor Cope with Shocks in Bangladesh?" (2011) and Osmani & Ahmed: "Vulnerability to Shocks and Coping Strategies in Rural Bangladesh" (2013)

with shocks. In contrast, a higher proportion of poor households use reduction in essential consumption, help from friends, and high interest loans to cope shocks. Use of high interest loans by a higher proportion of poor households indicates their desperate situation.

2.4.1 Seasonal Poverty

Seasonal variation in income, consumption, and poverty has been a recurrent phenomenon in the rural areas of Bangladesh generated by production cycles of three major rice crops. Rapid increases in production of Boro rice, expansion of non-crop agriculture and rural non-farm activities and seasonal migration have helped smooth income and consumption in many areas of the country. Yet, there are still some areas, notably in Rangpur Division, where pronounced seasonal fluctuation still persists.

This seasonal phenomenon, which lasts about 3 months, from September to November, precedes the Aman harvest. Seasonal hunger arising from agricultural seasonality is often intensified by crop failure, poor harvest, and extreme weather conditions. In addition to agricultural seasonality, the underlying differences in agro-climate and ecological endowments, as well as local economic diversity found in the Rangpur region also influence the seasonality of income and consumption. Seasonal unemployment is also faced by fishermen communities, due to seasonal variation in the availability of fish, bad weather and a 2-month ban on the catch on young hilsha fish.

2.4.2 Food Price Shocks

Annual fluctuations in food prices especially price of the main food-grain rice, is generated by harvest failure and a common phenomenon in the country. It reaches crisis proportion if domestic harvest failure coincides with supply shortage in the world market. In the recent past there was sharp increase in world food price during the first quarter of 2008 and during the period from mid-2010 to early 2012. Between 2005 and 2008 rice prices increased by 25 percent, wheat prices by 70 percent and maize prices by 80 percent. Sudden food price hike as observed in the first quarter of 2008 has important implication for livelihoods and welfare in Bangladesh because Bangladesh is a net importer of food and food absorbs a large proportion of household expenditure. For example, rice accounts for 40 percent (23 percent) of total consumption of households at the bottom (top) quintiles.

Different households are affected differently over different periods. In the short term the poor who spend most of their income on food are more severely affected. In the medium term when wages are adjusted to increased food prices households along the wealth distribution are equally affected. In the long term when prices have spill-over effects on other sectors households in the higher income group are affected more than the poor as the former group consumes a larger proportion of service output.

2.4.3 Economic Recession

Textbook case of economic recession as part of a business cycle is rare in Bangladesh because of its economic characteristics. However, as Bangladesh becomes more industrialized and gets more integrated with the global economy, the impact of a global downturn on Bangladesh economy could be serious that would likely hurt the poor. In this regard, Bangladesh can learn from the experience of East Asian economies, which faced a number of crises, including the East Asian financial and economic crisis of 1997-98 and the Global Financial Crisis of 2008-09. Typically, unemployment tends to rise and real wages fall during these recessionary episodes.

2.5 Mapping of Existing Social Security Interventions against Life Cycle Risks

Bangladesh began its journey as an independent nation in 1971 with an extraordinarily bleak prognosis. Poverty rate hovered around 70 percent. Yet forty odd years later, Bangladesh has succeeded in forging an entirely different script. The report card speaks for itself. Poverty is down to 23.6 percent in 2015. Until a bigger flood engulfed the whole country in the early 90's, the institutional capacity of the state through safety net instruments such as VGF cards and epidemic preventing innovations such as ORS had progressed to such an extent as to enable the rural economy to rebound in a matter of weeks with

negligible casualties. An extensive system of safety net programmes has virtually eliminated post-disaster secondary cycles of death and hunger. Indeed, a country whose abiding imagery had been that of being at the mercy of disasters is nowadays being held up as a disaster-management role model on the global stage.

2.5.1 Current Social Security Provision for Lifecycle Categories

Table 2.1 provides details on the main Social Security schemes in Bangladesh, against the lifecycle stage and risk. The sections below describe in more detail current provision of lifecycle schemes at different stages of the lifecycle, including their strengths and weaknesses. It also highlights gaps in provision at different stages of the lifecycle.

2.5.2 Early Childhood

Coverage of very young children by Social Security schemes in Bangladesh is minimal, despite the challenges they face, in particular with regard to under-nutrition. The Ministry of Women and Children Affairs (MoWCA) offers a small child grant – known as the Maternal Allowance Programme for Poor Lactating Mothers – that reaches 100,000 families. Therefore the gap in provision for young children is massive. In effect, almost the entire category – around 15 million children – does not receive direct Social Security support. Addressing this huge gap is arguably amongst the most serious challenge for the NSSS.

Table 2.1: The Main Social Security Schemes in Bangladesh, Mapped Against Lifecycle

Programme Name	Budgetary Allocation	Coverage	Budget of Lifecycle Stage	% of Total SS Budget	Total Beneficiaries	% of Total SS Beneficiaries
	Tk. in millions	No. of person (in 00,000)				
Total SS Budget in FY13 Tk. in millions	230970					
Total Beneficiaries (in 00,000s)		776				
Lifecycle Stage: Pregnancy & Early Childhood			5357	2.32%	5.67	0.73%
Maternal, Child, Reproductive and Adolescent Health (MCRAH)	1390	0.67				
Revitalization of Community Healthcare Initiatives	3967	5.0				
Lifecycle Stage: School Age			20290	8.78%	140.4	18.09%
Primary Education Stipend	9250	78.17				
School Feeding Programmes and School Feeding Programmes in Poverty Prone Areas	4565	24.4				
Stipend and Access Increase for Secondary and Higher Secondary Level Students	6475	37.83				
Lifecycle Stage: Working Age			54398	23.55%	103.7	13.36%
Allowances for the Widowed, Deserted and Destitute Women	3312	9.2				
Economic Empowerment of the Poor (EEP)	1104	40.1				
Food Assistance for Chittagong Hill Tracts	2423	3.57				
Employment Generation Programme for the Poorest	12000	0.42				
Vulnerable Group Development	8589	22.6				
Food for Work	14927	16.7				
Social Development Foundation	2887	-				
Rural Employment and Road Maintenance Programme	2575	1.33				
One Household One Farm	5380	9.67				
Ashrayan-2 Project	1201	0.11				
Lifecycle Stage: Old Age			70118	30.36%	30.52	3.93%
Construction of residence for landless and poor freedom fighters	2280	0.29				
Honorarium for Insolvent Freedom	3600	1.5				
Pension for Retired Government Employees and their Families	55328	3.98				
Old Age Allowance	8910	24.75				
Disability			1030	0.45%	2.86	0.37%
Allowance for the Financially Insolvent Disabled	1030	2.86				
General Purpose			16119	6.98%	10.41	1.34%
Fund for climate change	4000	9.0				
National Service	3108	0.41				

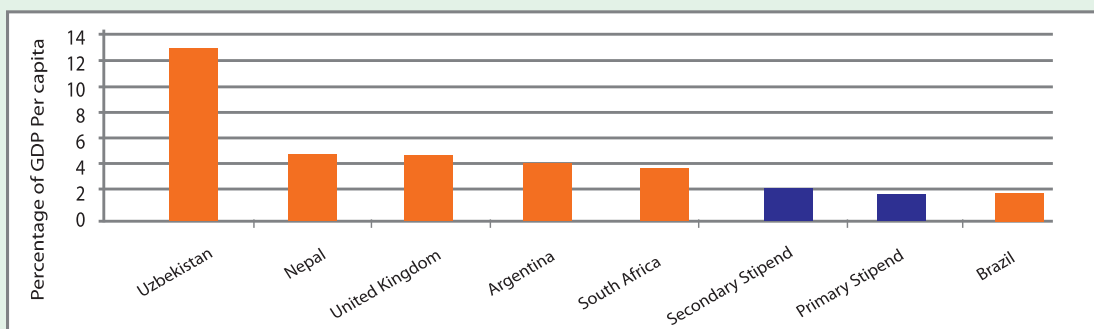
Programme Name	Budgetary Allocation	Coverage	Budget of Lifecycle Stage	% of Total SS Budget	Total Beneficiaries	% of Total SS Beneficiaries
	Tk. in millions	No. of person (in 00,000)				
National Service	3108	0.41				
Block Allocation for Disaster Management	1000	-				
Block Allocations for Various Programmes	8011	1.0				
Food Transfers			44787	19.39%	398.63	51.37
Vulnerable Group Feeding	12008	85				
Test Relief (TR) Food	12602	13				
Gratuitous Relief (GR) Food	2596	80				
Open Market Sales (OMS)	17580	220.63				
Others			18800	8.14%	83.61	10.77

Source: Finance Division

2.5.3 School Age Children

The highest coverage of Social Security schemes is during school age, mainly via the Primary and Secondary Student Stipends. Around 13 million children receive stipends, with the majority at primary school. Coverage is around 24 percent of primary school age children and 17 percent of secondary school age children. There is a small transfer provided by the Ministry of Social Welfare for children with disabilities, but it only reaches 18,600 children in total, a tiny proportion of the total number of children in need. The transfer level of the stipends is low. One child receives Tk.100 per month from the Primary School stipend but, if there are more than two recipients in a family, the overall transfer reduces to Tk.125 in total, so the value per child is much lower than Tk.100. The Secondary School stipend provides between Tk.120 and Tk.150 per child, depending on age, and the value per child also reduces if there is more than one recipient in the family. Figure 2.10 compares the value of these transfers in Bangladesh with child transfers in other developing countries, as a percentage of GDP per capita. It indicates that both transfers (blue bars) are below the value of most countries, apart from Brazil. However, if the real value of the Primary and Secondary Stipends per child were used – based on the value of the transfer in families with more than one child – then the value would be very low by international standards, well below that of even Brazil where families can receive multiple benefits.

Figure 2.10: Value of Primary and Secondary School Stipends in International Comparison



Source: Annex 1. Background Paper No. 8.

While coverage is relatively high for the stipends, support for children with disabilities is minimal. It is not possible to know how many children have a disability. However, South Africa provides a grant for children with disabilities – known as a Care Dependency Grant – reaching 0.6 percent of all children aged 0-18 years who need full time attention or specialized care. If the same proportion were used to estimate the number of potential children with disabilities in need in Bangladesh, the total number would be around 350,000. Therefore, current coverage of children with disabilities can be estimated at around only 5 percent.

However, the main challenge with Social Security schemes for school age children is the size of the transfers: they are too small to have a meaningful impact. A more reasonable transfer size – based on international experience – would be the equivalent of around 4 percent of GDP per capita, which is

estimated at around Tk. 240 per month, with no reduction in families with more than one child. Another important aspect is nutrition which has not been properly addressed by mid-day school meals.

2.5.4 Working Age (including young people)

As indicated in Table 2.1, there are 10 specific Social Security schemes for people of working age. The major programmes in this category could be divided into two main types: workfare schemes; and programmes for women.

There are as many as 8 workfare schemes of which the two largest programmes are the Food for Work Programme (FWP) and the Employment Generation Programme for the Poorest (EGPP). The aim of these programmes is to help create employment in rural areas during agricultural slack period to create jobs for those who might need them, especially women. The work typically involves support for building rural infrastructure. These programmes use up considerable resources, Tk. 45 billion in FY13 (14 percent of total spending on Social Security) and several concerns have emerged about the effectiveness of the use of these resources. The Government is aware of these concerns and taking steps to address them. For example, the Ministry of Disaster Management and Relief has started the process of improving the efficiency of the various food-based programmes under its management including conversion to cash, transfer of funds through the financial system and developing an MIS.

The other set of schemes for working age people are directed towards women. The largest is the Widows' Allowance, which reaches just over a million women; although around 23 percent is over 62 years of age. It provides them with Tk. 300 per month, which, as an annual transfer, is equivalent to around 5.5 percent of GDP per capita. This is much lower than Nepal's similar Single Women's Allowance, which provides 11 percent of GDP per capita.

The Vulnerable Group Development (VGD) schemes provide transfers of 30 kg of grain per month, which has a value to families that is equivalent to Tk. 900 per month.⁷ Women also receive support to establish small enterprises. Some 2.2 million women benefit from this programme.

An important Social Security intervention for working age women – although not a direct cash transfer – is childcare for young mothers, to enable them to continue at work. However, provision of childcare in Bangladesh is very limited. A very small number of factories provide childcare facilities for employees while the Ministry of Women and Children Affairs also provides some centres, mainly in Dhaka.

2.5.5 Missing Programmes for Working Age Group

In the formal sector, two missing areas of Social Security for working age group are the absence of unemployment insurance programme and the injured workers insurance. The importance of the later has emerged in a big way following a series of devastating fire and building collapse events in the ready-made garments industry. As Bangladesh continues to develop the manufacturing and organized services based income and employment opportunities, the importance of these two Social Security interventions will grow. The lack of any social insurance is even more pronounced for the informal sector, which accounts for 87.5 percent of all employment.⁸ The strategy for reforming the present Social Security system will need to pay attention to these aspects of protection for the working age population.

2.5.6 Programmes for the Old Age

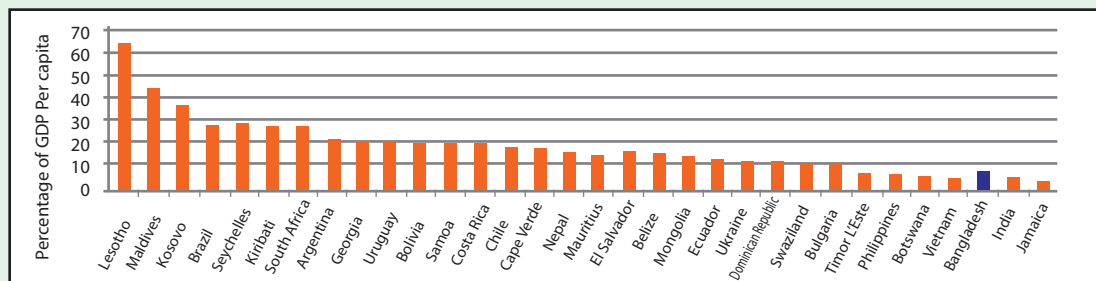
The highest level of Social Security spending in Bangladesh is on programmes that address the risks associated with old age. In terms of budgets, the Government Service Pension is the largest Social Security scheme in Bangladesh, although it pays generally high benefits to only 398,000 people. Most of the benefits of the government pension likely accrue to the non-poor household. The Old Age Allowance has grown in recent years and now reaches 2.5 million people. In addition, the allowance for Insolvent Freedom Fighters is almost certainly mainly for older people while many of the recipients of

⁷The benefit is calculated by assuming that the 30 kgs of grains delivered would cost beneficiaries Tk.30 per kilo to purchase in the market. The actual cost to the Government could be lower.

⁸BBS/SID

the Widows' Allowance are elderly. In theory, therefore, coverage of old age pensions may be between 35 percent and 40 percent of men over 65 years and women over 63 years. However, analysis of the 2010 HIES indicates that 33 percent of beneficiaries of the Old Age Allowance are below the age of eligibility. As a result, the real level of pension coverage will probably be under 30 percent.

Figure 2.11: Comparison of the Value of Bangladesh's Old Age Allowance, with Similar Schemes in other Developing Countries



Source: Pension Watch Database

The Old Age Allowance is the main pension scheme but its transfer of Tk. 300 is low and limits the scheme's ability to provide income security. Figure 2.11 compares the transfer value – as a percentage of GDP per capita – with other similar public expenditure-financed schemes from developing countries. It indicates that Bangladesh's Old Age Allowance has one of the lowest transfer values in the world and is well below the value of Nepal's Senior Citizens' Allowance.

2.6 Programmes to Mitigate Covariate Risks

The 1974 food shortage and flood resulted in the growth of a range of food security programmes aimed at preventing famine and hunger owing to natural disasters and other economy-wide shocks such as global food price crisis, global economic downturn. These programmes seek also to address poverty risks arising from seasonal unemployment.

2.6.1 Disaster Risk Mitigation Programmes

These are implemented by the Ministry of Food and the Ministry of Disaster Management and Relief. The total number of programmes and allocated budget are shown in Table 2.2. The main purpose of the disaster risk mitigation and reduction programme is to lower the sufferings of disaster victims by providing them with a loan to set up small business. Loan is generally small amounting between Tk. 5,000 to Tk. 25,000 for 1 to 3 years with a nominal service charge. The number of beneficiaries is more than 1 million.

Table 2.2: Coverage and Fund Allocation for Different Programmes Related to Disaster

Name of the Programme	Coverage (in Lac people/month)		Fund Allocated (In crore Tk.)	
	FY10-11 (R)	FY11-12	FY10-11 (R)	FY11-12
Disaster Risk Mitigation and Reduction	2.12	1.61	17.12	13.00
Vulnerable Group Feeding	122.22	104.44	1473.64	1607.15
Gratuitous Relief	80.00	80.00	263.76	273.56
Fund for Climate Change	17.00	17.00	700.00	700.00
Rehabilitation of Aila Affected Rural Infrastructure	-	0.06	-	24.00

Source: Finance Division, National Budget FY10-11 (Revised) and FY11-12

In response to the devastating floods in 1998, the Government used two direct transfer relief programmes to mitigate the sufferings of the seriously-affected households. During the initial period, immediate relief was provided to such households under the Gratuitous Relief (GR) programme. After the flood water receded, the Vulnerable Group Feeding (VGF) programme was started in late October, and was targeted to the poor. Evaluation of these programmes show mixed results in terms of low beneficiary, inclusion of significant non-beneficiaries, and low value of average benefits. Nevertheless, the two programmes have helped to avert any major food crisis.

Apart from these two programmes there are two general purpose funds for disaster management and climate change.

Programmes for Addressing the Seasonal Unemployment Problem: A range of programmes have emerged to mitigate the risks of hunger resulting from seasonal unemployment and or food price shocks. These include short term programmes such as Food for Work (FFW) and Cash for Work (CFW) that provide quick and emergency support to households to mitigate impact of seasonal disasters and long term programmes such as Employment Generation Programme for the Poorest (EGPP), Test Relief, and also food allowance programmes like Vulnerable Group Development (VGD), Vulnerable Group Feeding (VGF). A joint assessment of both public and NGO programmes reveals positive effect of these programmes on seasonal poverty reduction. Nevertheless, there is a need to reassess the effectiveness of these programmes for a number of reasons.

The most sustainable way to address seasonal hunger and poverty is to promote the overall development of Rangpur Division through investments in infrastructure and non-farm employment opportunities. Better access of the poor to micro-credits and to an improved Social Security system can be very important as well.

Government Response to Food Price Shocks: The Government initially scaled up food distribution through its existing safety net programmes such as Food for Work (FFW). New cash based workfare programme, the EGPP, was introduced in 2009. Open Market Sales (OMS) for urban areas was also expanded. Despite numerous administrative problems, these programmes have helped cushion against the impact of food price shocks. In this context, the timeliness of public response to a shock and targeting the poorest section of the community who most need help are two important considerations.

Addressing Risks from Global Economic Recession: Government has a wide range of fiscal and monetary policy instruments to counter recessionary pressures on the economy. However, the Government recognizes that some specific Social Security measures may be needed to provide Social Security to the working age groups. The modernization of the Social Security programme by expanding its scope to cover unemployment insurance is one very important reform for Bangladesh. More generally, in addition to public policies for job creation and credit extension, the institution of a more focussed and inclusive Social Security system can be the best possible response to mitigate risks emerging from economic recession.

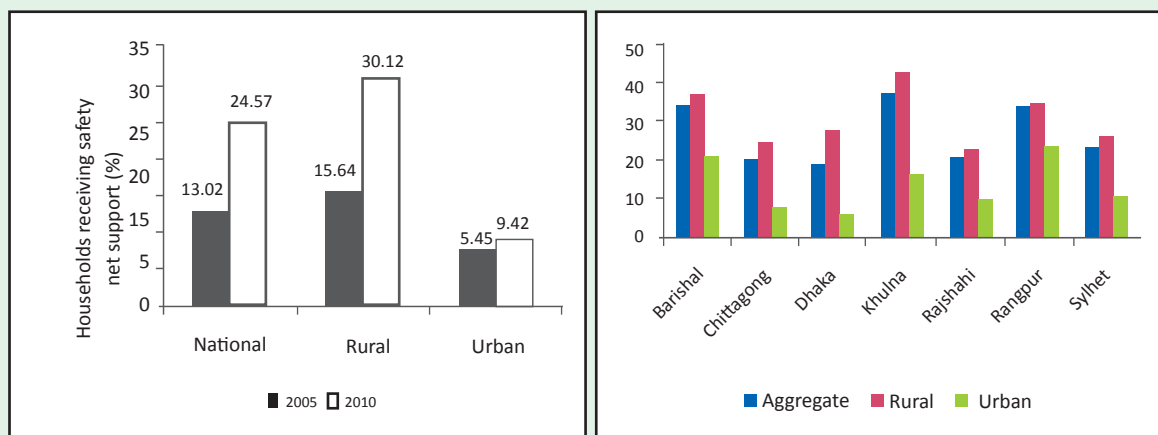
2.7 Current Provision of Social Security for the Urban Poor

There are noticeable rural/urban differences in Social Security coverage with substantially lower coverage in urban area. This is partly due to the fact that currently more poor people in Bangladesh live in rural areas than in urban centres but, more importantly, most of the existing programmes such as disaster relief and income-generation activities have an in-built rural focus. Figure 2.12 shows the estimated distribution of Social Security benefits between rural and urban households.

The number of households covered by Social Security programmes almost doubled in rural areas over the periods 2005 to 2010. The rate of increase of the coverage of households in urban areas was lower. More importantly, in 2010 some 30.1 percent of rural households benefited from a Social Security programme as compared with only 9.4 percent for urban areas. These differences carry over at the

Regional level. However, one positive feature of the spatial distribution of the Social Security programmes is that the poorer Divisions (Barisal, Khulna, Rajshahi) tend to benefit more from Social Security than the richer Divisions (Dhaka, Chittagong and Sylhet).

Figure 2.12: Household Receiving Social Security Support (%)



Source: HIES 2005, 2010, Bangladesh Bureau of Statistics

The rural-urban difference in the distribution of Social Security scheme is also evident in data collected from the Department of Social Services regarding the rural-urban breakdown of the number of beneficiaries of two key safety net programmes. One programme is 'Old Age Allowance' and another is 'Widowed and Distressed Women Allowance' which are unconditional cash transfers. It is evident from Table 2.3 that these two programmes have a clear bias to rural areas. Though nearly one-third of the total population live in urban areas and the incidence of urban poverty is still very high (17 percent), only a small percentage of urban residents are covered by these programmes.

Table 2.3: Rural/Urban Breakdown of the Number of Beneficiaries

Type of Programme	National	Rural	Urban
Old Age Allowance	24,75,000	23,27,247	1,47,753
	100%	94.03%	5.97%
Widowed and Distressed Women Allowance	9,20,000	9,04,502	15,498
	100%	98.32%	1.68%

Source: Department of Social Services (DSS)

However, there are a few programmes with an urban bias. One such programme is the Open Market Sales (OMS), which was introduced in the early 1980s to provide subsidized food-grain to urban poor. A second programme is the Ghore Phera (Back to Home) Programme. Since 1999 this programme has encouraged people living in hardship in urban areas to return to their village by offering loans to them. The loan covers cost for income generating activities in the rural area. It also often covers the cost of transportation and settling down money. This programme aims at alleviating urban poverty, reducing unsustainable rural-urban migration and improving the city environment by sending people back to their villages with sufficient incentives. A third programme is the Rehabilitation and Creation of Alternative Employment for People Engaged in Begging. An amount of Tk. 7 crore was allocated under this programme in the budget for FY11-12 under this programme. But the programme has not been implemented effectively till date.

A yet another special programme for the urban poor is "The Urban Community Development (UCD)".

This has been serving marginalized people in urban areas since early 1950s. The UCD has gained wide appreciation because of the multi-purpose nature of support offered in urban areas like family planning, skill training, adult education and micro-credit programme for self-employment (Table 2.4). A total of 80 UCD units throughout the country have been in service since 2002.

Table 2.4: Number of Beneficiary Households under Different Programmes of Urban Community Development (UCD)

Year	Number of beneficiary households under micro-credit programme	Number of beneficiary households under Training programmes	Number of beneficiary households under awareness-raising and other social activities
2009	4962	15604	19507
2010	1419	20590	25904
2011	991	11060	27552
2012	965	12134	24974

Source: Department of Social Services (DSS)

Although UCD became popular because of its intervention components, as Table 2.4 shows that the beneficiary coverage of the programme under the micro credit programme has declined substantially in 2012 compared to 2009. Similarly, the number of training recipient households has also declined in between 2009 and 2012.

In addition to the UCD Programme, Department of the Social Services (DSS) has also launched new schemes with a view to mobilize disadvantaged urban people to solve their immediate problems through group efforts and to facilitative income generating activities through training, credit etc. Disadvantaged urban people especially those who are living in the slums, or informal accommodation are the main target group of this programme. The coverage and amount of allocated fund of these programmes are given in Table 2.5.

Table 2.6 shows the coverage of rural and urban population by all types of social security programmes including this funded by private sector. The overall conclusion is that rural population is significantly ahead of urban population in terms of receiving Social Security benefits even in this broader coverage. Some 85 percent of all Social Security benefits go to the rural poor while urban poor receive only 15 percent. The urban poor benefit most from Open Market Sales of rice, which works as food subsidy.

Table 2.5: Coverage and Fund Allocation for Different Programmes for Urban Poor People

Name of the Programme	Coverage (in Lac people/month)		Fund Allocated (In crore Tk.)	
	FY10-11 (R)	FY11-12	FY10-11 (R)	FY11-12
Urban Public Environment Health Programme	-	-	15.00	112.51
Allowance for Urban Poor Lactating Mothers	0.68	0.78	28.50	32.60
Fundamental Education for the Urban Working Children	1.36	0.61	51.00	23.00

Source: Finance Division, National Budget FY10-11 (Revised) and FY11-12

Table 2.6: Distribution of All Social Security Benefits by Location

Description of Programme	Area of Residence		
	Rural	Urban	Total
All Social Security	85.1	14.9	100
All social insurance (SI)	79.1	20.9	100
Old age allowance: SI	84.1	15.9	100
Allowance for widowed, deserted and destitute women: SI	90.1	9.9	100
Private insurance: SI	73.1	26.9	100
Pension, Gratuity and Provident Fund: SI	59.4	40.6	100
All labour market programmes (LM)	100	0	100
Cash/food for work: LM	N.A.	N.A.	N.A.
100 Days employment: LM	100	0	100
All social assistance (SA)	87.0	13.0	100
GR/TR:SA	93.9	6.1	100
VGD/VGF:SA	100	0	100
Stipend: SA	93.8	6.2	100
Agriculture rehabilitation: SA	88.2	11.8	100
Private assistance: SA	83	17	100
Other assistance: SA	100	0	100
Open market sale OMS:SA	0	100	100

Source: Calculated from on HIES 2010, Bangladesh Bureau of Statistics

Note: Private assistance includes the in-kind transfer of money or commodity either for religion purpose or risk mitigation purpose.

2.8 Current Social Security Provision for Excluded Population

2.8.1 Programmes for Chittagong Hill Tracts Population

Along with access to other programmes, there are a few programmes that are explicitly targeted towards the ethnic minority of the country. The three major programmes are:

- Allowance for Beneficiaries in the Chittagong Hill Tract Areas
- Food Assistance in the Chittagong Hill Tract Areas
- Non – Bengali Rehabilitation

The Chittagong Hill Tracts programme pays an average benefit of Tk. 1,644 per household. But detail data on Allowance programme is not available. The Non-Bengali Rehabilitation Programme covers near about 0.11 million people and has a budget of Tk. 170 million in FY11-12. On the other hand Chittagong Food Assistance Programme covers about 0.71 million people allocating a Tk. 2,259.00 million budget in FY11-12.

2.8.2 Programmes for Backward People

Households of backward people have similar eligibility to Social Security programmes as other members of the society. In addition, there is a special programme for the Backward People is the "Construction of Sweeper Colony at Districts". In FY11-12, the budget allocated for Sweeper Colony was Tk. 100 million.

2.8.3 Programmes for People Living with HIV/AIDS

Households with HIV affected members have similar eligibility to Social Security programmes as other households. The Government is also making an effort to make its health strategy more sensitive and responsive to the needs of HIV/AIDS affected people. This effort will continue in the context of the NSSS.

responsive to the needs of HIV/AIDS affected people. This effort will continue in the context of the NSSS.

2.8.4 Programmes for People with Disabilities

The disability grant of the programme allows for financially insolvent persons with disabilities provides Tk. 300 per month, which is the equivalent of 5.5 percent of GDP per capita. As a comparison, Nepal's disability benefit for people with severe disabilities is the equivalent of 22 percent of GDP per capita while South Africa's Disability benefit provides the equivalent of 28 percent of GDP per capita. Therefore, the value of Bangladesh's Disability Grant could be regarded as low by international standards.

While there are programmes to address the needs of working age adults with disabilities, they are relatively small. The main disability grant reaches only 200,000 people while there is also a small scheme for disabled freedom fighters. Given that there are 1.1 million people with severe disabilities of working age, this would suggest coverage of no more than 20 percent. Some special disability schemes include Institute for Autistic and Blind Children, Socially Disabled Adolescent Girls, promotional services of opportunities to girls with disabilities.

2.8.5 Targeted Programmes for Women in Poverty

The Government is particularly sensitive to the disadvantageous position of women in the society. So, in addition to a range of regulatory and affirmative action policies aimed at offsetting the sources of disadvantage in the context of the broader Social Development Framework, a number of special Social Security programmes have been adopted to support the women living in poverty. These programmes and allocated resources are shown in Table 2.7.

The most important programme is the Allowance for Widow and Deserted Destitute introduced in 1998. During inception of the Widow Allowance Programme the total allocation was 125 million, number of beneficiaries was 0.1 million and monthly allowance was Tk. 100. Over time gradual expansion of the programme occurred and in FY 2012 the total allocation increased to Tk. 3,312 million, the number of beneficiaries increased up to 0.92 million and the monthly allowance reached up to Tk. 300 (Table 2.7).

Notwithstanding the increased coverage, there are eligibility criteria that have to be met. The following groups are not considered eligible for this programme: Government Service pension beneficiary, VGD Card holders, those who get regular grant or allowance from the government, and those who get regular grant or allowance from the non-government agencies.

Table 2.7: Coverage and Fund Allocation of Different Women Targeted Programmes

Name of the Programme	Coverage (in Lac people/month)		Fund Allocated (In crore Tk.)	
	FY2011 (R)	FY2012	FY2011 (R)	FY2012
Allowance for Widow, Deserted and Destitute	9.20	9.20	331.20	331.20
Maternal Health Voucher Scheme	1.79	2.44	66.20	90.00
Maternal Allowance Programme for Poor Lactating Mothers	0.80	0.92	36.96	42.50

Source: Finance Division, National Budget FY 2011 (Revised) and FY 2012

The Maternal Health Voucher Scheme (MHVS) was undertaken to address the MDG target of reducing maternal mortality. The scheme provides subsidies to the target group to enable them to buy specific services. The overall goal of the MHVS is to reduce maternal mortality rate and neonatal mortality rate by increasing: (i) awareness and demand for maternal health services among poor pregnant women, and (ii) institutional delivery. The MHVS was initially introduced in 21 upazilas in 21 districts, and subsequently extended to 53 upazilas. The funding for the programme was provided by the Government and the Development Partners.

The MHVS aims to cover 174,000 pregnant women per year. The MHVS beneficiaries must be poor and vulnerable pregnant women, those belonging to functionally landless households, those with low and irregular income of Tk. 2,500 per household per month, and those who lack productive assets. The MHVS components include: (i) three ANC visits, (ii) safe delivery, (iii) one PNC visit within 6 weeks of delivery, (iv) services for obstetric complications, (v) subsidy of Tk. 500 for transport cost for institutional services, (vi) up to Tk. 500 for referral to district hospital, and (vii) cash of Tk. 2,000 to the mother if delivery occurred by the skilled health personnel. Specified services are provided by designated providers and facilities from the public and the private sectors and the NGOs.

The main idea behind 'Maternity Allowance Programme for the Poor Lactating Women' is that a healthy mother is a must for a healthy child. An allocation of Tk. 430.6 million (Tk. 100 million more than the previous year) has been provided for poor lactating mothers in addition to Tk. 300 million allocated for low-income, working lactating mothers in urban areas.

Bangladesh has experimented with a range of safety net programmes many of which are grounded in the life cycle framework. The NSSS builds on the many successes while seeking to address the remaining constraints and challenges.

CHAPTER 3

International Evidence on Social Security

CHAPTER 3

International Evidence on Social Security

3.1 Introduction

In recent decades, there has been a growing realisation across developing countries that a national Social Security system is an essential complement to a market economy. To a large extent, Bangladesh is ahead of the game. Since independence, it has built a national Social Security system and has been willing investing over 2 percent of GDP annually, a significant sum compared to most other low income countries. Yet, while Bangladesh has made a significant commitment to Social Security, the Government recognises that the system needs to be modernised, so that it is prepared for the transition to a middle-income country. Therefore, in developing the NSSS, both international and national evidence on Social Security have been examined so that lessons can be learnt and applied to the Bangladesh context. This chapter provides a brief overview of some of the key lessons of international experience.⁹

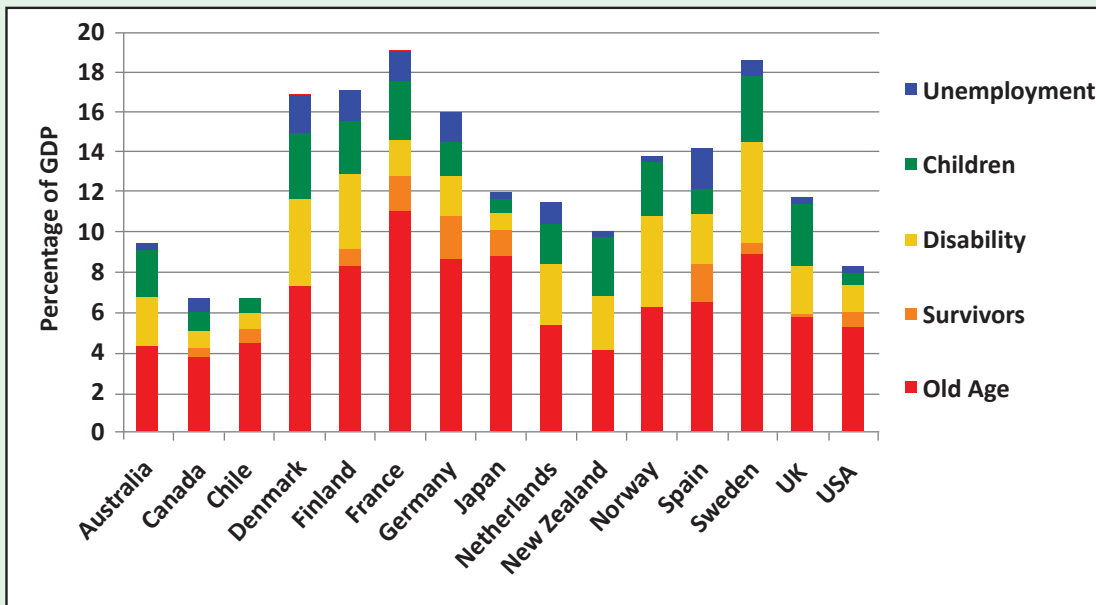
3.2 The Shape of Social Security Systems in Upper and Middle-Income Countries

In the early stages of the development of national Social Security systems, it is common for countries to target schemes at the poorest households, similar to the poor relief model followed in early 19th Century Europe. However, as Social Security systems mature, they are shaped by the need to address the causes of poverty and are designed to address the risks and challenges associated with different stages of the lifecycle. So, in upper-income countries, the vast majority of Social Security investment is directed at the elderly, people with disabilities, children, widows and the unemployed, with only a tiny proportion set aside as general poor relief. Figure 3.1 indicates the level of spending on various lifecycle schemes in a range of upper-income countries.

A similar process of transitioning towards lifecycle Social Security systems is underway in many developing countries. Commonly, countries prioritise initially their old age pension systems then gradually establish schemes for people with disabilities, children and, at times, widows or single women. Indeed, old age pensions are by far the most common and largest public expenditure-financed Social Security schemes in developing countries. Some developing countries that initially focused on establishing poor relief schemes in the 1980s and 1990s – such as Mexico and Ecuador – are now transitioning to a lifecycle system, initially establishing old age pensions that reach the majority of older people.

⁹This Chapter is based on background research reported in paper number 9 contained in Annex 1. The paper provides more detailed analysis and full list of research used for the analysis of this chapter.

Figure 3.1: Spending on Social Security Schemes in Selected Upper-Income Countries



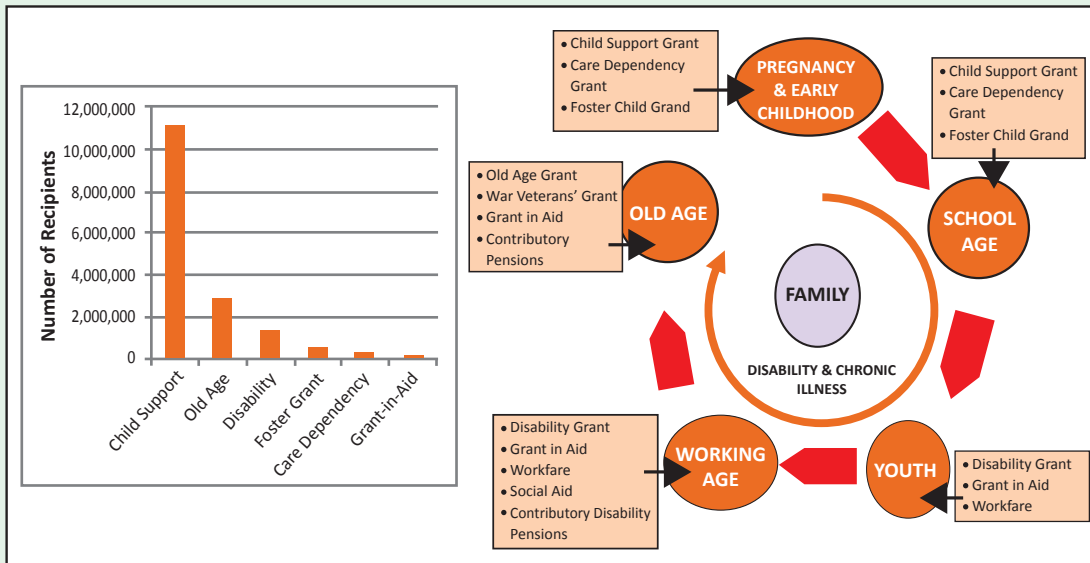
Source: OECD Social Expenditure Database

Increasing numbers of countries are establishing disability benefits and child grants. Some of the largest Disability Benefit schemes can be found in South Africa, Brazil and Vietnam, each of which has over a million recipients. However, child benefits are also becoming common: South Africa provides 58 percent of children aged up to 18 years with a grant; Argentina offers them to 65 percent of children while Brazil reaches 63 percent. Even Nepal – which already has a universal pension – has recently begun a programme of child grants for those aged 0-4 years.

South Africa is one of the best examples of a developing country that is relatively well advanced in its evolution towards a lifecycle Social Security system. Figure 3.2 demonstrates South Africa’s main Social Security schemes, mapped against the lifecycle. Its system is similar to that of a developed country, although schemes for the unemployed are underdeveloped. Figure 3.2 also indicates the coverage of the schemes, with the largest scheme – the Child Support Grant – reaching over 11 million children. However, the highest expenditure is still on the Old Age Pension, at around 1.2 percent of GDP.

A lifecycle approach has been recognised as an effective means of building national Social Protection systems by the World Bank in its Social Protection and Labour Strategy. A lifecycle approach also underpins the approach of the Social Protection Floor, which has been promoted by the United Nations and endorsed by many countries including Bangladesh. The Social Protection Floor sets out four basic social security guarantees for the elderly, people with disabilities, children and the unemployed. The logic behind the Social Protection Floor is that, if these vulnerable categories of the population are covered, then a Social Protection Floor will be established that will provide protection to the vast majority of poor families as well as those who are vulnerable to falling into poverty.

Figure 3.2: South Africa’s Lifecycle Social Security System



Source: Based on data from South Africa Social Security Administration, 2011-2012

3.3 Contributory and Public Expenditure-Financed Schemes

As countries build their Social Security systems, they need to decide the relative balance between public expenditure-financed and social insurance schemes. Each type of financing mechanism has its advantages and disadvantages but almost all upper-income countries use a mixture of both, although the balance between the two varies. Nonetheless, the essential principles followed are: public expenditure-financing should be used to provide a minimum level of benefits for citizens, addressing unacceptable deficits in welfare with a particular focus on the poor, those in the informal and subsistence sectors and those without employment, such as domestic workers. Social insurance schemes should enable those who have sufficient income to invest in an additional level of protection against lifecycle risks, such as old age, as well as illness and work related injuries.

Both public expenditure-financed and social insurance schemes tackle similar risks. However, it is common for social insurance schemes to focus on the provision of old age and disability benefits, although they can be used to provide insurance against other risks such as illness, unemployment and maternity.

The main challenge in extending social insurance schemes in developing countries is that only a small proportion of the population is in formal sector employment. Social insurance mechanisms function best when payments into schemes are mandatory. Yet, this can realistically only be achieved with formal sector employees. So, while a number of countries have tried to extend social insurance mechanisms into the informal sector, only a small proportion of those in the sector tend to take up the offer. For example, over the past 30 years, Sri Lanka has made strenuous efforts to establish contributory pension schemes for informal sector workers. Yet, despite very low contributions, only a small proportion of eligible workers have entered the schemes and maintained their membership. Furthermore, the pensions produced are of low value and no scheme is actuarially sound: they will have to be bailed out by government in the near future.

As countries develop, the coverage of social insurance schemes often increases. For example, the majority of Brazil’s old age pensions are financed from contributions into its Previdencia Social, while Thailand provides contributory pensions to between 20 percent and 30 percent of older people. However, the experience of Latin America is that coverage of social insurance has not risen with

economic development. Across most developing countries, it is recognised that public expenditure-financed schemes necessarily need to be responsible for covering the majority of the population, while efforts should be made to extend social insurance mechanisms to provide people with an additional level of protection. Indeed, the United Nations' Social Protection Floor concept recognises the important role that social insurance schemes can play as a complement to public expenditure-financed schemes.

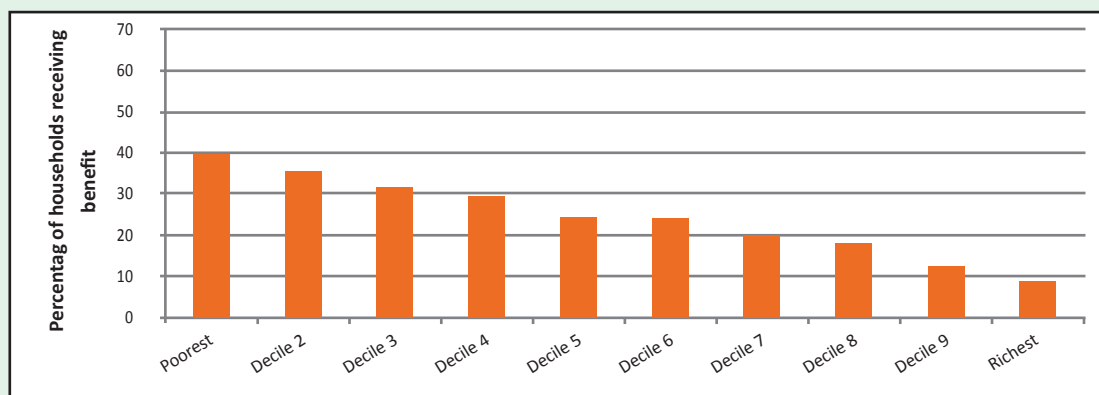
3.4 Selection of Recipients

As countries move towards building lifecycle Social Security systems, the question remains on how best to include poor and vulnerable families into public expenditure-financed schemes. The issue of how to select or “target” the poor presents a challenge to policy-makers across all countries. Bangladesh faces the same challenge and it is evident that it has not been possible to accurately identify the target population in many schemes. So, while the present Social Security schemes are all directed at the poorest, Figure 3.3 indicates where actual recipients are located across the wealth deciles. It is evident that, while the poor are more likely to benefit than the better-off, many of the poor do not benefit at all. Indeed, despite a relatively high level of spending only 35 percent of the poor in 2010 received any form of Social Security benefit.

Bangladesh is not alone in facing this challenge. Many middle-income countries – with much stronger administrative systems than in Bangladesh – find it very difficult to accurately select the poor. Brazil provides its Bolsa Familia cash transfer scheme to just over 20 percent of the population, but 59 percent of the poor are excluded; Mexico's Oportunidades¹⁰ programme also reaches 20 percent of the population but excludes 70 percent of the poor; Georgia's Targeted Social Assistance excludes almost 70 percent of the poorest decile of the population.

At one extreme, schemes that provide universal access are likely to include the vast majority of the poor. Many countries provide universal – or almost universal – access to pensions, and, as a result, very few poor older people miss out. While such schemes are common in upper income countries, there are a growing number of examples in developing countries, including Bolivia, Brazil, Georgia, Lesotho, Mauritius, Mexico, Namibia, Nepal, Thailand, and Uzbekistan, among others. South Africa reaches 70 percent of its population with its old age pension and, as a result of this high coverage, only 13 percent of the poor miss out. The expansion of child grants to higher proportions of children – as noted earlier – is also leading to a growing inclusion of poor children in schemes, such as in South Africa, Argentina and Bolivia.

Figure 3.3: Proportion of Households in Each Decile in Bangladesh that Receive at Least One Social Security Benefit



Source: HIES 2010, Bangladesh Bureau of Statistics

¹⁰The name of this programme was in 2014 changed to Prospera.

However, as countries build lifecycle Social Security systems, they do not follow only one form of selection mechanism. Indeed, it is common for countries to have a mix: some schemes have high or universal coverage while others attempt to select only the poor.

Establishing universal schemes is relatively easy since selection is simple – often just based on identifying age – but it is much more challenging to identify the poor. Countries have experimented with many different means of identifying the poor – including community-based targeting, unverified means tests and proxy means tests – but all have relatively high levels of inaccuracy, even when well-implemented. It is likely that the main factor explaining the relative success of countries in identifying the poor in an objective manner is the degree of professionalization of staff. Well-paid, motivated and trained professional staff is more likely to ensure a fair and well-managed selection process than staff that has been forced to take on responsibility for running Social Security schemes, in addition to their other responsibilities. So, while many Latin American countries have schemes that have employed specialist staff and are regarded as making fair and objective decisions (even if the accuracy is limited), countries like Kenya and Ghana – which have obliged busy child protection and social welfare officers to assume responsibility for cash transfers – have poorly functioning selection processes.

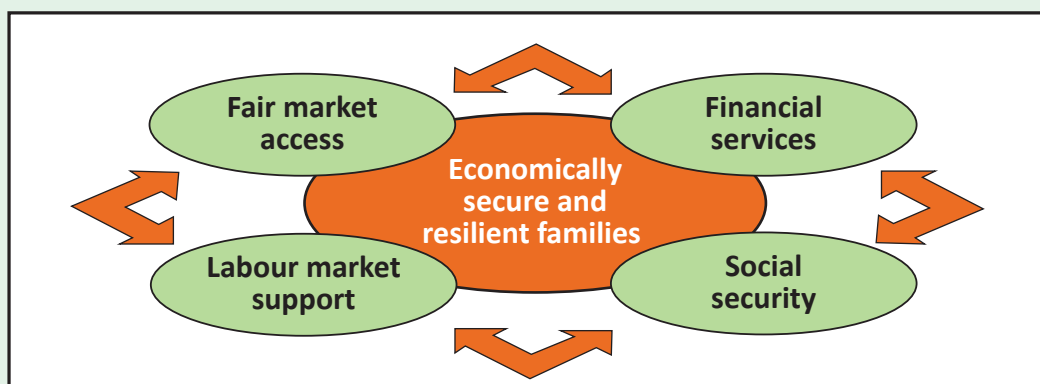
3.5 Social Security and the Labour Market

A key principle of well-designed Social Security is that it should facilitate rather than undermine the engagement of recipients – in particular those of working age – in the labour market. In fact, there is good evidence from developing countries that the receipt of a Social Security transfer can help people enter the labour market. In Brazil, the Bolsa Familia scheme has increased the labour participation rates of households by 2.6 percentage points and female participation by 4.3 percentage points; similarly, in South Africa, households receiving the Child Support Grant are 15 percent more likely to be in employment. One reason for the increase in employment rates is that recipients are more likely to look for work. So, for example, households receiving South Africa's Child Support Grant are 18 percent more likely to be searching for jobs than non-recipients. In both Mexico and South Africa, it was found that recipients were more likely to look for work because they were better able to afford bus fares and presentable clothes.

There are various reasons explaining why participation in Social Security schemes enables people to engage more actively in the labour market. One is that people are provided with investment capital, which is enhanced by greater access to credit since banks and microfinance institutions are more willing to lend to Social Security recipients. However, the guarantee of a regular transfer also changes the worldview of recipients. It provides them with a minimum income platform that infuses their lives with predictability. Indeed, there is evidence of families receiving social transfers showing enhanced entrepreneurial behaviour by being more willing to invest in riskier but higher return activities.

Nonetheless, while providing Social Security can increase the productivity of families, it is not sufficient on its own. Figure 3.4 indicates the importance of support being provided across three other key areas if the engagement of families in the labour market is to be maximised: access to finance so that people can access loans and other financial services – such as savings accounts and insurance – to be able to smooth their consumption and deal better with shocks; improvements to market value chains so that producers – in particular the poor – can gain fair prices for the goods and services they sell; and, labour market interventions that build the skills and capacity of the labour force. Interestingly, one of the main interventions reducing child poverty in upper income countries – and which combines both labour market and Social Security approaches – is the subsidised or free provision of childcare services for mothers of young children. By enabling mothers to remain in the labour market, family incomes can be increased significantly, in particular among single headed families.

Figure 3.4: Four Spheres of Support to the Labour Force to Reduce Poverty and Build Resilience



Graduation programmes developed by BRAC in Bangladesh and now being replicated globally, are an innovative approach to help the extreme poor engage with the market. These programmes utilize a carefully designed mix of inputs including asset transfers, stipends, savings, health care support, personal coaching, enterprise training and community mobilization for social integration. Evidence from BRAC’s two-year support scheme called the CFPR-TUP, which targets vulnerable women, shows an average increase in annual earnings from the participants’ income generating activities of Tk. 1,875 per year and this was sustained over seven years (2007-2014). During this seven-year period, there was also an annual increase in assets of Tk. 3,220. This “graduation” approach is now being replicated by other NGOs as a proven way to strengthen the resilience of extreme poor households. But since women in extreme poor households start from a very low base income and are still exposed to shocks they may need continuing access to other forms of social security after “graduation” programmes have completed. Care should be taken not to “graduate” families off Social Security schemes prematurely.

The Child Support Grant of South Africa provides an important platform for families to engage with the labour market and, even if they are able to increase their incomes, it is highly unlikely that they will pass the eligibility threshold and lose the grant. Furthermore, if a crisis hits, the family is already in receipt of the grant, which means that it provides an immediate buffer. If better-off families experience a shock and fall under the poverty threshold, they are able to access the scheme at any time, as selection is done on an on-demand basis. In other words, people can visit offices of the South African Social Security Agency to apply for the scheme at any time. They do not have to wait for infrequent nationwide selection and registration campaigns, as occurs in countries such as Mexico, Colombia, Pakistan and the Philippines.

3.6 Strengthening the Administration and Management of Social Security Schemes

In recent years, more and more developing countries have placed greater emphasis on strengthening the administration and management of Social Security schemes. This increases the efficiency and effectiveness of schemes while also reducing fiduciary risk. Improvements have generally focused on three main areas: professionalising staff and institutions; improving management information systems; and, the delivery of transfers to recipients.

3.6.1 Professionalising Staff and Institutions

As indicated earlier, one of the key factors determining the success of schemes is the professionalism of institutions and staff. Too often, large social transfer schemes are established and administered by staff

already engaged in other work, in particular at local levels. This has a number of consequences: staff is often untrained and may not perform tasks well; they are given tasks that were not part of their job description and which they may resent; their workloads increase, which is not good for morale; and, their main responsibilities are squeezed so that they can no longer perform them adequately. Such an approach can undermine schemes and put them at risk.

Countries follow a different approach by building specialised institutions and putting in place professional staff to administer Social Security schemes. In South Africa, the Ministry of Social Development is responsible for the Social Security system, but the actual delivery of schemes is the responsibility of a semi-autonomous Social Security Agency (SASSA) reporting to the Ministry of Social Development. Professional staff is placed at all levels of SASSA, including in the local offices that are responsible for managing engagement with applicants and beneficiaries. Across Latin America, many schemes are managed by dedicated professional staff while, even in Uganda, a simple old age pension scheme is being implemented by specialized national and district teams.

The existence of dedicated Ministries and staff introduces many advantages to schemes. They are likely to be managed more efficiently while staff is less likely to be corrupted or manipulate the selection of recipients for their personal benefits. Professionalization means that advanced administrative systems – which require more specialised and highly trained staff – can be introduced. As the next section explains, this also increases the efficiencies of schemes.

3.6.2 Using New Technologies for Managing Information and Monitoring Schemes

In recent years, there has been a growing focus on countries taking advantage of new technologies to improve the management of schemes, in particular through the introduction of advanced management information systems (MIS). There is significant scope for introducing new technologies into the administration of Social Security schemes, which can significantly enhance management and improve monitoring at all levels.

There is a range of middle-income countries that have used advanced management information technologies for a number of years. For example, South Africa has an advanced system that enables data to be entered at local levels and immediately transmitted to its Social Security Agency. South Africa has a range of schemes but the MISs of each can communicate with each other, as well as with the tax record system. Therefore, the performance of schemes can be monitored and fraud can be minimised. However, a number of low income countries are introducing advanced MISs and taking advantage of mobile phone networks to transmit information from local communities and districts to national offices. Kenya has recently developed a Single Registry that uses common software across the MISs of each of its Social Security schemes and provides monitoring data to a central Social Security Secretariat located in its Ministry of Labour, Social Security and Social Services. The MISs are web-based and data can be accessed and entered at local level, although stringent security protocols are in place to ensure data protection.

3.6.3 Building Financially Inclusive Systems for Delivering Transfers to Recipients

A further innovation in developing countries in recent years has been the use of new technologies to deliver transfers to recipients while moving towards making them more financially inclusive. If transfers are delivered by hand, there is more room for abuse by officials and payment agents – who may extort cash from recipients – and the costs of delivery are relatively high. In fact, across developing countries, leakage has been estimated at between 4 percent and 25 percent of the cost of the transfer. If cash transfers are delivered electronically, for instance via banks or mobile phone operators, then security of delivery is enhanced and local government officials are unable to manipulate the payment process to their advantage. So, estimates of leakage in schemes using electronic transfers are as low as between 1 percent and 5 percent. However, a further option is for governments to make payments into bank accounts so that recipients become customers of financial service providers and can access other banking services, such as loans and insurance.

In recent years, some countries have made significant progress in moving towards more financially inclusive payment systems. Between 2009 and 2011, Brazil increased its payments to mainstream bank accounts from 2 percent to 15 percent of beneficiaries of the Bolsa Familia programme, between 2006 and 2011 Mexico's Oportunidades scheme increased from 25 percent to 34 percent, while, in South Africa, between 2007 and 2011, the expansion was from 28 percent to 59 percent. Furthermore, 99 percent of payments in Brazil and all payments in South Africa are made to bank accounts. Progress in this area is not limited to middle-income countries. In Northern Kenya – a particularly inhospitable region – the Hunger Safety Net Programme is about to open mainstream bank accounts for all beneficiaries, with the potential for beneficiaries to access payments from local bank agents based in shops and other small businesses.

The use of mainstream bank accounts to deliver cash can also reduce costs. In Brazil, the move from limited purpose to mainstream accounts has reduced costs from US\$ 0.88 to US\$ 0.60 per payment, while in South Africa the reduction has been much more significant, from US\$ 4.46 to US\$ 2.03. However, procurement of payment service providers varies between countries: in Brazil it is done through a state bank (the Caixa Economica Federal) while in South Africa and Kenya open tendering processes for the private sector have been used. Furthermore, the overall responsibility for payments does not lie with the agencies responsible for Social Security: in Brazil, the payment process is overseen by the Central Bank and in Mexico and South Africa by the Ministries of Finance. However, there is close collaboration with the Social Security Ministries and agencies, as they need to provide the payment service providers with up to date lists of beneficiaries, as well as having overall responsibility for the programmes.

International experience indicates that Social Security can play a major role in tackling poverty and enhancing economic growth. There are many good lessons to be learnt from other countries regarding how to increase the efficiency and effectiveness of Bangladesh's current investment in Social Security. Three particularly important lessons are: the adoption of a life cycle based approach to Social Security; a proper balance between government-funded and contributory financing schemes; and administrative improvements involving proper planning, coordination, sound staffing, proper system for beneficiary identification and use of technology for MIS and payments. The NSSS strategy in the next few chapters draws on the lessons from both national and international experience and applies them to proposed reforms in Bangladesh. With strong political commitment of Bangladesh to become a welfare state, the country will continue to draw on global experience of successful welfare states through knowledge sharing dialogue and exchange.

CHAPTER 4

Strategic Approach and Proposals for Social Security

CHAPTER 4

Strategic Approach and Proposals for Social Security

4.1 Introduction

As indicated in earlier chapters, the national Social Security System (SSS) faces a range of challenges. While a significant proportion of government expenditure is invested in Social Security, its impact is below potential. The Government is committed to increasing the efficiency and effectiveness of the Social Security expenditure so that the poorest and most vulnerable citizens of Bangladesh receive a minimum income guarantee, while those in danger of falling into poverty are protected.

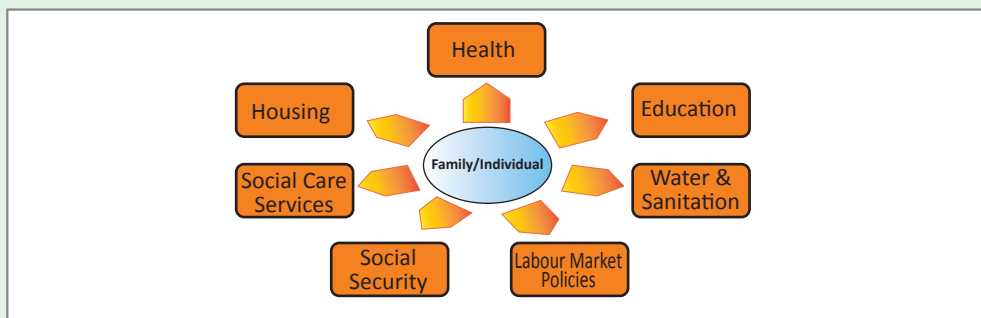
It will take many years to reform the current SSS so that it is fit for the middle income country that Bangladesh aspires to become; it cannot be completed over the next five years. However, this chapter sets out the way forward so that, after five years of implementation of the NSSS, significant progress would have been made towards the longer-term vision.

The Strategy proposed here builds on the positive changes that have already commenced across the ongoing SSS. As was noted in Chapters 1 and 2, since the 1990s, the SSS has been evolving towards a Lifecycle Approach, similar to that found in many middle and upper income countries. However, it was also observed in Chapter 2 that there are key gaps, such as among old age and very young children. Furthermore, no programme yet provides adequate coverage and transfer levels.

The NSSS will strengthen and consolidate this transformation towards a lifecycle system by consolidating progress in a small number of priority schemes. The aim is to make the entire system more inclusive by incorporating a higher proportion of poor and vulnerable people within it. This will be achieved by gradually increasing coverage of priority schemes and ensuring that selection processes prioritise the inclusion of poor families and those who are vulnerable to falling into poverty.

As emphasized in Chapter 1, while Social Security is a core public service it needs to complement investments in other services (Figure 4.1). Therefore, along with spending on Social Security, the Government will continue to invest in other public services – such as health, education, social care, and water and sanitation – to enhance their quality and provide greater access for all citizens of Bangladesh. The commitment by the Government to introduce health insurance as a means of enabling the access of all families to health services is an example of a health sector programme that closely complements the initiatives in Social Security.

Figure 4.1: The Family and Individuals at the Centre of Support from Broader Government Social Development Policy



The Government will also ensure that reforms to the Social Security system facilitate the engagement of families in the labour market since providing families with work is the best means to reduce poverty. Traditionally, such initiatives have been referred to as “graduation”; however, in this chapter they will be referred to as complementary labour market initiatives. As Chapter 3 indicated, “graduating” families from Social Security schemes when they are still poor can undermine the sustainability of investments in labour market activities.

This Chapter will set out the Government’s plans to consolidate and move forward Bangladesh’s current evolution to a lifecycle system of Social Security, following the good- practice examples of international experience reviewed in Chapter 3. It will outline initiatives for addressing the needs of the citizens of Bangladesh as they move through the life course, from birth to old age. Most of the proposals outlined build on and strengthen current schemes and support the direction that the country has been taking over the past two decades. This Chapter will also set out plans to address other growing challenges and risks, such as urbanization and disasters, although the strategy focus only on initiatives that fall within the scope of the Social Security sector.

It is important to note at the outset the inter-linkages of programmes and beneficiaries within the life cycle. For example, support to children comes not only through direct transfers but is complemented by other initiatives that indirectly support children, such as old age and disability benefits and schemes to help their parents more effectively engage in the labour market. So, it is essential, for instance, that an effective old age pension system is in place not only to benefit older people but to protect their grandchildren: in the absence of a pension, the children’s parents may well have to support the children’s grandparents as they become increasingly frail, reducing the support that they can give to their own children.

The analysis of poverty and vulnerability in Bangladesh – as summarised in Chapter 1 and further elaborated in Chapter 2 - has indicated that a high proportion of the population is in need of Social Security. This Chapter sets out the proposed plans for reforming the national SSS. It begins by outlining the long-term vision for Social Security in Bangladesh as well as the goal for the next five years. It then sets out the schemes the Government will implement to address the needs of citizens across the lifecycle, based on the needs and current gaps identified in Chapters 1 and 3. The Chapter will then outline Social Security initiatives to address the challenges of specific vulnerable and excluded categories of the population, urbanization and disasters. Other core initiatives related to the reform of governance and strengthening of systems will be outlined in Chapter 6.

4.2 Vision and Goal

Social security for citizens is mandated by the Article 15(d) of the Constitution of the People’s Republic of Bangladesh as ‘the provision of basic necessities’. Thus the government bears the constitutional obligation of ensuring the citizen’s right to “social security, that is to say, to public assistance in cases of undeserved want arising from unemployment, illness or disablement, or suffered by widows or orphans or in old age, or in other such cases.” Also in the Universal Declaration of Human Rights, Article 25 states that “everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”.

The NSSS is the first step in a long-term process of reform to the national SSS. The aspiration is to build a system that is appropriate for a progressive middle-income country with social and economic equity and which supports the realisation of the right to social security that is set out in the national Constitution, as well as in a range of international conventions agreed by Bangladesh. However, it is envisaged that this may take two decades to achieve. Therefore, it is necessary to clarify the long-term vision for the SSS, as well as the more detailed objectives for the next five years.

In the long-term the objective is to move towards building a Social Security System that is available to all the people of Bangladesh who are in need of support, providing them with a guaranteed minimum income, but also a comprehensive safety net for those who suffer shocks and crises that may push them into poverty. Therefore, the long-term vision for Social Security is to:

Build an inclusive Social Security System (SSS) for all deserving Bangladeshis that effectively tackles and prevents poverty and inequality and contributes to broader human development, employment and economic growth.

The current NSSS is designed with this long-term vision in mind. Therefore, over the next five years the Government would take appropriate steps towards achieving this vision, while being cognizant of the reality that substantial change will take time. The Government will focus on building the foundations of a progressive and inclusive system.

Over the next five years, the goal for the NSSS is to:

Reform the national Social Security System (SSS) by ensuring more efficient and effective use of resources, strengthened delivery systems and progress towards a more inclusive form of Social Security that effectively tackles lifecycle risks, prioritising the poorest and most vulnerable members of society.

While being rooted in a rights based approach, a Social Protection Floor for Bangladesh will, therefore, initially have to prioritize in consideration of institutional capacity, fiscal space, inertia of existing system and administrative structures and the most urgent social and economic needs. During the initial years of NSSS implementation, emphasis will be given to hard-core poor and the most vulnerable sections of the population. Accordingly, the priority challenges that will need to be addressed over the next five years are:

- A shift from current discretionary to a targeted universal approach to avoid leakages and under-coverage.
- Expanding coverage of core schemes for the extreme/hard-core poor, marginalized and most vulnerable people of the society, focusing on mother and child, youth, working age, the elderly and people with disabilities. A basic objective for the next five years would be to support the elimination of hard-core/extreme poverty as much as possible.
- For this to be effective, given the dire circumstances of the extreme poor, consideration will need to be given to progressive but substantive scaling up of the 'graduation' programmes that offer real and direct income earning opportunities and formal and informal work to the poorest, alongside complementary activities that provide poor people with a means to lift themselves out of extreme poverty.
- Ensuring that the most vulnerable women are provided with income security and greater opportunities to engage in the labour market, in particular as they enter into motherhood.
- Initiating a social insurance system that enables people to invest in their own social security, providing protection against the risks of old age, disability, social exclusion, unemployment and maternity.
- Expanding coverage of Social Security schemes to include the poor and vulnerable residents of urban areas (Health, Nutrition and Education) and to the socially excluded people.
- Ensuring that the Social Security system supports an effective disaster response system.
- Strengthening the delivery systems for priority transfers by establishing advanced management information systems and trained professional staff.
- Expanding the awareness of the social security programmes for the beneficiaries and motivating potential contributors.

4.3 Consolidating a Lifecycle System of Social Security

At the core of the NSSS's proposals are initiatives to strengthen the national Social Security System so that it focuses more on the causes of poverty, in particular by consolidating the development of a lifecycle Social Security System. Such a system is adopted by all countries as their Social Security Systems evolve and mature and Bangladesh has been moving in this direction for the past two decades. Governments, in effect, are able to direct resources towards the most vulnerable categories of the population, while also supporting the working age population, who are the drivers of national economic growth. The NSSS will be non-discriminatory and will be available to all poor and vulnerable people who meet the specified set of criteria for each programme irrespective of gender, religion, ethnicity, profession or location.

This section sets out the Government's proposals for strengthening its Social Security support to a) children; b) the working age population, in particular vulnerable mothers; c) the elderly and d) people with disabilities. These categories of the population are the categories prioritized by most mature Social Security Systems.

4.3.1 Social Security Support for Children

Children are the future of Bangladesh and it is imperative that they receive support in their early years and while they move through school. Investment in children will not only improve their wellbeing when young but will provide the nation with a much more effective labour force, as they move into adulthood. Many of the challenges that the current working age population face are the result of insufficient investment in them when young.

Of course, support for children needs to be provided by a range of public services, in particular education and health. The Government will continue to strengthen its investments in these sectors but will also strengthen a number of core Social Security schemes that will directly be targeted at children. The schemes that will be focused on this section are: a) a transfer for young children; b) an expansion of the school stipends; c) ensuring child maintenance payments for abandoned children; d) maternity benefits for working women; and e) a number of complementary schemes that will bring direct benefits to children. The Government's proposals for strengthening disability benefits for children are set out in Section 4.3.4.

A Child Benefit for Young Children

The period of pregnancy and the first 1,000 days of a child's life are critical for his or her future development. If they do not receive adequate nutrition during this time, they will be set back for the rest of their lives. They will be physically stunted with their cognitive development undermined. No country that wishes to develop can avoid ensuring that its youngest children receive a good start in life and that all possible measures are put in place to provide for their adequate nutrition.

Although Bangladesh has made good progress in reducing levels of child under-nutrition over the past 20 years, it is still unacceptably high with 39 percent of young children stunted as of 2013. Tackling under-nutrition requires a complex multi-sectoral approach but it is evident that low income is a key cause of under-nutrition. Poor families are unable to provide mothers and young children with an adequate diet, having to depend on low cost foods of dubious nutritional value. There is good evidence from around the world that the provision of a child benefit can significantly improve nutritional outcomes in young children.

Therefore, the Government has decided to prioritise support to young children up to the age of four years, through a large extension of current support by establishing a ground-breaking scheme known as the *Child Benefit*. This will build on the success of the current Maternal Allowance Programme for the Lactating Mother and provide a transfer to around half of all children aged 0-4 years, who belong to the

poor and vulnerable group. The programme will provide a monthly transfer¹¹ to each child that will be paid to the mother or female care-giver (although a male care-giver will be eligible if no female is available). Each mother will receive the transfer for up to two children to ensure that no incentives for higher fertility are established.

It is expected that the proportion of young children in the population will drop dramatically over the next 20 years: currently around 10 percent of the population is aged 0-4 years and the proportion will fall to around 7 percent by 2030. As a result, in coming years, the Government expects to be able to increase both the benefit's age of eligibility. Therefore, in 2020, as part of the review of the NSSS, the Government will assess progress with the Child Benefit and propose revisions to the age of eligibility and level of transfer.

While income transfer will be of critical help, the Government recognises that a wide range of other interventions to support pregnant women, young children and their mothers are needed in order to eradicate under-nutrition. This will include an expansion of support through the health system, a more effective programme of health promotion – including to girls in secondary school complementing social transfer programmes and improvements in water and sanitation. In the health sector, the Government will continue to explore the potential for strengthening initiatives to provide therapeutic feeding to the children experiencing severe under-nutrition.

The MoWCA will prepare a detailed implementation plan for this new Child Benefit Programme and submit to the Cabinet Division for approval. The Government will implement the scheme starting July 2016, prioritising initially those areas of the country where levels of child under-nutrition are highest.

Strengthening the School Stipend Schemes

Presently, the highest coverage of Social Security schemes for children is during *school age*, mainly via the Primary and Secondary Student Stipends. Around 13 million children receive stipends, with the majority at primary school. Coverage is around 24 percent of primary school age children and 17 percent of secondary school age children. However, the transfer level of the stipends is low – and their purchasing power has fallen in recent years – and, as a result, are unlikely to address the poverty constraints experienced by many families. The real value of stipends also falls if more than one child receives them in a family.

The Government will make two significant changes to the stipend schemes. Coverage will be extended to the 50 percent poorest children in primary and secondary schools respectively, with no distinction by gender. Furthermore, the transfer value will be increased from current level¹² and there will be no reduction in the value of the benefit for families with more than one child. The value of the benefit will be indexed to inflation. However, a maximum of two children per family will be able to receive the stipends at any one time.

The Ministry of Primary and Mass Education and the SHED and TMED of the Ministry of Education will prepare detailed implementation plans for the respective primary and secondary stipends schemes and submit them to the Cabinet Division for approval. The revised programme will be implemented from July 2016.

Ensuring Child Maintenance Payments for Abandoned Children

There are an increasing number of children being brought up by one parent, with the other parent not accepting responsibility for their child. Such single parent families are more vulnerable to poverty due to the care responsibilities of the parents, which limit their ability to find work. Yet, both parents should be responsible for the upbringing of their children even if they are unable to co-reside. It is not consistent with our national values that one parent can abandon their responsibilities since this has a major impact on the wellbeing of their children.

¹¹For the purpose of costing, assumption of size of allowance is given in Chapter 5 and all allowances would be indexed to inflation.

¹²For the purpose of costing, assumption of size of allowance is given in Chapter 5 and all allowances would be indexed to inflation

During 2015, MoWCA will, therefore, undertake a review of current parental support practices and propose mechanisms for ensuring that parents who abandon their children are legally obliged to pay maintenance for those children. By June 2016, the Government will prepare legislation that sets out the legal and financial responsibilities of all parents to their children, proposes mechanisms for enabling care-givers of children to obtain maintenance payments from those parents who have abandoned their children, and indicate mechanisms by which the state will ensure that the care-givers are provided with adequate support in making their claims. The policy will be implemented from 2017.

If all face up to their financial responsibilities this will be a major step forward in tackling child poverty. Furthermore, once care-givers are able to access fair financial redress from their children's other parent, this should provide them with a sound basis to more actively engage in the labour market and further increase the income available for the care of their children.

Complementary Schemes for Children

The Government will continue to strengthen a range of ongoing initiatives that will provide important complementary benefits for children. These include:

- Continue the implementation of the National Nutrition Services (NNS) Operational Plan managed by the Ministry of Health and Family Welfare.
- Continue efforts to reduce the incidence of child labour (in combination with provisions of child benefits and programmes for working age under the NSSS)
- Orphans require special care and additional funding. The Ministry of Social Welfare will continue to provide support to orphans through the ongoing programmes to ensure that they receive adequate benefits and support.
- The Ministry of Primary and Mass Education also runs a school meals programme on a pilot basis. Evaluation results show this programme has considerable nutrition benefits for the children. This programme will continue. Possibility of engaging Mothers' clubs in meal preparation will be explored.
- Other supportive programmes such as free textbook supply etc. will continue.

4.3.2 Programmes for Working Age (including young people)

The Government believes that the best way to address poverty among working age families is to provide them with access to work, including their own income generating activities. Therefore, most initiatives to support the working age population are education and labour market activities rather than Social Security.

The size of the 15-24 age group is increasing in Bangladesh. There is a growing concern about the welfare of this youth population in Bangladesh. Many of this population are school drop-outs while a significant part has completed high school but are unemployed or under-employed. The most important policy challenge for young women and men is to enable them to complete their formal education and learn the skills that will make them effective participants in the labour market. This is a long-term challenge for the education and training policy of the Government and considerable effort is underway to address this. The Government will also collaborate with donors and NGOs to pilot focused training programmes to equip the youth with skills that would help them to access the labour market.

Efforts should also ensure that parents of children are able to access the labour market and they should continue to be provided with vocational training and support to develop their own enterprises. As pointed out in Chapter 3, support for working age families should encompass more than only Social Security and labour market support. It is also important to ensure that families are able to more effectively access financial services, in particular the vast array of micro-finance options available in

Bangladesh. In addition, the Government will encourage initiatives to improve markets, specifically Making Markets Work for the Poor (M4P) – such as Katalyst – and schemes to improve the enabling environment for business. Without such initiatives, job opportunities will remain limited.

There is significant scope for collaboration between government and NGOs in supporting the working age population. For example, Bangladesh has a range of cash and asset transfer schemes-often known as “graduation” schemes that should continue to be delivered. However, it is evident that the success and sustainability of these schemes will be strengthened if “graduates” from the schemes are able to continue to access regular and predictable transfers from government, as long as they qualify according to income criteria.

This section will set out the priorities for Government Social Security support to working age families. Given limited resources, over the next five years it is not possible to encompass all of those in need (although most poor and vulnerable households will receive transfers from other lifecycle schemes). Therefore, the Government will¹³ initially prioritise vulnerable women while taking initiatives to streamline and increase the effectiveness of workfare schemes and establishing an unemployment insurance scheme.

Support for Vulnerable Women of Working Age

Single women – especially adolescent girls and those with children – are among the most vulnerable category of the population. Therefore, the Government proposes to focus on providing support to vulnerable women – in particular single parents – to provide them with a minimum income guarantee while also enhancing their ability to engage in the labour market. The Government also plans to ensure that both parents assume responsibilities caring for children.

There is already a set of schemes for vulnerable women of working age. The largest is the Allowance for Widowed, Deserted and Destitute Women, providing recipients with Tk.300 per month. The Vulnerable Group Development (VGD) scheme provides women with transfers of 30 kg of grain per month, although some women now receive the transfer in the form of cash. The VGD transfer is complemented by support to enable women to establish micro-enterprises.

The Government will consolidate the Allowance for Widowed, Deserted and Destitute Women and the VGD scheme into a new Vulnerable Women’s Benefit (VWB). Coverage will reach around 3.2 million women, providing a cash transfer indexed to inflation.¹⁴ Women will be selected on the basis of their poverty and vulnerability and other selection criteria that will be developed as part of broader selection mechanisms, which is discussed in Chapter 6. The MoWCA will prepare a detailed implementation plan for the proposed VWB programme and submit to the Cabinet Division for approval.

In addition, the Government¹⁵ will continue with the human development and enterprise support provided to women as part of the Government commitment to empower poor and vulnerable women to move out of extreme poverty. The Government will provide 500,000 women and adolescent girls per year with additional capacity development and enterprise support for a period of two years, along the lines currently provided by the VGD scheme and through graduation approaches.

Maternal Healthcare

A child’s health is intimately linked with the mother at the pregnancy stage. The Government will build on the positive experiences of the Maternal Health Voucher Scheme (MHVS) and expand coverage to all women who need this service, undertaking it in a phased manner based on evidenced effectiveness of

¹³This would be an initiative of several ministries to coordinate their interventions through a cluster approach.

¹⁴For the purpose of costing, assumption of size of allowance is given in Chapter 5.

¹⁵This would be an initiative implemented through different ministries.

the scheme. To this end, the Health Services Division (HSD) and the Medical Education and Family Welfare Division (MEFWD) of the Ministry of Health and Family Welfare (MoHFW) will prepare a detailed implementation plan along with a specific timeline and detailed programme cost by December 2015, for approval of the CMC. The programme will continue to be managed by the two divisions of the MoHFW. In particular, the HSD and MEFWD will coordinate supply-side interventions to ensure that the demand for the service financed through MHVS does not go unmet.

Maternity Insurance

Many countries help women in employment by providing them with a maternity benefit to enable them to take leave from work following the birth of a child. There are three financing mechanisms for the provision of maternity payments: government assumes responsibility; the employer assumes responsibility; or, the employee assumes responsibility – jointly with the employer – by accessing maternity insurance.

The Government will integrate a mechanism for providing all new mothers with maternity insurance within a new National Social Insurance Scheme (NSIS), which is described further in Section 4.3.3. The parameters of this mechanism will be established during the design of the NSIS but the Government will aim to provide all members with maternity payments of six months. As part of good practice, all members – male and female – will be obligated to pay the maternity insurance contribution since, if the burden for payment is placed on only women, this would increase the costs of female labour and discourage employers from contracting women. Payments will be shared by employees and employers.

Childcare for Female Employees in the Formal Sector

The structure of Bangladesh's labour force is changing and increasing numbers of women are entering the formal sector workforce, in particular as factory workers. Yet, on giving birth, many are obliged to leave their jobs as there is no one to look after their children during the working day. It is evident that many private sector employers are financially able to provide this service. Indeed, it is a service from which they will benefit since it will enable them to retain skilled labourers.

The Labour Act (2006) stipulates that all employers with more than 40 employees will provide childcare services for both female and male employees. They will be able to do this as individual enterprises or combine with other enterprises to offer a joint service to their employees. Within the Government, MoWCA will coordinate with relevant ministries that this stipulation is implemented and monitored in compliance with the Law.

As this stipulation applies also to public services, the Government will ensure that all government employees can enjoy the same level of benefits as working parents in the private sector. It is proposed that all government offices – both central and local – should have childcare facilities established in compliance with the Labour Act.

Consolidation of Workfare Schemes

As noted in Chapter 2 a range of workfare programmes prevail to address open and season unemployment in rural areas. It was also noted that several reforms are underway to improve efficiency and reduce leakages, in particular based on the assistance from the World Bank under the Employment Generation Programme for the Poorest (EGPP). Such reforms will be consolidated further based on the experiences and lesson learnt by the Local Government Division and Local Government Engineering Department. It is expected that consolidation of various fragmented employment schemes would yield considerable efficiency gains by reducing administrative costs and reducing leakages. As the lead agency dealing with workfare programmes, the reform will be done by the Ministry of Disaster Management and Relief in coordination with the Ministry of Local Government, Rural Development and Cooperatives. It is expected that this will be completed by July 2018.

Unemployment Insurance

A flexible labour market is a necessary component of a successful economy as it enables labour to move

from business sectors that are failing to those that are emerging or growing. However, a flexible labour market is only possible if an effective system is in place to support those who may lose their jobs. Therefore, the Financial Institutions Division as the lead agency of this – as part of the NSIS (see Section 4.3.3) – will develop a system of unemployment insurance for workers in the organized private sector. This insurance will be fully financed by employers and employees. Once consolidated, the scope will also be broadened to include insurance coverage for accidents and sickness while efforts to extend it to the informal sector will move forward.

4.3.3 Establishing a Comprehensive Pension System for the Elderly

The share of elderly population is growing in Bangladesh. In 2010, 6.8 percent of the population was aged over 60 years and Bangladesh will reach the 10 percent threshold – when countries are considered as ageing – in around 2026. By 2050, the over-60s age group will comprise a massive 23 percent of the population. Furthermore, the over-50s age group will comprise 32 percent of the electorate by 2030 and 46 percent by 2050.

It is evident that traditional systems of support for older people are breaking down. Furthermore, many of the elderly citizens are taking on additional responsibilities, such as caring for the children of migrants. It was noted in Chapter 2 that the presence of an elderly person in a household is a good predictor of poverty. Elderly women are at greater risk of poverty than men, with a poverty rate that is 15 percent higher. Furthermore, while many working families make every effort to support their elderly relatives, this means that they have to divert resources from their children. This is a particular challenge for poor families.

One means of judging a society is the quality of care that it provides to its elderly citizens. Bangladesh recognises in its Constitution the right of the elderly to social security and, for the nation of Bangladesh, it is imperative that all citizens have the guarantee of avoiding destitution during their final years. The Government would like to emphasize that the dignity of the elderly citizens is an absolute priority for the nation.

In recognition of this, a National Policy on Elderly People has been passed. An Old Age Allowance programme was introduced in 1998 that currently provides Tk. 300 per month to poor women aged over-63 years and poor men aged over-65 years. There are around 2.5 million recipients of this scheme although around a third of the recipients are under the age of eligibility, which means many deserving elderly citizens miss out. The Government also provides allowances for former Freedom Fighters while many recipients of the Widows' Allowance are elderly. In addition, the Government provides old age pensions to around 400,000 retired government servants.

Despite these existing schemes, it is evident that the majority of elderly people – when assessed against the age of eligibility of the Old Age Allowance – have no access to any form of income security, perhaps 70 percent of the total. Furthermore, it is recognised that Tk. 300 per month is too small a transfer to provide the level of income security that the elderly citizens require. Indeed, as Chapter 3 indicated, it is one of the lowest old age pensions in the world, when measured as percentage of GDP per capita.

It is, therefore, proposed to develop a comprehensive pension system that provides a state-guaranteed minimum income for senior citizens belonging to the poor and vulnerable group, while building a contributory pension system for those working age families who want to provide for themselves a higher level of pension income in old age. A contributory pension system will also build significant funds that can be used for investment in enterprises and to support national development.

A three-tiered pension system is proposed:

- **Tier 1:** a public expenditure-financed benefit that provides senior people that belong to the poor and vulnerable group with a minimum income guarantee.
- **Tier 2:** a contributory pension scheme for the formal sector workers to be explored.

- **Tier 3:** voluntary pension schemes—managed by the private sector (often employment-based schemes) – into which people can opt if they desire an additional income in old age.

The proposed pension model will provide coverage via the three types of pension. Recognising that the vast majority of older people are either poor or vulnerable to poverty – and many, as they become increasingly frail, are unable to work – the Government will establish a Foundation Tier, based on an expansion of the current Old Age Allowance. The second tier will be a new social insurance pension that will be overseen and regulated by the state. The Government will also promote the growth of private and employment-based pensions as the third voluntary tier. The first two tiers will be linked through a form of pension-testing whereby the public expenditure-financed pension is gradually withdrawn from those receiving the mandatory social insurance pension. The specific proposals for each tier of the pension system are set out below.

Tier 1: Old Age Allowance

The main characteristics of the Old Age Allowance will be:

- It will be accessible to all elderly citizens (age 60 plus)¹⁶ of Bangladesh who meet the income criteria (income below 1.25 times the upper poverty line).
- The transfer value of the Old Age Allowance will be subject to decision by the Government.¹⁷ It is proposed that the Old Age Allowance will be significantly increased on the current value, which is modest relative to the value of similar pension schemes in other developing countries.
- At age 90 years, the value of the allowance will be further increased, to be decided by the Government. While this will benefit few people and will be minimal cost, it should increase incentives across society for people to care for the elderly, to ensure that they reach age 90 and receive the significantly higher benefit. This may, in fact, reduce health costs, thereby bringing savings to the national exchequer.

Income eligibility will be assessed on the basis of a Proxy Means Test (PMT) combined with community validation and access to grievance redress. The Government will, therefore, establish an appeal mechanism for those who believe that they have been unfairly excluded from the Old Age Allowance on the grounds of income or inaccurate documentation. The Government will also establish penalties for those who falsify their age to make an illegitimate claim for the pension.

The Old Age Allowance will substantially increase the effectiveness of current Social Security spending. It is also expected that the additional benefits been observed in other countries with similar schemes, such as significant increases in the health and dignity of older people, will happen in Bangladesh. Furthermore, one could expect to see positive impacts on other members of their extended families – in particular children – since older people are likely to share their pensions with others while working families will be able to direct a higher proportion of their resources to their own children.

As Tier 2: The National Social Insurance Scheme (NSIS)

As means of preparing the country for a growing elderly population, the Government will explore the possibilities to design a National Social Insurance Scheme (NSIS), based on the principle of employers and employees jointly paying contributions into a national social insurance fund. It would provide pensions as well as addressing other contingencies (such as disability, sickness, workplace accidents/injury, unemployment and maternity, as discussed in other sections). Initially, the NSIS would be aimed at those in the formal sector from whom contributions can be collected relatively easily on a mandatory basis but will gradually be extended to the informal sector. At the start, it may be managed under the newly constituted Insurance Development and Regulatory Authority of Bangladesh (IDRA) under the Financial Institutions Division of Ministry of Finance. The CMC will agree on the specific design of the NSIS,

¹⁶ The 60 plus age is used based on the definition adopted by the Cabinet in December 2013 for defining the elderly population.

¹⁷ For the purpose of costing, assumption of size of allowance is given in Chapter 5 and all allowances would be indexed to inflation.

based on recommendations of the Financial Institutions Division of Ministry of Finance and consultations with private business enterprises.

The NSSS in the main covers social allowances, with special emphasis to integrate the poorest and the most vulnerable members of society. However, with transition to Middle Income Country status there is a need to pay attention also to contributory social insurance. The NSIS would be a core component of the Government’s long-term vision for Social Security in Bangladesh and play a major role in enabling Bangladesh deal with the challenge of ageing. A NSIS with gradually extended coverage would, over time, contribute to universal pension coverage in combination with Old Age Allowance.

Tier 3: Private Voluntary Pensions

The Government will encourage the growth of private pension for those who want additional protection in old age and are willing to finance these themselves. This process will start by the commissioning of a study of current private pensions in Bangladesh with a view to making recommendations on how to encourage the growth of private pension schemes and ensuring the security of investments by members of such schemes. The study will examine the viability of establishing a Pension Regulatory Authority that will be responsible for supervising private pensions, thereby ensuring their integrity, fairness and financial sustainability. The study will be carried out under the auspices of the Financial Institutions Division (FID).

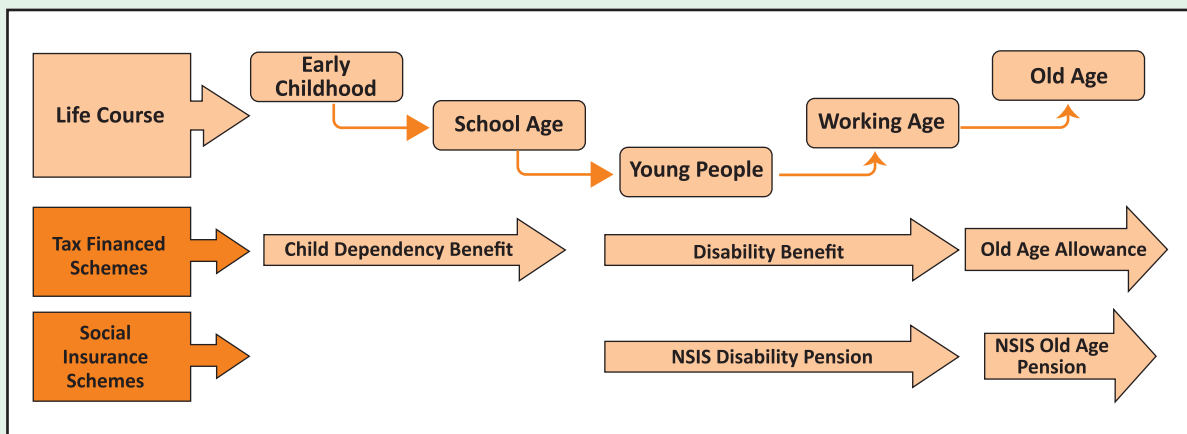
4.3.4 Strengthening the System of Social Security for People with Disabilities

The right to social security for people with disabilities is enshrined in the Bangladesh Constitution. Furthermore, on 30th November 2007, Bangladesh ratified the Convention on the Rights of Persons with Disabilities, which also guarantees the right to Social Security. The Government is, therefore, committed to establishing a system of social security support for persons with disabilities that is appropriate to a middle-income country. While this will take time to realise fully, during the five years of this NSSS, the Government will take some major steps forward, building on the strengths of the current system of disability support.

Over the next five years, the Ministry of Social Welfare will consolidate the current support to people with disabilities, aligning it to the life course. The system that will be established is set out in Figure 4.2. It will involve three core schemes:

- A **Child Disability Benefit** for all children with a disability, up to 18 years of age;
- A **Disability Benefit** for all adults with severe disabilities, aged 19-59 years;
- At 60 years, people with severe disabilities will transition to the **Old Age Allowance**.

Figure 4.2: The Proposed System of Social Security for People with Disabilities



The two core public expenditure-financed components of the scheme – in addition to the Old Age Allowance– are described below:

Child Disability Benefit

The children of Bangladesh are the future of the country and children with disabilities are the most vulnerable children. The Government will ensure that every child certified as having a severe disability will be provided with a regular transfer, known as the Child Disability Benefit. This will extend the current Child Disability Grant that is managed by the Ministry of Social Welfare. All children are deserving of this benefit, as long as they fulfil the disability criteria to be defined by the Ministry of Social Welfare and the income of their care-givers is within the income threshold for the scheme.

Given the priority attached to children with disabilities, the Government will provide a transfer that will be the equivalent of the Old Age Allowance. Government may vary the amount based on the severity of the disability and associated cost of care. The eligibility criteria will define the specific situations. It is estimated that there will be around 350,000 children eligible for the scheme. The transfer will be paid to the female care-giver of the child, unless there is only a male care-giver. Children with disabilities will not be excluded from other child-focused benefits.

The Government will develop a mechanism to identify severe disability among children, which will not only include children with physical disability but also other disabilities like autism, cognitive, mental, sensory impairment, etc. It will also develop a mechanism for identifying families with incomes below the income threshold, as described in Chapter 6.

The introduction of the Child Disability Benefit will enable the Government to identify all poor and near poor disabled children in the country. Over time, this will make it possible to track their progress in attending school and provide them with additional support such as assistive devices, support with transport, and support with the additional costs they face in attending school. Mechanisms will also be established to remove children with disabilities from the street, making the Child Disability Benefit conditional on children not being exploited for begging. A system of penalties will be introduced for those who employ children as beggars. Ministry of Social Welfare will be responsible for monitoring the progress of recipients of the Child Disability Benefit.

Working Age Disability Benefit

The current disability grant managed by the Ministry of Social Welfare will be reformed into a scheme that provides a regular transfer to all poor and vulnerable citizens of Bangladesh with a severe disability. The current disability grant reaches 290,000 people. It is estimated, however, that there are 1.15 million people of working age with a severe disability. Under the income eligibility criteria, some 50 percent of this population will be eligible. So a significant expansion of the current scheme is envisaged, while it will be directed at those with a severe disability only. The scheme will be accessible by all those poor and vulnerable population with a severe disability aged 19-59 years and, at 60 years, they will transition to the Old Age Allowance. MoSW will define the disability and income criteria for inclusion in the programme.

The Government will design robust measures for identifying severe disability and will establish an appeals mechanism for those who feel that they have been unfairly excluded.

As the scheme is revised, all current recipients of the disability grant will be screened to ensure that they comply with the new criteria. A means test will also be developed. However, as the Disability Benefit is an individual benefit, only the income of the person with a disability will be assessed, rather than the income of the household.

The value of the Disability Benefit transfer will be aligned with that of the Old Age Allowance. In the

longer term, the level of the transfer will be reviewed to assess whether a higher transfer is viable. Considering their medical requirements, the disability monthly benefits might be double or more than other social security schemes. The introduction of the reformed Disability Benefit will mark a significant change in the lives of the disabled citizens who are poor. They will be better able to enter the labour market and access credit so that they can invest in small businesses. The Ministry of Social Welfare will complement the Disability Benefit by providing additional support to recipients by ensuring access to vocational education and small business schemes and eliminating discrimination in the labour market.

The Ministry of Social Welfare will prepare a detailed implementation plan for the Child and Adult Disability Benefits and submit to the Cabinet Division for approval by December 2015. Government will start implementation in July 2016.

4.3.5 Critical Importance of Affordable Health Care

While the implementation of all complementary strategies in nutrition, healthcare, education, training (including Behaviour Change Communication), water supply and sanitation as a part of the overall Social Development Framework (SDF) are essential to ensure the success of the life-cycle based Social Security programmes, the importance of instituting an affordable health care system cannot be over-emphasized. Health-related shocks can be devastating for the poor and vulnerable population and the small amount of income transfers through the above schemes may not be fully adequate to mitigate all the health risks faced by the poor and the near poor. In recognition of this, the Government of Bangladesh has recently adopted a major health-financing strategy that outlines the Government's approach to providing equitable healthcare opportunities to its citizens.¹⁸ The Government is committed to implementing this health financing strategy, which will be a major complement to the NSSS.

4.4 Social Security for the Socially Excluded Groups

Chapter 2 identified a range of socially excluded population that face various social discrimination based on gender, religion, ethnicity, profession or illness. The Government is highly sensitive to ensuring the elimination of all kinds of socio-economic discrimination against these groups through legislative and other affirmative actions. This is a major agenda item for the Government's broader Social Development Framework. The Government will also ensure that these groups have similar access as the rest of the population to all Social Security programmes and to all publicly provided basic services in education, health, nutrition, population planning, water supply and sanitation. The Government believes that these two strands of public policy are the best way to support the development of these groups.

The Government is aware that special efforts will be needed to reach many of the members of this group. This will involve sensitizing employees of all agencies implementing Social Security Programmes as well as relying on local government and NGOs for identifying potential beneficiaries. An effective grievance redress mechanism will also be helpful to bring members of these excluded populations into the mainstream Social Security programmes. In addition, special programmes tailored to the special needs of the socially excluded groups will be implemented, including acid burnt survivors, Backward People, transgender, PLHIV, tea garden workers, beggars, homeless people, etc.

4.5 Strengthening the Social Security System for the Urban Poor

Bangladesh is urbanising rapidly. This brings many positives and supports national development, yet evidence shows that many urban residents experience poverty while others remain vulnerable to shocks that can threaten their wellbeing. Urbanisation is throwing up a range of challenges, which the Government is committed to tackling for the benefit of our citizens. This will require support from across government, including from the Social Security sector.

To date, the national Social Security system has been aligned mainly to the needs of the rural

¹⁸ "Expanding Social Protection for Health: Towards Universal Coverage", Health Care Financing Strategy 2012-2032" Ministry of Health and Family Welfare, Government of Bangladesh, September 2012.

population: while 30 percent of rural residents benefit from Social Security, the system reaches only 9 percent of the urban population. While continued efforts to increase the coverage of the rural poor and vulnerable population will continue, the Government is also mindful of the need to bring more of the poor and vulnerable population living in urban areas under the umbrella of Social Security. Schemes like old age pensions, disability benefits and child benefits should be provided to both urban and rural areas in equal measure. As the priority Social Security schemes for the elderly, children, vulnerable women and people with disabilities are expanded, it will be ensured that urban residents have equal access.

The Government also understands that new proposals in NSSS such as the childcare proposals and the NSIS will initially benefit urban residents most owing to the location of the formal economic activities. Therefore, special efforts will be made to expand these benefits to the rural population. This is a longer term effort and the Government will review experiences of countries like Brazil and Mexico to determine how the scope of social insurance schemes can be expanded for the rural population.

However, Social Security cannot resolve all the problems of the urban population. Therefore, the Government will further develop policies in areas such as town planning, housing, health, education, water and sanitation, industrial safety and transport to ensure that comprehensive support is given to the most vulnerable families, complementing our Social Security initiatives.

4.6 Consolidation of Food Transfer Programmes

The Government has put strong emphasis on ensuring food security for its citizens so that nobody dies from hunger. This has been reflected in a strong emphasis on food production as well as through the food transfer programmes under the Social Security Programmes. It is therefore not surprising that the food transfer programmes in total have received the largest amount of funding (excluding the government service pension programme) and also account for the most number of beneficiaries. In this regard, this component of the Social Security Programme has been the mainstay of the current Social Security system and in a life cycle framework can be regarded as addressing covariate risks emerging from shocks such as a global food price crisis, climate change and natural disasters. The Government, however, is aware that in view of the changing nature of the economy and demography the importance of this component of the Social Security programme is declining. There has been a substantial reduction in food poverty. Also, it is evident from international experience that cash transfers have significant advantages over food transfers in supporting food security through conventional Social Security schemes.

The various food security programmes can be listed under four groups: those that provide food as a benefit transfer (e.g. VGD); those that provide food as compensation for work (e.g. Food for Work); those that provide food as a disaster relief (e.g. VGF, TR, GR); and those that are aimed at stabilizing food prices (e.g. Open Market Sales, Food Card & Fair Price Programmes).

The transfer of food during and after disaster will continue as a disaster management response as necessary under the management of the Ministry of Disaster Management and Relief. The scope of the Open Market Sales (OMS) and Food Card managed by the Ministry of Food will be expanded as necessary to tackle hunger and food affordability issues as appropriate. The OMS will remain self-targeted as presently. Food distribution through OMS and as disaster relief will be coordinated with the Government's Food Stock Policy and Fair Price Policy as appropriate. Nutrition programmes like school feeding and therapeutic feeding for children suffering from extreme nutrition) will continue, with proposed engagement of mothers' clubs.

The Government will in a longer perspective consider converting all workfare based food programmes into cash transfers. Such transition has to be implemented in an orderly manner and the based on the recommendations of an in-depth assessment to be undertaken by the Government (suggested lead by GED of the Planning Commission in close consultation with The Ministry of Disaster Management & Relief, Ministry of Food, Ministry of Women and Children Affairs, Local Government Division).

4.7 Strengthening Resilience in the Face of Covariate Shocks

Bangladesh is a country that is susceptible to large-scale crises, such as floods or droughts. Furthermore, there is the risk of being affected by global crises, such as the food and fuel crisis and global recession of a few years ago. It is essential that the Social Security system is used to build the resilience of the families of Bangladesh and provide support in the face of shocks.

The implementation of the NSSS will allow a high proportion of the citizens to be much more resilient than at present. By expanding the coverage and value of transfers of priority schemes, the poor and vulnerable population will be in a significantly stronger position, with an important buffer against shocks.

Once the Government has established strong Management Information Systems and electronic cash delivery channels (which are outlined in Chapter 6), it will also be able to use the priority Social Security schemes to deliver emergency payments if a crisis hits. The Government will be able to increase— on a temporary basis – the value of transfers to recipients, providing them with important additional support. The Government expects this support to reach beyond recipient households given the practices of informal sharing and support between kin. The Government will establish mechanisms to identify geographic areas most hit by crises, so that it knows when and where to increase payments. The Ministry of Disaster Management and Relief will work together with the Ministry of Local Government, Rural Development & Cooperatives and other relevant ministries to produce proposals for these mechanisms by mid-2016.

The proposed review of the current disaster relief schemes will produce proposals that will also enable the Government to establish short-term humanitarian assistance schemes, either in the form of food or cash, as well as other inputs such as clothing, temporary housing and medicines.

Additionally, the Government’s programmes to address climate change and disaster prevention will be further strengthened as a part of its broader development effort. In this respect, schemes like conditional cash transfers for co-management of natural resources can be considered. Agricultural research, embankment and reforestation programmes, disaster preparedness etc. are already making important inroads in lowering the vulnerability of the population to climate change and natural disasters. Longer-term programmes such as the planned Delta Region Development can be of further benefit in this regard.

While the Government cannot promise to provide effective cover to everyone in the case of a major crisis, it is confident that, by the end of the five-year period of the NSSS, the majority of the citizens – in particular the most vulnerable – will be in a much stronger position than at present. Bangladesh will be well on the way to providing an effective and comprehensive Social Security and disaster relief system by 2030, with improvements happening year on year.

4.8 Consolidation of Special Programmes and Small Schemes

As noted in Chapter 2, there are a few high priority special programmes and a large number of small schemes under the present social security system. The special programmes relate to the Government’s commitment to support the freedom fighters and their families. These programmes for freedom fighters will be maintained and consolidated under one scheme called the Freedom Fighters’ Benefit Programme.

In recent years, there has been a rapid expansion in the number of small schemes. Much of this has been led by development partners, usually well intentioned as new approaches have been piloted and specific challenges addressed. However, with the formulation of core programmes of the NSSS, it is important that these schemes are adding value in terms of innovative ideas with prospects for scaling

up and joining up. It is also critical that the governance arrangements to be put in place anticipate coordination of the development partners’ support to allow the vision of consolidated social security programming to function fully. Under the leadership of the GED of the Planning Commission, each

sponsoring Ministry of these small schemes e.g. schemes of Ministry of Fisheries and Livestock, Ministry of Cultural Affairs, Ministry of Youth and Sports, Ministry of Expatriate Welfare and Overseas Employment etc. will be responsible for determining the value of these schemes and, present a business case if they believe that the programme should continue. Under the leadership of GED, the Planning Commission will, on the basis of the business cases, make proposals to Cabinet Division on which schemes should continue.

The reforms that are proposed in this Chapter will be transformative for the citizens of Bangladesh. By implementing this NSSS the Government will take significant steps forward in progressively realising the right to social security that is established in the Bangladesh Constitution, although an initial high priority will be to eliminate hard-core poverty. The NSSS seeks to provide the elderly and disabled citizens of Bangladesh with a guaranteed minimum income while the young children will be given an important boost so that they can be helped to realise their full potential. The most vulnerable families – in particular those headed by women– will be given guarantees of a minimum income and additional support to engage with the labour market.

The NSSS requires substantial reforms over the next 10 years, including a redesign of several programmes and merging or elimination of many small programmes. The reform process will be continuously monitored and evaluated for its outcome and impact in terms of efficiency, effectiveness and reduced marginalization and poverty, with strong focus on elimination of extreme poverty. After the reforms, Bangladesh will have a modern Social Security system based on addressing risks and challenges associated with different stages of the lifecycle. These publicly-funded programmes will have a much more expanded coverage and higher average benefit. Combined with a range of privately financed social insurance and employment based support programmes, the SSS will be a much more effective response to the Social Security needs of Bangladesh in the 21st century than presently. In implementing the reforms, the Government will ensure proper transition arrangements so that no existing beneficiary is denied an ongoing benefit except on the ground of ineligibility on income grounds.

A plan for dissemination of the reformed Social Security System will be developed. Potential beneficiaries will be made aware of the entitlements of the reformed core life cycle programmes, including increased transfer size. Government stakeholders will be sensitized about the reforms to ensure compliance and an expeditious transition. Civil Society Organisations will be made aware of their role in implementation, including grievance redress.

CHAPTER 5

Financing the National Social Security Strategy

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Financing the National Social Security Strategy

5.1 Overview

A strategy is feasible only if it is financeable. Chapter 1 showed that Bangladesh has put top priority to Social Security and this is manifested in a rising share of Social Security both as a share of GDP and as a share of total budget. Presently, the level of public spending on all Social Security programmes amounts to about 2.0 percent of GDP. In the Sixth Five Year Plan the Government's target was to raise this spending to 3.0 percent of GDP by the end of the Plan in FY15. Although the realism of budgetary resources has constrained the Government's ability to increase the spending level for Social Security in the first three years of the Sixth Plan period, this higher level of spending target is a reflection of the Government's commitment to Social Security.

But budget constraint is real and therefore the NSSS will need to make realistic assumptions about the possible levels of financing that will be available in the near term. For the longer term the budget envelope will depend upon the Government's progress with implementing its Medium-Term Revenue Mobilization Plan as articulated in the Sixth Five Year Plan. The evidence so far shows that the progress is encouraging, although there is still a long way to go. The NSSS programmes for the longer-term are built around an economic environment of transition to a middle income status. So, in addition to tax-financing, several programmes are built around cost-sharing arrangements with private sector participation. Consequently, apart from reliance on a growing public resource envelope, the NSSS will also benefit from contributory private funding.

Finally, Government funding priorities are a function of results on the ground as well as political economy considerations. International experience shows that with good results from Social Security spending and growing coverage, the political environment tends to get more supportive. Governments then seek to protect these spending as a part of their core obligations. Social Security in Bangladesh has already emerged as a major political priority across all governments. With improved outcomes in terms of positive impact on poverty reduction and higher coverage along with transition to a middle income status, it is very likely that a higher share of resources will be allocated to Social Security programmes.

Against the backdrop of the above, this Chapter looks at the financing aspects of the strategy proposed in Chapter 4. It considers specifically the estimated cost of each of the suggested programmes financed through the budget and compares this cost with available resources. It looks at the medium to long-term potential budget envelope and reviews the feasibility of financing the proposed strategy along the time line that is specified. This Chapter does not cost the privately financed programmes as the background research for them needs to be done first by the task forces suggested in Chapter 4. However, in the implementation of the NSSS the feasibility of other sources of financing such as Corporate Social Responsibility (CSR), zakat, contributions from Non-Resident Bangladeshis (NRB), International Philanthropic Funds, etc. will be explored.

5.2 Costing of Proposed Programmes: Budget Financed Programmes

As explained in Chapter 4, the reforms seek to consolidate the multitude of often duplicative programmes into core programmes based on the life cycle. The strategy proposes four major reforms:

- A consolidation of all current life-cycle type programmes into 5 core public expenditure-financed Social Security programmes that address poverty and risk concerns at different stages of the life

cycle. Alongside, the strategy also proposes new legislation to modernize the employment practices in the private sector with appropriate cost sharing within a comprehensive Social Security framework.

- A consolidation of existing public expenditure-financed programmes dealing with natural disasters and food price stabilization into two core programmes with a view to eliminating duplication and improving efficiency, thereby ensuring a better management of covariate risks. One deals with all workfare type support and the other deals with food security.
- Preserving high-priority special programmes: the programmes for freedom fighters; programme for maternal healthcare (MHVS); programme for the orphans; and the programme for primary school midday meal and so forth.
- A consolidation of the multitude of small experimental programmes into those that add value, are innovative and hold promise for scaling up, based on a proper review.

The reform strategy is summarized in Table 5.1. The mapping of existing programmes to the new strategy is also shown. As was noted in earlier chapters, two major problems of the current Social Security system are the low coverage and low average benefit of most programmes, but especially the programmes associated with the child, the school going children, the poor and vulnerable women and the elderly. The programmes for the working age group on the whole appear well funded but there are serious concerns with the multiplicity and nature of programmes associated with this life cycle stage.

Table 5.1: Core Public Expenditure Financed Life Cycle and Risk Mitigation Programmes

A. Consolidated Life Cycle based Core SSPs	Mapping into Current SSPs
1. Children's Programme Age <1-4) -- Child Benefit (maximum 2 persons) -- Strengthen Immunization, Child Healthcare, Nutrition, Water And Sanitation And Outreach Programmes	--Maternal, child and reproductive health --Community healthcare initiative
2. Programme for School Age Children -- Primary And Secondary School Stipend -- Primary School Feeding -- Orphans Programme -- Child Maintenance Payment for Abandoned Children	- Primary School Stipend --Secondary School Stipend --Primary School Feeding --Orphans Programme
3a. Programmes for Working Age (19 -59) -- Strengthen Education and Training -- Develop Legislation For Unemployment, Accident, Sickness and Maternity Insurance -- Consolidate Workfare Programmes	--Economic Empowerment of the Poor --Food Assistance for Chittagong Hill Tracts --Employment Generation Programme for the Poorest --Food for Work --Social Development Foundation --Rural Employment and Road Maintenance Programme --One Household One Farm --Ashrayan Project 2
3b. Programmes for Women (Age 19-59) -- Consolidate into one VWB Programme on a Cash Basis. -- Provision Of Childcare Across All Formal Employment -- Maternal Health Voucher Schemes (MHVS) -- Maternity Insurance for New Mothers in Employment	--Vulnerable Group Development --Allowances for Widowed, Deserted and Destitute Women --Maternal Health Voucher Schemes (MHVS)
4. Comprehensive Pension System for the Elderly -- Old Age Allowance (for senior citizens from age 60 plus) -- Government Service Pension (unchanged) -- Explore Options for a National Social Insurance Scheme (contributory/private funded). -- Explore option for Private Voluntary Pensions -- Freedom Fighters' Benefit Programme	--Old Age Allowance --Construction of Residence for Landless And Poor Freedom Fighters -- Honorarium for Insolvent Freedom Fighters --Government Service Pension

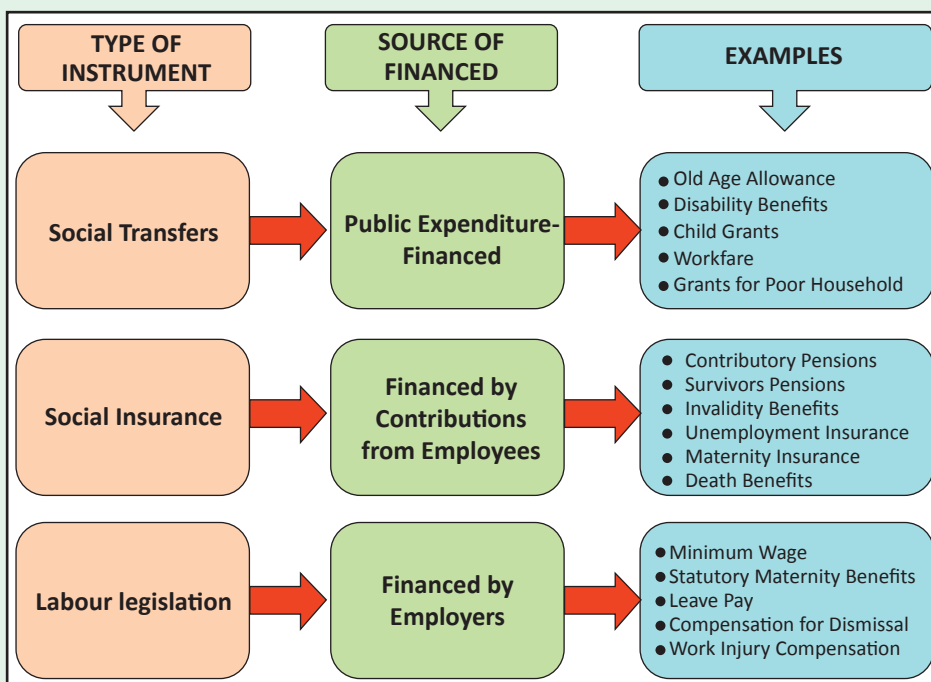
A. Consolidated Life Cycle based Core SSPs	Mapping into Current SSPs
5. Programmes for People with Disabilities --Child Disability Benefit (age <1 -18) --Disability Benefit (age 19 -59)	--Allowance for Financially Insolvent People with Disabilities
B. Consolidate Risk Mitigation SSPs	
6. Strengthen Programmes for Managing Covariate Risks -- Strengthen Oms To Serve Food Security Needs -- Align Disaster Management with Social Security	--Vulnerable Group Feeding --Test Relief Food --Gratuitous Relief --Open Market Sales (OMS)
C. Small and Special Programmes	
7. Innovative Special Programmes --Line Ministries will Design Special Programmes to Address Emerging Risks --Freedom Fighters Benefit Programme --Addressing Social Excluded People for Various Reasons like Indigenous, Backward People, Transgender, Tea Garden, H Affected People, etc.	Mapping into Current SSP

Source: Ministry of Finance and Chapter 4.

Accordingly, the reforms seek to consolidate the multitude of often duplicative programmes into core programmes based on the life cycle, enhance beneficiary coverage so that the programmes are by design inclusive of all poor and vulnerable population, with special emphasis on the extreme poor, and increase the average programme benefits to make a meaningful impact on the recipients. The costing of the reformed life-cycle based programmes that are public expenditure-financed is based on these features of the NSSS and assumed benefit sizes (please see details in box 5.1).

Before moving further into the costing aspect of the public expenditure-financed Social Security programmes, it is important to underscore that the full financing of the Social Security programme is based on cost sharing arrangements between the government and the private sector. The public expenditure-financed component is only one part of the NSSS financing; the other part is private sector based on social insurance and employment based regulations. This important point is illustrated graphically in Figure 5.1.

Figure 5.1: Financing Strategies



Box 5.1: Major Assumptions of Costing Exercise (based on Poverty & Vulnerability Approach): An example

1. Collate the total numbers of beneficiaries under each of the core life cycle programmes from population projections for 2010 to 2030.
2. The start date of the proposed NSSS is FY 2015/16.
3. The implementation rate in the first year is 60 percent. The implementation rate is assumed 80 percent in the second year and 100 percent in the third year of the strategy.
4. Eligibility criterion is 50 percent (i.e. poor and vulnerable defined as 1.25 x upper poverty line). According to this method estimated total beneficiaries are 35.7 million.
5. Except for the school stipend (which is Tk. 300 per student per month) and Disability Allowances (which is Tk. 1500 per person per month), considering transfer amount of Tk. 500 per month per person or as directed by the Government.
6. The future cost in current taka (onward FY 2015/16) is thus projected on the basis of the projected beneficiaries and inflation rate of 6 percent per year.
7. Total cost of the core life cycle programmes as percent FY15/16 GDP is 1.07 percent (Tk. 184.1 billion).
8. It is assumed that the cost of all programmes outside Life Cycle Approach (Risk Mitigation, Special and Small) will remain unchanged in real terms.
9. Most beneficiary households may receive transfers from two or three programmes.

Core Life Cycle	Beneficiary (FY201 5-16)	Transfer/ month	Implementation rate	FY15 -16
1. Old Age Allowance	5.5 (50% of 10.8 million)	500	60%	20.1*
2. Government Service Pension	0.6 million			76.0
3. Programmes for People with Disabilities	1.0 (50% of 2 million)	1500	60%	10.8
4. Child Benefits	7.5 (50% of 15 million)	500	60%	27.0
5. Programme for School Age Children	17.9 (50% of 36 million)	300	60%	38.7
6. Programmes for Women (Vulnerable Women's Benefit)	3.2 (50% of 6.4 million)	500	60%	11.5
Total (Billion Tk.)	35.7 million			184.1

* 0.3 billion is costed for people 90 years and above providing Tk. 3000/person/month under Old Age Allowance.

5.2.1 Comprehensive Pension System for the Elderly

This reform has four components:

- An Old Age Allowance that will be given to all poor and vulnerable citizens (50 percent of the age group) who are aged 60 years or above. The monthly pension is Tk. 500 fixed in prices of FY15-16 when the pension will become effective. The pension will be inflation indexed. The monthly rate will be increased to Tk. 3000 for the few people who exceed 90 years.
- Continue with the Government Service Pension with no change at this time.
- Explore possibilities to establish a National Social Insurance Scheme (NSIS) based on the principle of employers and employees jointly paying contribution.

- Review options to facilitate development of Private Voluntary Pension (PVP), which is open to all citizens irrespective of occupation or formality of employment.

The first component, the Old Age Allowance, will be fully budget-funded. The second component, the Government Service Pension, will also be funded by the Budget. The last two components, the NSIS and the PVP, would be funded through private resources.

Based on the present demographic pattern, the total size of the 60 plus age group is projected at about 11.4 million in FY15-16, which is the proposed first year of implementation of this and all other reformed programmes. Some 0.6 million individuals are recipients of Government service pension, leaving an eligible age-group population of 10.8 million. With a defined benefit of Tk. 500/month, 50 percent eligibility based on income criteria (poor and vulnerable defined as 1.25 x UPL) and assumed 60 percent implementation in the first year, total cost in the base year (FY15-16) amounts to Tk. 19.8 billion.¹⁹ Regarding the 90 plus age group, the target population is estimated at 16,000 people in FY15-16. With 50 percent eligibility on income grounds, the estimated cost of this component for FY15-16 is Tk. 0.3 billion. The total cost for the Old Age Allowance, therefore, is estimated at Tk. 20.1 billion for FY15-16 (Table 5.2). The future cost in current taka is projected on the basis of the projected ageing pattern of the population of Bangladesh, 100 percent implementation by FY17-18 and inflation (6.0 percent per year as assumed by Bangladesh Bank for its Monetary Programming exercise). The projected costs up to FY 19-20 are shown in Table 5.3.

Costing of Government Service Pension: No change is proposed here. The costing is projected on the basis of FY12-13 actual cost that is kept a constant share of Government service salary bill and increased by the rate of inflation. For FY 15-16, this amounts to taka 76 billion (Table 5.2). The projected cost up to FY19-20 is shown in Table 5.3.

5.2.2 Programmes for People with Disabilities

The support strategy for people with disabilities consists of:

- A disability benefit of Tk. 1500 per month for children with disabilities and who also belong to the poor and vulnerable families.
- A disability benefit of Tk. 1500 per month for working age population with disabilities.

The costing applies the same income eligibility criteria for the disabled adult as for other programmes, which means 50 percent of adult population with disabilities in this category is eligible. The programme implementation is also spread over three years. The cost for FY15-16, which is the first year of implementation of the programme, amounts to about Tk. 10.8 billion (Table 5.2). Costing at current prices is obtained by applying the relevant inflation factor. The projected cost of the programme up to FY 19-20 is shown in Table 5.3.

5.2.3 Programmes for Children

The strategy advocates two core programmes for children, in addition to disability benefit:

- A child grant may be of Tk. 500 per month for all children of poor and vulnerable family up to age 4.
- A school stipend may be of Tk. 300 per month for all primary and secondary school going children belonging to the poor and vulnerable households.

The child grant and school stipends will be transferred to the bank account of the mother.

In FY 15-16 there will be some 15 million children under the age of 4. With 50 percent eligibility and 60 percent implementation, the total programme cost in FY 15-16 amounts to Tk. 27 billion (Table 5.2). For

¹⁹As noted in chapter 4 dealing with strategy, all expanded life cycle programmes will be implemented over a 3 year period from the date of its start. For projections purposes, the implementation path is assumed as 60 % (year 1); 80% (year 2); and 100% year 3. The implementation will initially focus on the hard-core/extreme poor.

the future, the costing is projected by using the projected demographic pattern, 100 percent implementation by FY 17-18 and the inflation factor. The projected cost up to FY 19-20 is contained in Table 5.3.

Regarding the primary and secondary school stipend programme, there will be about 36 million school age children in FY 15-16. Based on the income eligibility criteria of 50 percent of the age group and 60 percent implementation, the total cost of the programme amounts to Tk. 38.7 billion for FY 15-16. The future costing is projected on the basis of projected demographic pattern, 100 percent implementation by FY17-18 and the inflation factor. The cost amount up to FY 19-20 is shown in Table 5.3.

5.2.4 Programmes for Women

Under the strategy, women will be entitled to the Old Age Allowance and the Disability Benefits as relevant. Additionally, in recognition of the special difficulties faced by vulnerable working age women (widows, destitute, single mother, single women belonging to the poor and vulnerable group) the strategy advocates a consolidate income transfer under the reformed Vulnerable Women's Benefit (VWB) that provides Tk. 500 per month to this group. The total number of this group is estimated at 3.2 million. With 60 percent implementation in FY 15-16, this yields a total cost in the first year of the reformed programme of Tk. 11.5 billion (Table 5.2). For the future, the cost is based on assuming that the share of VWB beneficiary will remain constant as a share of total female population, full implementation by FY 17-18 and applying the inflation factor. The projected costs up to FY 19-20 are shown in Table 5.3.

In addition to the VWB programme dedicated to working women, the strategy provides for policy measures to facilitate the entry of women in the labour market through provision of childcare facilities in all government offices and in formal private sector and maternity insurance for women in employment. The strategy also provides for measures to ensure that a father who abandons his child with the mother is liable to pay child support as provided under the law.

Applying income eligibility and other eligibility criteria, a total of 35.7 million poor and vulnerable people will benefit from the various life-cycle based programmes in FY 17-18 when the NSSS is fully implemented. This amounts to 22 percent of the FY 17-18 population.

5.3 Financing Requirements and Availability

5.3.1 Reformed Social Security Costing: Total Cost of Core Life-Cycle Based Programmes

The total cost of the core public expenditure financed life-cycle based programmes under the proposed strategy is summarized in Table 5.2 below. The total cost of this programme is estimated at Tk. 184.1 billion in FY 15-16, which is the first year of implementation of the new strategy. This amounts to about 1.07 percent of GDP.

Table 5.2: Base Year (FY15-16) Costing of Core Public expenditure-financed Life-Cycle Based Programmes

Core Life Cycle Programmes	FY15 -16 Cost (Tk. billion)	FY16 -17 Cost (Tk. billion)	Cost with full implementation (FY17-18) (Tk. billion)	Beneficiaries in FY17 -18 (millions)
1. Pension for the Elderly				
--Old Age Allowance	20.1	35.3	37.4	5.5
--Government Service Pension	76	80.0	85.0	0.6
2. Programmes for People with Disabilities	10.8	19.1	20.2	1.0
3. Child Benefits	27.0	47.7	50.6	7.5
4. Programme for School Age Children	38.7	68.3	72.4	17.9
5. Programmes for Women-Vulnerable Women's Benefits	11.5	20.4	21.6	3.2
Total	184.1	270.7	287.1	35.7
Nominal GDP	17,176	19,517	22,177	
Total Life Cycle Programmes as % of GDP	1.07	1.40	1.30	

Source: NSSS Projections

Several points are worth noting. First, the Government service pension is the most expensive programme. It is not a poverty-focused Social Security programme. If the cost of Government service pension is excluded, total cost of the core life cycle programmes will amount to 0.63 percent of GDP in FY15-16. With full implementation in FY17-18, the cost of the core life-cycle programmes excluding Government service pension will grow to 0.91 percent of GDP. Second, the programme costs are much better aligned to beneficiary participation. Some 60 percent of the benefits of the core life-cycle programmes (excluding Government service pension) goes to the children of poor and vulnerable families. This social investment will have a substantial positive development impact for Bangladesh. Likewise, all social security spending is to be considered as an investment for greater development of the country as a whole. This is a tremendous strength of the NSSS.

5.3.2 Reformed Social Security Costing: Covariate Risk Mitigation, Special and Small Programmes

The total cost of workfare and food security programmes is projected to remain unchanged in real terms. Regarding the special programmes for the freedom fighters, there are two main programmes: construction of residences for landless and poor freedom fighters and honorarium for insolvent freedom fighters, costing Tk. 5.8 billion in FY 12-13 (Table 2.1). There will be also programmes for people with special needs like PLHIV, children at high risk, transgender, Backward People, tea garden workers etc. It is assumed that the cost of these programmes will remain unchanged in real terms. The total cost of three other special programmes (MHVS, the orphans' scheme and the school meal) is amounted to Tk. 6.3 billion in FY12-13. For projections purposes, the costs of these programmes are kept constant in real terms.

For the small programmes, it is also assumed that the cost of these programmes will remain unchanged in real terms. Although many programmes will likely be phased away, some innovative programmes will remain and new innovative schemes might come as a pilot. This fund will, therefore, function as research and development resources for strengthening the NSSS.

One important aspect of the path of cost projections is worth noting. The demographic pattern is a major determinant of the cost of the SSPs. Initially, the children's programmes dominate the costing path. Eventually, the Old Age Allowance programme becomes a major determinant of cost. This reflects the ageing of the population of Bangladesh based on enhanced life expectancy as well as a slowdown of the growth of young population owing to declining birth rate. This transition will continue throughout the 21st century. Advanced countries underwent a similar transition. The financing of SSPs has to be mindful of this demographic transition.

5.3.3 Financing Availability and Financing Balance

One fundamental policy question is whether the programmes suggested by the NSSS are affordable in terms of available budgetary resources. Table 5.3 shows the financing availability situation. The financing assumption is based on keeping the spending on SSPs constant as a share of GDP (2.2 percent of GDP).²⁰ This is a conservative assumption for two reasons: First, the Government had planned to increase the share of SSP spending from 2.1 percent of GDP to 3.0 percent by the end of the Sixth Plan (FY 14-15). Second, the updated medium-term macroeconomic framework of the Sixth Plan shows that the consolidation of the ongoing tax reform progress will allow the government's resource base to grow by 3 percent of GDP in FY 15-16 over the Sixth Plan base year of FY 09-10. The Base Case financing availability assumes that GDP will continue to grow at an average rate of 6 percent per year, as presently.

²⁰Budget allocation as GDP ratio in the implementation of the NSSS will be finalized following due budgeting process.

Table 5.3: NSSS Costing of Programmes (Tk. billion)

Programme	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
A. Core Life Cycle					
a) Old Age Allowance	20.1	35.3	37.4	39.6	42.0
b) Government Service Pension	76.0	80.0	85.0	90.0	95.0
c) Disability Benefits	10.8	19.1	20.2	21.4	22.7
d) Child Benefits	27.0	47.7	50.6	53.6	56.8
e) Child School Stipend	38.7	68.3	72.4	76.7	81.4
f) Vulnerable Women's Benefits	11.5	20.4	21.6	22.9	24.2
Total Core Life Cycle (a+b+c+d+e+f)	184.1	270.7	287.1	304.3	322.1
B. Special Programmes	14	15	16	17	18
C. Covariate Risks Mitigation Programmes	97	103	109	116	123
D. Small Programmes	42	44	47	50	53
Total Cost (A+B+C+D)	337.1	432.7	459.1	487.3	516.1
GDP (Base Case)	17,176	19,517	22,177	25,223	28,739
Core Life Cycle (% of GDP)	1.07	1.4	1.3	1.2	1.1
Covariate and Others (% of GDP)	0.89	0.83	0.87	0.73	0.68
Total Cost (% of GDP)	1.96	2.22	2.07	1.93	1.80
E. Financing Gap (Base Case GDP)					
Available Financing (% of GDP)	2.2	2.2	2.2	2.2	2.2
Available Financing	378	429	488	555	632
Financing Balance	(+) 41	(-) 4	(+) 29	(+)68	(+) 116
Financing Balance (% of GDP)	(+) 0.24	(-) 0.02	(+) 0.13	(+) 0.27	(+) 0.40

Source: NSSS Projection. This theoretical exercise will be confirmed during the formulation of the action plan of NSSS in consultation of key line ministries.

Financing Balance Base Case: In the Base Case, the available resources are broadly consistent with required resources. Given this estimate the resource mobilization will not be a major constraint to implement the NSSS till FY19-20. These results are comforting for a number of reasons:

- First, the Social Security reform programme is financeable even under conservative financing availability assumptions. The small gap in the first few years could be covered by allocating the modest additional amount required from a growing budget. Even when expenditure reaches a peak of 2.22 percent of GDP in FY 16-17, it is still below the 3 percent of GDP level financing assumed in the Sixth Plan. Importantly, much of the additional benefit goes to the children of poor and vulnerable family, which is a high priority for the Government.
- Second, the projections over the longer-term show that the suggested NSSS is fully consistent with the changing demographics of an ageing population and a declining young age cohort.
- Third, the strategy provides for sufficient financing for non-core programmes to allow resource transfers across programmes depending on the M&E results of individual programme effectiveness.
- Finally, with unchanged benefits, a substantial surplus builds up after FY 19-20. The surplus would be larger under a high case GDP growth scenario of 7-8 percent per year. These suggest that the Government would be able to re-examine the benefit levels for possible increases across both life cycle and other programmes to meet the Social Security requirements of the poor. The Government could also scale up and join up new innovative programmes for the extreme poor or for selected target group (i.e. youths).

5.4 Poverty Impact of the Proposed Social Security Programme Restructuring

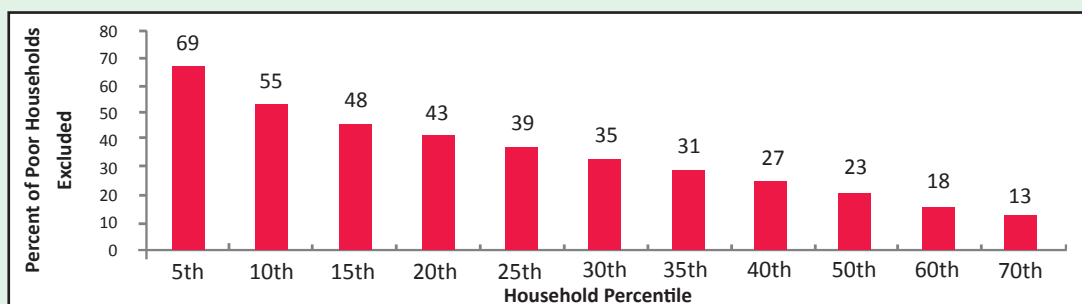
The suggested restructuring of present Social Security Programmes will only be meaningful if the introduction of these new programmes helps achieve better results in terms of impact on reduction of poverty and poverty gap. Actual results can only be determined after these programmes are in place and household surveys show their results. Ex-ante, on an experimental basis, it is possible to get some insight from running simulation exercises based on the latest available HIES data. The results should be viewed with caution in that they are indicative and not supposed to be 100 percent accurate as simulations are rarely able to fully replicate real life outcomes.

In doing the simulations, it is important to clarify the underlying assumptions. The first point to note is the incorporation of exclusion errors resulting from the use of the PMT targeting methodology. The inverse relationship between exclusion errors and beneficiary coverage using HIES 2010 data and the PMT methodology is shown in Figure 5.2. The result shows that exclusion error is likely to be around 23 percent with 50 percent coverage. This exclusion error from the PMT is built in the simulation exercise.

Secondly, all benefits of the Government service pension are assumed to accrue to the non-poor, as is likely the case. So, the five redefined programmes used for the simulation are: the Old Age Allowance; the Child Benefit; the School Stipend Programmes; the Disability Benefit; and the Vulnerable Women's Benefit Programme. These are a smaller number of programmes than covered under HIES 2010; in particular the benefits of workfare and OMS are not included.

Thirdly, all programme benefits are converted to 2010 prices to ensure comparability with the 2010 programme benefits reported in the HIES.

Figure 5.2: Exclusion Error under Proxy Means Test



Source: NSSS Estimation using HIES 2010 data, Bangladesh Bureau of Statistics

Using these assumptions, the simulation results are reported in Table 5.4. The results suggest that the restructured programmes are likely to result in significantly better poverty outcomes when compared with the present programmes. The better results happen because a substantially larger number of poor households are benefiting from a better defined and higher average benefit yielding Social Security Strategy. While these are indicative numbers and should not be tested for precision, they suggest that the proposed reform programme is robust and will likely yield substantial benefits to the poor. The poverty reduction benefits would be larger when the impact of other programmes (especially OMS and workfare) is included. Importantly, efforts to reduce exclusion and inclusion errors by better targeting through LGIs, community participation and NGOs will further improve the poverty reduction impact of the Social Security Programmes.

Table 5.4: Poverty Impact of the Redefined Life Cycle Programmes

Simulation Type	Head Count Poverty (%)	Depth of Poverty (%)
No Social Security Programmes	33.0	7.4
Using 2010 SSPs reported in HIES	31.5	6.5
Using NSSS life-cycle programmes	28.3	4.8

Source: NSSS Simulations using 2010 HIES data, Bangladesh Bureau of Statistics

CHAPTER 6

Implementation Arrangements for the National Social Security Strategy

CHAPTER 6

Implementation Arrangements for the National Social Security Strategy

6.1 Overview

Proper implementation arrangements are critical for ensuring the effectiveness of any Social Security Strategy. Even the best designed and adequately funded SSS may fail to deliver the targeted results owing to inappropriate implementation arrangements. This is a particular challenge for a developing country like Bangladesh that faces major capacity problems and various governance issues. The implementation arrangements themselves are influenced by the specified Social Security strategy. Therefore a strategy that avoids excessive number of programmes and is relatively easy to administer based on an automated transaction system will likely be more effective than a system that does not have these features.

Against the backdrop of the above, this Chapter looks at the planning and administrative implications of the proposed NSSS and its financing as outlined in Chapters 4 and 5. The reform of programme implementation must be based on a review of present arrangements and related problems. This Chapter identifies the present gaps and challenges and outlines a reform agenda for strengthening Social Security System implementation.

6.2 The Present Social Security Programmes Implementation Arrangements

The implementation arrangements for the present SSP is illustrated in Table 6.1. Several aspects of the present implementation arrangements are striking:

- First, a total of 145 programmes are administered by some 23 Ministries (which also included relevant Divisions).
- Second, most of Ministries/ entities manage very small programmes, often less than 1 (one) percent of the total SSP Budget.
- Third, some seven Ministries (Ministry of Disaster Management & Relief, Ministry of Food, Ministry Finance, Ministry of Women and Children Affairs, Ministry of Local Government and Rural Development & Cooperative, Ministry of Social Welfare and Ministry of Primary and Mass Education) administer more than 75 percent of the total funding.
- Fourth, the largest single programme in terms of funding, the Government service pensions programme, is handled by one single Ministry (the Ministry of Finance).

Table 6.1: SSP Budget Allocation by Implementing Ministries/Divisions

Name of Ministry	No. of Programmes (2014-15)	Budgetary Allocation (Tk. in millions)		As % of Total SSP Budget	
		2013-14	2014-15	2013-14	2014-15
1. Ministry of Social Welfare	31	25662	37483.4	9.628	12.174
2. Ministry of Local Government, Rural Dev & Cooperatives	26	31149.8	37542.4	11.687	12.193
3. Ministry of Disaster Management and Relief	11	56729.3	61010.9	21.284	19.815

Name of Ministry	No. of Programmes (2014-15)	Budgetary Allocation (Tk. in millions)		As % of Total SSP Budget	
		2013-14	2014-15	2013-14	2014-15
4. Ministry of Women and Children Affairs	13	11003.1	11789.3	4.128	3.829
5. Ministry of Health and Family Welfare	11	17800.7	19556.2	6.678	6.351
6. Ministry of Primary and Mass Education	4	15160	15749.4	5.688	5.115
7. Ministry of Education	6	4280	4130	1.606	1.341
8. Ministry of Finance	7	71750.5	87377.3	26.919	28.378
9. Ministry of Agriculture	6	1336	1359.6	0.501	0.442
10. Ministry of Fisheries and Livestock	7	1514.1	1961.1	0.568	0.637
11. Ministry of Environment and Forestry	4	2594.5	2989.7	0.973	0.971
12. Ministry of Youth and Sports	4	2517.9	3021.3	0.945	0.981
13. Ministry of Food	1	15650	16875	5.872	5.481
14. Ministry of Chittagong Hill Tracts Affairs	1	2667	2508.8	1.001	0.815
15. Ministry of Liberation War Affairs	2	597.5	1019	0.224	0.331
16. Ministry of Cultural Affairs	1	25	31	0.009	0.010
17. Ministry of Water Resources	1	863.4	1244	0.324	0.404
18. Ministry of Land	1	358.6	98	0.135	0.032
19. Ministry of Industries	1	1500	0	0.563	0.000
20. Ministry of Labour and Employment	2	1314.5	320	0.493	0.104
21. Ministry of Housing and Public Works	3	1857.3	1616.2	0.697	0.525
22. Ministry of Law Justice and Parliamentary Affairs	1	48.9	60	0.018	0.019
23. Prime Minister's Office	1	160	160	0.060	0.052
Total (23 Ministries)	145	266540.10	307902.60	100	100

Source: Compiled based on data available from the Finance Division

When looking at total funding, the Ministry of Food and Ministry of Disaster Management and Relief handle the largest share of the SSP budget (26 percent in FY 12-13²¹), followed by the Finance Division of the Ministry of Finance (20 percent), the Ministry of Women and Children Affairs (10 percent), the Ministry of Local Government (9 percent), the Ministry of Social welfare (6.4 percent) and the Ministry of Primary and Mass Education (5 percent). The management responsibility of the 11 largest programmes in terms of budget is shown in Table 6.2.

²¹ Before bifurcation in August 2012, the Food and Disaster Management Ministries constituted one Ministry.

Table 6.2: Ministries Responsible for the Large Social Security Programmes

Ministry	Programme
Finance	Government Service Pensions
Social Welfare	Old Age Allowance
	Widows' Allowance
	Disability Allowance
	Insolvent Freedom Fighters' Allowance
Women and Children Affairs	VGD
Primary and Mass Education	Primary Stipend
Education	Secondary Stipend
Disaster Management and Relief	Employment Generation
	Food for Work
Food	Open Market Sales

Source: Ministry of Finance

There is no formal coordination mechanism. The Finance Division of the Ministry of Finance provides the annual financing through the national budget based on certain strategic political, economic and social considerations, but these do not appear to be based on any evaluation of performance or effectiveness of individual programmes. The lack of planning is evident from the proliferation of programmes, often trying to achieve similar objectives, and the multiplicity of implementation agencies. Individual programmes appear to have been added based on a genuine need emerging from disaster, shocks, economic crisis and as complementary measures to reduce poverty.

The administrative systems of Social Security programmes in Bangladesh are relatively weak. As programmes are spread across a range of Ministries, there is no Ministry that has a clear specialisation in the delivery of Social Security programmes. In reality, much of the administration is done by the implementing ministries using paper-based MIS. There are no central beneficiary databases for programmes, and no advanced digital Management Information Systems (MISs) linking local areas with the centre. As a result, the Government is unable to effectively manage and monitor the performance of its Social Security programmes.

The weaknesses of MISs also mean that payment systems have to be managed locally. Although many cash payments are made through banks, funding is first sent to local government, which is responsible for passing the transfers to the banks. The advantages of undertaking national tendering of payments and economies of scale are, therefore, lost. There is good evidence of losses of food in food transfer programmes due to weak administration and monitoring. There are, for example, claims of up to 30 percent of food being lost on the Food for Work programme. On the VGD programme, the leakage of food is around 13 percent²².

Inadequate investment in management and administration – in particular from the centre – evidently means that other aspects of programme operations are ineffective. There is no adequate grievance redress, for example. There is also no indication that Ministries are able to effectively monitor schemes and hold local government to account, for example through monitoring visits or spot-checks. Ministries recognise that their staff – and local government staff – needs significant capacity development to be able to manage schemes effectively.

²² Khatun et al: "100-Day Employment Generation Programme, challenges of effective implementation"; and Ahmed et al: "Relative efficacy of food and cash transfer in improving food security and livelihoods of the ultra-poor in Bangladesh"

6.3 Strengthening the Delivery of the National Social Security System

The Government understands that improvements in the administrative arrangements for the NSSS will be critical to its success. Administrative problems and weak governance in the implementation of Social Security Programmes are inter-linked. Establishing good institutional arrangements for administering a well-designed Social Security System will also help lower corruption. The proposals set out in Chapter 4 are unlikely to be successful unless Bangladesh is able to reform and strengthen the mechanisms it uses to deliver the national Social Security system. There are number of areas that need to be reformed. The key priorities are to address:

- An institutional arrangement reinforcing and ensuring proper planning, implementation and M&E of the proposed NSSS.
- The professionalization of staff so that there are trained public servants who are experts in the delivery of Social Security schemes at both national and local levels.
- Effectiveness in identifying recipients for Social Security Programmes.
- Up-grading the MISs so that they are able to underpin the effective and efficient delivery of transfers and promote cross-governmental coordination and monitoring of performance.
- Strengthening payment mechanisms to minimize corruption and to use the Social Security system to promote financial inclusion, in particular among poor and vulnerable families.
- Establishing an effective grievance redress so that all citizens have recourse to appeal decisions on selection and can notify the competent authorities about instances of misconduct and failures in the delivery of the promised benefit.

6.3.1 Administrative Reorganization of the Delivery of Social Security Programmes

The proliferation of programmes, the large number of implementing agencies, the lack of coordination among agencies, and the absence of an M&E system all suggest the need for a substantial reorganization of the Social Security Programme administration. Such reforms will be gradually carried out in three phases.

One of the most critical reforms to the Social Security system will be the introduction of clusters for cooperation and coordination of implementing ministries. This will go along with the modernisation of the MISs across all Social Security schemes. Along with a much better coordinated implementation of Social Security programmes, institutional arrangements will also be strengthened to improve the planning of Social Security programmes and institute a results-based M&E. The Social Security planning functions will be assigned to the GED of the Planning Commission. The M&E arrangements are discussed in Chapter 7.

In an Initial Consolidation and Coordination Phase-1 (2015 – 2025), the following implementation arrangement is proposed:

Ministries engaged in implementation of Social Security Programmes will be grouped into five thematic clusters, each with a lead coordinating ministry. The Thematic Programme Clusters are:

1. **Social Allowances:** Lead coordination ministry: Ministry of Social Welfare; Other implementing ministries: Ministry of Women and Children Affairs, Ministry of Liberation War Affairs, Health Services Division, Medical Education and Family Welfare Division, Ministry of Cultural Affairs, Local Government Division, Ministry of Labour and Employment and Ministry of CHT Affairs.
2. **Food Security and Disaster Assistance:** Lead coordination ministry: Ministry of Food; Other ministries: Ministry of Disaster Management and Relief, Health Services Division, Medical Education and Family Welfare Division, Ministry of Agriculture, Ministry of Women and Children Affairs, Ministry of Fisheries and Livestock, Finance Division, Ministry of Social Welfare and Ministry of Commerce.

3. **Social Insurance:** Lead coordination ministry: Finance Division for Public Pension; Financial Institutions Division for Private Pension; Other Ministries: Ministry of Labour and Employment, Health Services Division, Medical Education and Family Welfare Division, Ministry of Expatriates' Welfare and Overseas Employment and Ministry of Social Welfare.
4. **Labour/Livelihoods Interventions:** Lead coordination ministry: Ministry of Disaster Management and Relief; Other ministries: Local Government Division, Rural Development and Cooperatives Division Ministry of Women and Children Affairs, Ministry of Social Welfare, Finance Division, Ministry of Fisheries and Livestock, Ministry of Labour & Employment and Ministry of Agriculture.
5. **Human Development and Social Empowerment:** Lead coordination ministry: Ministry of Primary and Mass Education; Other ministries: Secondary and Higher Education Division, Technical and Madrasah Education Division, Prime Minister's Office, Ministry of Land, Ministry of Labour and Employment, Ministry of Social Welfare, Ministry of Women and Children Affairs, Health Services Division, Medical Education and Family Welfare Division, Information and Communication Technology Division, Ministry of Expatriates' Welfare and Overseas Employment, Ministry of Industries and Ministry of Youth & Sports.

Based on approved Action/Implementation Plan, Implementing ministries will be responsible for programme design and effective programme implementation, ensuring correct targeting and zero tolerance to pilferage. In addition, they will coordinate with other ministries in their cluster, carry out MIS and monitoring of their respective programmes and report to the Central Management Committee (CMC) of the Cabinet Division, chaired by the Cabinet Secretary.

The lead coordination ministries are the ones with currently the most substantial engagement in the thematic areas of the respective cluster. Based on agreed Action/Implementation Plan, they will ensure due coordination of current programmes and proposed new programme design, review reports of ministries in the cluster and submit them to the CMC.

The Cabinet Division will be the approving authority of Social Security Policy and reforms related with Social Security. With technical support from GED, Cabinet Division will be responsible for the development of the comprehensive Action/Implementation Plan of NSSS based on the plans submitted by the individual and lead ministries. It will provide backstopping technical, financial, administrative and logistics support to the CMC. The CMC will approve action/implementation plan, coordinate implementation of Social Security reforms, ensuring inter-ministerial coordination, trouble shooting and crisis mitigation. The role of the CMC is also to review performance of implementing Social Security Programmes and approve new programme design. It will be the central repository of MIS programme databases of implementing ministries. It will also provide regular reports to the Cabinet Division on implementation progress of the NSSS.

In line with the current practice, the Divisional Commissioner, Deputy Commissioner and Upazila Nirbahi Officer (UNO) will play a vital role in coordinating social security programmes at the field level.

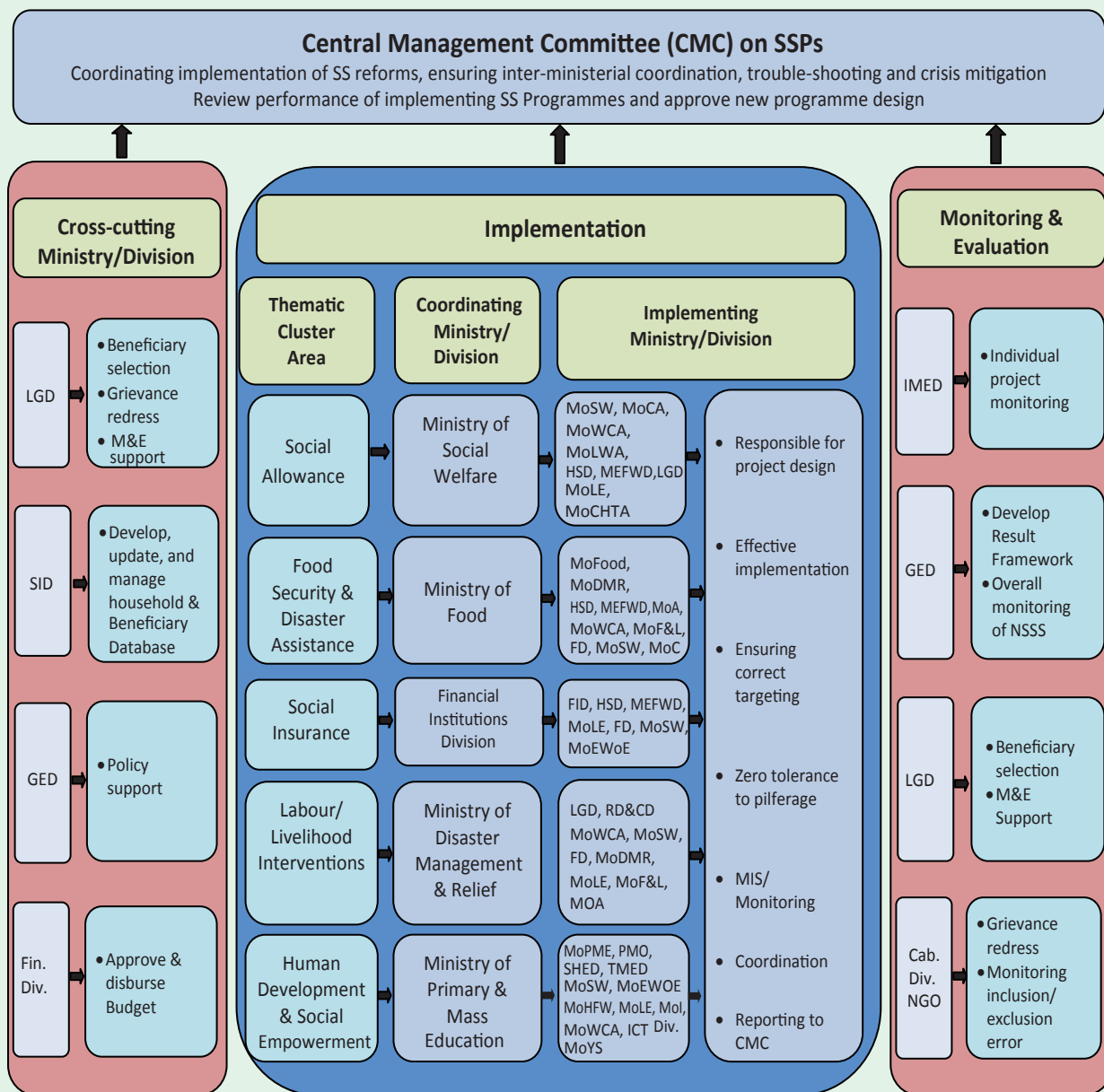
Ministries/Divisions having a crosscutting role are:

- **General Economics Division:** GED will be responsible for results-based M&E of Social Security Programmes and coordination of Social Security plans and policy with five-year plans & other national strategies. GED will also draft SS policies for the Cabinet Division and produce annual overall M&E reports, serving as an additional Secretarial support for the CMC.
- **Implementation Monitoring and Evaluation Division:** IMED will be responsible for monitoring and evaluation of implementation of projects/programmes.
- **Statistics and Informatics Division:** SID and BBS will develop, maintain and update the beneficiary database.
- **Finance Division of the Ministry of Finance:** The ministry will approve and disburse public-financed Social Security budget and track financial delivery.

- Local Government Division:** The Local Government Institutions (LGIs) will help identify beneficiaries following a community participation approach, provide support in resolving grievances and disputes relating to the implementation of NSSS, and assist in the implementation of M&E efforts. To the extent necessary, LGIs will also assist ministries in the delivery of programmes.

A graphic presentation of the management arrangements during this initial period (Phase 1, 2015-2025) is given in Figure 6.1.

Figure 6.1: Phase 1 – 2015-2025



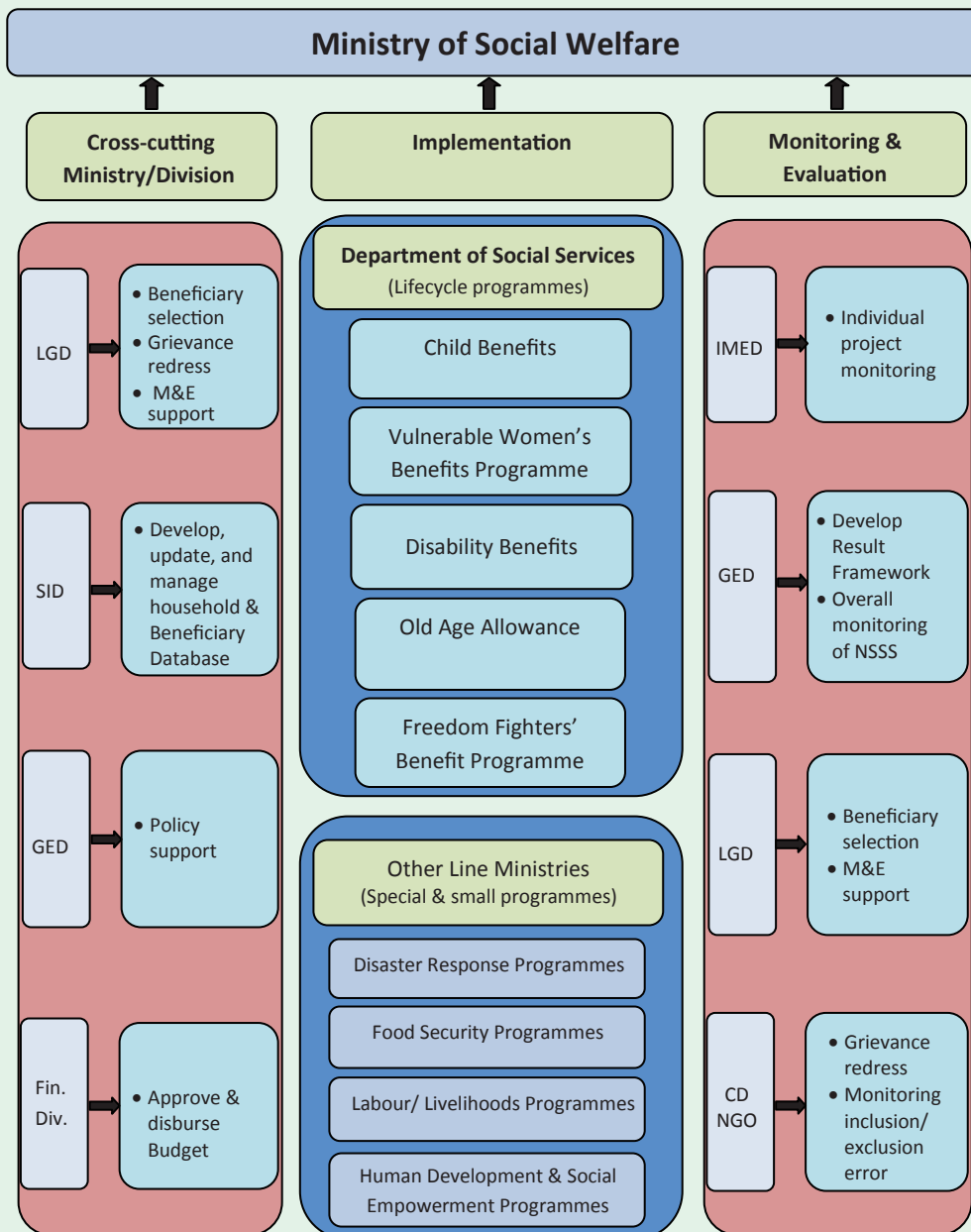
As a part of Phase-2, Implementation of Life Cycle Programmes Approach & other SS Programmes; a strengthened and reformed Department of Social Services under the Ministry of Social Welfare will be established, to be responsible for implementation of all life cycle based Social Security programmes, viz.:

- The Child Benefits (including the orphans programme)
- The Vulnerable Women’s Benefits Programme

- The Disability Benefits
- The Old Age Allowance
- The Freedom Fighters’ Benefit Programme

Disaster response schemes, workfare programmes, Open Market Sales and other programmes falling outside life cycle based programmes will continue to be implemented by each respective ministry as required. The National Social Insurance Scheme implemented under the Insurance Development Regulatory Authority may be brought under the reformed Ministry of Social Welfare. Line ministries concerned will design and implement new innovative SSPs based on allocation of business, addressing emerging shocks and vulnerabilities, and coordinate such programmes between them. The governance and policy making functions of the Cabinet Division will continue, as well as the role of ministries/divisions dealing with cross cutting and M&E issues. Management arrangements of Phase-2 (2026 onwards) are presented in Figure 6.2.

Figure 6.2: Phase 2 – 2026 onwards



Department of Social Services of Ministry of Social Welfare

The Ministry of Social Welfare will through a strengthened and reformed Department of Social Services have responsibility for the delivery of the following schemes:

1. The Child Benefits (including the orphans programme)
2. The Vulnerable Women's Benefits Programme
3. The Disability Benefits
4. The Old Age Allowance
5. The Freedom Fighters' Benefits Programme
 - Ministry of Social Welfare will develop a comprehensive implementation plan for the life cycle based core programmes
 - Programmes outside the life cycle based core programmes will be implemented by concerned Ministries/Divisions.
 - The Finance Division of the Ministry of Finance will manage NSSS financing and related policies and implement the Government Service Pension.
 - The GED, Planning Commission will monitor and evaluate NSSS implementation and oversee coordination and consistency of Social Security policies/strategies with the NSSS and medium and long term National Plans and strategies.
 - The Cabinet will approve and enable all related legislation dealing with policies, programmes and institutions.
 - In line with the current practice, the Divisional Commissioner, Deputy Commissioner and Upazila Nirbahi Officer (UNO) will play a vital role in coordinating social security programmes at the field level.

The Ministry of Social Welfare will through the Department of Social Services ensure the effective and efficient delivery of priority Social Security transfers to eligible recipients. To achieve this objective, its main roles and responsibilities will be to:

- Establish reformed structures at national and local levels that enable the effective delivery of Social Security transfers to recipients;
- Develop service quality standards for the delivery of all life cycle Social Security schemes and ensure that they are maintained;
- Build trained high-performing staff that are specialised in the delivery of Social Security schemes, at both central and local levels;
- Ensure the selection of recipients according to the guidelines of each scheme;
- Ensure that list of eligible recipients are up to date and provide regular and accurate payment lists to the payment service providers;
- Manage a high quality MIS; that will be linked to other Social Security scheme MISs.
- Establish and oversee procedures and systems for payment service providers and ensure that they perform to high standards;
- Provide high quality monitoring of the implementation of all Social Security schemes and the performance of all units within the ministry;
- Ensure high quality financial management and ensure procedures are established and followed to minimise fiduciary risk.

6.4 Establishing a Single Registry Management Information System

The effective management of Social Security schemes requires that high quality management information systems (MISs) are in place. Given the high level of investment by the nation in Social Security schemes, the weakness of current Management Information Systems puts these investments at risk, and undermines the ability to manage and monitor the programmes. Furthermore, government as a whole does not have the ability to bring together national level data so that we can ensure that our investment is reaching the right people and having the greatest impact.

A number of developing countries have shown that it is possible to establish effective MIS using advanced technologies. Furthermore, countries like South Africa and Kenya have demonstrated that the MISs of different schemes can communicate with each other and deliver comprehensive national level performance data to government, drawing information from all major national schemes. In effect, a form of national Single Registry can be established, based on a network of independent but interlinked scheme-specific MISs including Household Database and National ID.

The Government will, therefore, establish a national Single Registry that is based on building scheme-specific MISs that communicate with each other and deliver comprehensive information across government. The Single Registry would be based on a national identity system of all Bangladeshi citizens. The SID will take the lead in establishing the Single Registry. GED will commission a review of MISs across all of Bangladesh's Social Security schemes. The review will be tasked with making recommendations on how best to establish a Single Registry and the costs of implementation. The Government will initially test the MIS within the respective line ministries. Over time, the MIS will be extended nation-wide. The Government expects a fully functioning national Single Registry to be in place by 2018.

The key features of the MIS are likely to include:

- The use of similar software for the MIS database across all schemes.
- Investment in high quality computer hardware.
- The use of telecommunication networks for the transmission of data.
- The ability for data entry to take place at local level and for the MIS to be accessed at all levels of government, according to agreed protocols.
- Professionally competent staff to manage the MISs.
- The highest level of security to ensure that personal data on citizens is protected.

6.5 Strengthening Government to Person (G2P) Payment Systems that Promote Financial Inclusivity

A further key reform to be introduced is an initiative to transform the Government to Person (G2P) payment systems so that they promote financial inclusivity and prevent leakages. Across developing countries there are a growing number of experiences of G2P payments being used to promote the inclusion of recipients into the financial system, so that they can access a wide range of financial services including, for example, savings accounts, loans and insurance. Indeed, the Government has already improved the cash delivery systems in some of the Social Security schemes so that transfers are delivered through financial institutions.

Therefore, to take forward this initiative, the Finance Division of the Ministry of Finance will undertake a comprehensive review of current G2P payment mechanisms, as well as international experience. The review will make recommendations on how to transform the current payment systems to ensure that they promote and permit greater financial inclusion of recipients. The study will run in parallel with the MIS study, beginning in December 2015. The recommendations of the review will be assessed by the Government and by July 2016 a plan will be developed by the Finance Division of the Ministry of Finance – in collaboration with key delivery Ministries – to transform the G2P payment system so that it maximises financial inclusion.

6.6 Strengthening Processes for Selecting Recipients of Social Security Schemes

It is evident that there are weaknesses in the current processes for selecting recipients for Social Security schemes. There are challenges in a number of areas:

- In schemes directed at poor families and individuals, a high proportion of the poorest are excluded, while others who should not be eligible are included.
- Around 33percent of recipients of the Old Age Allowance appear to be below the age of eligibility.
- Procedures for identifying disability need strengthening and consistent application nationwide.

Given the increases in expenditure proposed for core Social Security schemes, it is imperative to ensure that transfers go to the right people. Yet, identifying the right people is a common challenge faced by developing countries, in particular when using poverty-based selection processes. Recently, the Bangladesh Bureau of Statistics (BBS) has taken an endeavour to establish a Bangladesh Household Database using the Proxy Means Test (PMT) approach. In view of the limitations of a PMT approach, a combination of PMT, support from local government, and support from NGOs will be employed to identify the poor and vulnerable population. It would be important to continuously, or at regular intervals, update the Household Database to ensure reflection of current poverty situation. The Government is also aware that many developing countries have established effective mechanisms for identifying age and that Bangladesh can learn from their experiences. Assessing disability is problematic in many countries— both developed and developing— but the Government is willing to invest sufficient resources to ensure that the most deserving are able to access the disability benefits.

The Government will, therefore, commission a study to review the current selection processes, aligned to the eligibility criteria to be used for each scheme. This will cover not only the Old Age Allowance, Disability Benefits and Child Benefits, but it will also examine schemes such as the education stipends, VWB and workfare programmes. The review will make recommendations for introducing high quality selection processes. It is proposed to commence the review by December 2015 and it will make its recommendations by June 2016. The Government will then gradually introduce new processes across schemes from July 2016 onwards. The study will be led by the GED although a cross-governmental advisory board will be established to support the study.

The Government understands that it is impossible to always make the correct decisions on recipients and will commission a study led by the Ministry of Social Welfare— that will propose a nationwide complaints and grievance mechanism. The study will run in parallel with the study on selection processes and its recommendations will be implemented from July 2016 onwards.

6.7 Engagement with Development Partners on Social Security

Development partners are engaged in Social Security in a number of ways. Over the past decade, some significant investments in Social Security have been made by bilateral development partners, mainly through non-government channels. DFID continues as a significant funding source for BRAC and the Chars Livelihoods Programme (CLP) – with DFAT support – while the European Union has funded programmes such as the Food and Livelihood Security Programme (FLSP) and Food and Security for the Ultra-Poor Programme (FSUP). UNDP has supported the projects Rural Employment Opportunities for Public Assets (REOPA) and Strengthening Women’s Ability for Productive New Opportunities (SWAPNO). These schemes are essentially income generating or asset transfer type programmes, which have demonstrably supported a large number of the very poorest to move out of extreme poverty.

The World Bank is another development partner with a significant interest in Social Security. Its main interests are in strengthening employment opportunities for the poor, improving targeting through the introduction of a national single targeting mechanism that uses the PMT methodology, and the

introduction of a new conditional cash transfer (CCT) scheme. The World Bank is engaged in the Safety Nets System for the Poorest Project, working actively with the Ministry of Disaster Management and Relief on workfare programme based on the EGPP, with the SID on targeting, and with the Ministry of Local Government, Rural Development & Cooperatives on CCTs.

In the past three years the development partners begun to engage in a policy dialogue with the Government on the need for a comprehensive Social Security system. This has resulted in support to an influential conference on Social Security and technical assistance to facilitate the development of the NSSS. The formulation of the NSSS provides a framework for broader engagement between the Government and development partners in the area of Social Security. The Government welcomes this interest of the development partners to engage on Social Security and will use NSSS to ensure that their support to individual programmes is consistent with this. The Government will explore possible technical assistance to help the implementation of the NSSS and the implementation of M&E framework discussed in Chapter 7.

6.8 Engagement with NGOs

Bangladesh has established numerous world-class NGOs in delivering a range of social services, including in the area of Social Security. ‘Graduation’ approaches pioneered by NGOs in Bangladesh are now being adopted and widely referenced in many other countries. The Government takes a great pride in partnering with the NGO community. This partnership has yielded positive results in poverty reduction and human development. The Government will continue and, where necessary, deepen this partnership in the area of delivering Social Security services based on the NSSS. Specific areas where NGOs can be helpful concern piloting of innovative ideas for possible scaling up, identification of potential beneficiaries, especially those that are hard to reach because they live in remote areas or belong to the marginalized or vulnerable social group of the population, and helping redress grievances and disputes relating to the implementation of the NSSS.

CHAPTER 7

**Towards A Results-Based Monitoring
and Evaluation System for
the Social Security Programmes**

CHAPTER 7

Towards A Results-Based Monitoring and Evaluation System for the Social Security Programmes

7.1 Overview

Once the NSSS has been designed and implemented, an ongoing process of monitoring and evaluation (M&E) will be needed to improve delivery processes, document results, inform policymakers about the effectiveness of alternative approaches, and mobilise political support for sustainability and expansion of the programmes that comprise the strategy.

Monitoring is the process of identifying and tracking performance indicators and reviewing implementation over the life of the programme, and can be defined as a continuing process of collecting and reviewing data on performance indicators in order to inform managers (and other stakeholders) about the progress and achievement of objectives of the programme. Evaluation goes one step further, by linking causes to outcomes, assessing impacts after components of the strategy (or distinct programmes within them) have been completed: evaluation of the NSSS will involve the objective and systematic assessment of the design, implementation and results of the strategy.

The importance of a well-developed Management Information System (MIS) for the successful implementation of the NSSS will require automation of the MIS to be introduced. In this 21st century of digital technology, the importance of an automated system cannot be over-emphasized. An automated system that maintains and regularly updates the list of Social Security Systems beneficiaries by programme categories and transfers payments online can vastly simplify SSS implementation, lower transaction costs, and minimize corruption.

7.2 The Present M&E Arrangements

There is no formal M&E system for Social Security programmes at the present time. There is no mechanism to systematically evaluate how well the resources allocated to the SSPs are achieving results in terms of reducing poverty at the national level. This is also absent at the individual programme level. Independent impact assessment of a few programmes done at the behest of donors show mixed results of these programmes. More recently, some donors are working with concerned implementing Ministries/Divisions to establish a formal M&E strategy as a part of programme design and implementation.²³

There is an important need to formalise a system of M&E at both the national level and at the individual programme level in order to help the government understand how well the programmes are working and identify the gaps that need to be addressed through a better design, better information and better implementation. The institution of a results-based M&E is a critical recommendation of the NSSS and must be implemented to ensure the achievement of the desired results from a reform of the present Social Security system. This will also serve as the basis for performance based budgeting to ministries for their various programmes.

The Government emphasized that an effective results based M&E system is essential to monitor the implementation of the SFYP and associated sectoral strategies, which would include the NSSS. Current responsibility for M&E falls to the Implementation Monitoring and Evaluation Division (IMED), as the apex body which tracks public sector development programmes. However, the SFYP recognises that "while the IMED plays a useful function in tracking financial and physical implementation of projects, there is a major gap in terms of results-based M&E".

²³ The World Bank supported Employment Guarantee Programme for the Poor.

The SFYP proposes to remedy this through the introduction of a system of results-based monitoring, which "moves beyond the traditional input-output focused M&E and when used effectively helps policy makers analyze outcomes and impacts". The NSSS would provide a platform for implementing results-based monitoring at sector strategy level, using a subset of the indicators suggested in Section 7.3 and drawing on the lessons of international experience analyzed in Section 7.4.

7.3 Towards a Strategy for Results Based M&E

Systems for the monitoring and evaluation (M&E) of Social Security systems should serve three major types of objectives:

- Strategic objectives – is the NSSS achieving its goals to reduce poverty & inequality and contribute in improving human development and inclusive economic growth?
- Operational objectives – how can managers improve efficiency and effectiveness of the SSPs?
- Learning objectives – what can be learned from the implementation of the NSSS?

M&E databases of the NSSS will therefore be required at three distinct levels:

1.1 Monitoring of individual programmes

1.2 Monitoring of the Social Security strategy process

1.3 Evaluation of impact of the Social Security system

Within the framework of a results-based approach, a number of indicators are identified at each of these levels, targets that need to be established for each one, and the M&E process that should be undertaken to track the achievement of results against each target. Examples and potential tools for this are discussed in the three sections that follow, which correspond to the three levels outlined above.

7.3.1 Monitoring of Individual Programmes within the Strategy

Monitoring of individual programmes within the NSSS will aim to collect and aggregate information on performance indicators such as:

- Number of clients served
- Number of benefits paid
- Average benefit per recipient
- Actual benefit value as percentage of household or per capita income
- Cost to transfer a unit of value (e.g. Tk. 100)

They will also track immediate effects of the programme, under different general headings such as economic and social effects, but also - in some cases - under more specific headings such as for example educational effects (for programmes with an educational objective) or nutritional effects (for components with a health or nutritional objective). Examples of the kind of indicators that might be used for results-based monitoring under each heading are suggested below.

Economic effects

- Increased household investment
- Changes in labour participation – domestic and wage work
- Improvement in economic opportunity
- Financial inclusion, such as the opening of bank accounts

Social effects

- Increase in self-esteem, confidence and voice among beneficiaries
- Empowerment of women and a greater say in decision making
- Transformation in traditional social gender norms and attitude
- Reduction in gender gap in educational investment of children

Educational effects

- Increased enrolment and retention
- Improved class attendance
- Increased grade promotion and secondary school transition

Nutritional effects

- Increased levels of breastfeeding (1-12 months)
- Increased dietary diversity (6–23 months)
- Improved diet (6–23 months) - including breastfeeding and meal frequency
- Increased dietary diversity (women of reproductive age)

Much of the information required for monitoring individual programmes will come from the respective management information and reporting systems (MIS) of each programme. It is important that these are well integrated so that information can be shared, aggregated and compared between them. This is not to imply that there necessarily has to be a single MIS, which is often not feasible given the institutional complexity and administrative separation of different programmes. Nor is it implied that there needs to be a unified database of beneficiaries, which again is often not practical, and may run the risk of excluding some beneficiaries from all programmes. Rather it requires the use of common indicators across programmes, which allows for comparison and aggregation of data, and a common identifier for each beneficiary across all databases, ideally linked to a national identity system.

Another important M&E tool in monitoring individual programmes will be the use of independent and impartial spot-checks to verify the integrity of the data being generated through the individual programme MISs.

7.3.2 Monitoring of the Social Security Strategy Process

The second area that will require monitoring is the implementation of the overall NSSS itself. M&E in this area will try to answer questions such as:

- Does the strategy reach the intended beneficiaries?
- Does the strategy exclude intended beneficiaries?
- Does the strategy generate the desired outcomes?
- What is the impact on the rest of the population?
- Are there better ways to design the components of the strategy?
- Can the strategy be managed more efficiently?
- Are the allocated resources being spent efficiently?
- Is financial performance as per the strategy design?

This will require indicators that allow the monitoring of financial, operational and institutional aspects of the strategy.

Financial aspects

- Social Security expenditures as a percentage of GDP
- Social Security expenditures as a percentage of total public expenditures
- Administrative costs as a percentage of total programme costs

Operational aspects

- Number of beneficiaries served
- Number of benefits paid
- Average benefit per recipient
- Number of beneficiaries as a percentage of the population

Institutional aspects

- Number of staff working in the sector
- Number of staff (at both centre and local levels) trained
- Overall improvement in targeting, disbursement, delivery and risk management systems
- Greater engagement of beneficiaries in programme design
- Improve demand side responsiveness
- Improved supply side responses
- Improved capacity of Government to sustain and continue with NSSS

7.3.3 Evaluation of Impact of the Social Security System

Finally, perhaps the most important area under the NSSS for the introduction of results-based approaches, is that of evaluating the overall impact of the Social Security system. Again, this would look at operational issues such as the effectiveness and efficiency of the NSSS in achieving its objectives, and at longer-term impacts in different areas such as economic, social, educational and nutritional. Possible indicators are suggested under these different headings below.

Efficiency

- Percentage reduction of the poverty rate
- Percentage reduction of the poverty gap
- Reduction of inequality, based on Gini or other measurement
- Costs per unit reduction of the poverty gap
- Reduction in number of poor and at risk people excluded from Social Security, and unit cost of reduction per person

Economic impacts

- Increase in household consumption
- Increase in saving and reduction in debt
- Increase in productive or economic investment by household
- Increase in household per capita income

Social impacts

- Transition in social gender attitudes
- Improved livelihood choices and opportunities
- Improved attitudes to the education of girls
- Increased economic contribution by better educated girls

Educational impacts

- Reduced gender, societal and regional gaps in school enrolment, retention, attendance and completion
- Improved learning outcomes and academic performance
- Higher rates of progression to secondary school and tertiary education
- Increased years of schooling
- Reduction in grade repetition

Nutritional impacts

- Improved health and nutrition indicators (vaccination, morbidity, dietary diversity, calorie intake)
- Reduced stunting
- Reduction in maternal and infant mortality rate

The main tool for evaluation of the impacts of the NSSS will be periodic quantitative and qualitative surveys. To some extent, these will be able to rely on existing surveys, such as the Household Income and Expenditure Survey (HIES), run by a strengthened BBS (see section 7.4 below). But it is suggested that the HIES should be supplemented by an annual panel survey, to enable a more in-depth understanding of vulnerability and poverty dynamics while also providing government with a means of monitoring the impacts of its Social Security strategy on an annual basis.

In addition, a wider range of evaluation tools should be used in parallel, to derive impacts from individual programmes and for the NSSS overall. Many different options are available, and will be required in different circumstances: there is no single "best" solution. The options include:

Quantitative approaches

- Experimental design involves the random assignment of individuals or households either as beneficiaries, or as a control group which does not receive the benefit. Such evaluations (sometimes referred to as randomised control trials) represent the scientific "gold standard" for impact evaluation. But they are complex and expensive to run, and can be ethically questionable: they are inappropriate for programmes that are offered on a more universal basis (since depriving those in the control group would be unacceptable).
- Quasi-experimental design involves the use of a control group to match as closely as possible the characteristics of the beneficiaries receiving the intervention – either through propensity score matching or using a multivariate regression approach. This method often involves the use of large-scale sample surveys, and sophisticated statistical analysis, and again can be expensive.
- Ex-post comparison of project beneficiaries with a control group. With this method, multivariate analysis (to statistically control for differences in groups) may be used as one way of estimating the counterfactual situation. The cost is often less than half that of the experimental and quasi-experimental designs, but at the expense of some loss in scientific rigour.

Hybrid approaches

- Rapid assessment or review (conducted ex post). This method can encompass a range of tools to assess impact, such as participatory methods, interviews, focus groups, case studies, mini survey, direct observation and available secondary data. It generally uses quick low-cost ways to collect information. Since a main aim of rapid assessment is cost-effectiveness, evaluations with this design usually cost much less than conventional evaluations.

Qualitative approaches

- Participant Observation involves field researchers spending an extended amount of time in residence with a programme community, employing qualitative techniques and small-scale surveys. The technique often includes stakeholder analysis, participatory appraisal and beneficiary assessment.
- Case Studies and Life Histories involve detailed or broad studies of a specific intervention involving open-ended questioning and the recording of personal stories.
- Participatory Learning and Action involves a facilitator assisting the active involvement of those who have a stake in the programme.

It is generally recognised that some combination of qualitative and quantitative methods of data collection is important in any evaluation in particular when the programme is operating in a complex social environment. There are four key reasons for using the mixed method approach:

- it allows the evaluator a wide range of methods and tools to draw from;
- it increases the validity of conclusions through “triangulation” by providing multiple independent findings that can be compared;
- it allows for a deeper and richer analysis and understanding of the programme context; and
- it provides opportunities for reducing the cost and time of data collection.

Thus, within the M&E of NSSS, equal attention should be given to qualitative analysis during impact evaluation to improve the richness of quantitative analysis and delve into dimensions not feasible through quantitative methods, such as changes in social dynamics, decision making, gender norms, community relations; processes of interaction with programme institutions; implications of economic, social and cultural attributes on participation and outcomes; people’s understanding, views, and opinions. A mixed method approach would provide greater triangulation of findings, assist in changing perspectives, attitude and norms, provide explanation to observed variability, and help in robust analysis of lessons and experiences generated. These are all crucial for facilitating the adoption and acceptance of policy decisions.

7.4 Lessons of International Experience

In implementing the M&E arrangements for NSSS, Bangladesh can learn from relevant international experience. Each country has its own very specific set of requirements for implementing a functional results-based M&E system. There is no model from elsewhere in the world that would be directly applicable to Bangladesh. But a number of generic lessons can be derived from international experiences, which are discussed below.

An effective MIS provides a very sound basis for monitoring programme performance. This could use innovative technologies to enable information to be entered at District level and transferred to Line Ministries through a web-based application. Common software would be introduced to all Ministries, although ideally this would be adapted to respond to the specific demands of each component of NSSS (e.g. different targeting mechanisms, use of incentives and conditions, etc). This would strengthen the ability of each Line Ministry to monitor individual programme performance, while facilitating the harmonisation of cross-cutting operations such as targeting, registration, payments, case management, grievances, etc.

The MIS databases in each Line Ministry will feed into a central database with Central Management Committee of the Cabinet Division enabling it to oversee the performance of each programme and ensure good value for money. The databases could also be connected to the household database currently being developed by SID and to the national identity system. In the long-term, it should also be possible for the MIS to communicate with other databases such as the income tax system. This integration of different systems, using a common national identifier, is not the same as setting up a Unified Database, as for example is being attempted in Indonesia. The danger of the latter approach is that beneficiaries who are not included on the single central database, for whatever reason, are automatically excluded from all Social Security schemes.

Another important lesson from international experience is to design, implement and operate an effective grievance redress, allowing beneficiaries and non-beneficiaries alike to register complaints about the NSSS, and to receive satisfactory resolution to any problems. There are a number of international examples that manifest different approaches to this. The Hunger Safety Net Programme in Kenya operated local 'Rights Committees' that monitored norms for delivering cash transfers as set out in a 'Citizen's Service Charter'. The Vision 2020 Umurenge Programme (VUP) in Rwanda piloted an 'Appeals and Complaints Process', underpinned by a 'Beneficiary Charter of Rights and Responsibilities', which specified similar participant rights to those in Kenya's HSNP. Mozambique is currently strengthening its systems for implementation of Social Security programmes, which will include designing community case management and grievance procedures. In India, the employment guarantee scheme (MGNREGA) has been underpinned by social audit mechanisms that have helped to streamline the implementation processes, made people aware of their rights, improved accountability for programme delivery, and strengthened the social contract between the state and the rural poor. Bangladesh itself has experimented with some of its own solutions, such as the Gram Daridra Bimochan Committees under BRAC's CFPR-TUP, and the "hotline" complaints procedures under CLP, which have been effective in reducing corrupt practices.

For measuring long term impact, it is suggested to rely on standard household survey data, captured periodically for example through the HIES, perhaps with a dedicated module on Social Security added on, as the basis for analysis of the impact of the Social Security system as a whole. This is what happens in Brazil, for example, and in South Africa, where the analysis of the household survey data is contracted out to an independent think-tank. One common option would be the establishment of an annual panel survey linked to the HIES. In Bangladesh, the HIES is currently undertaken every five years and the next one is due in 2015, after which it will move to a three-year cycle. It reaches a sample of over 12,000 households, with results valid to Divisional level. A panel survey could be undertaken in intervening years, and could cover a smaller sample of, say, 4,000 households on an annual basis, with these households comprising part of the broader HIES sample in 2015 and 2018.

The panel survey could provide a rich source of high quality data for analysis of poverty, vulnerability and Social Security. In particular, it will enable government—and other researchers—to build a better understanding of the dynamics of income and poverty among households, which will be critical for improving Social Security policy development that is currently based on a rather static conception of poverty. The panel survey could also provide government with the ability to monitor progress in expanding and reforming the Social Security system, since, on an annual basis, it will be possible to identify those receiving a Social Security benefit and how much they receive. Government will be able to monitor progress in coverage and targeting of Social Security benefits and gain a better understanding of their impacts. The Panel Survey could, therefore, also serve as one means of evaluating the success of the implementation of the NSSS.

In terms of international experience on indicators, a recent systematic review of three major categories of programmes – unconditional cash transfers, conditional cash transfers, and employment guarantee schemes – found that ten impact indicators (Poverty, Health, Education, Employment, Expenditure, Assets, Income, Inequality, Food Security, Food Expenditure) are most commonly reported in evaluations.

In addition to these indicators, which are all amenable to collection through quantitative survey, there is a growing recognition in the international literature that mixed methods approaches (i.e. including qualitative techniques) should be used alongside quantitative knowledge. This is for a variety of reasons:

- Although quantitative methods can measure observed changes, they cannot explain them.
- Some important indicators (such as women's empowerment, intra-household dynamics, the dignity of recipients or social relations) cannot be captured through quantitative analysis.
- The trajectories of individual households are highly complex and very varied: this complexity cannot be captured through sample surveys.

For this reason, it is recognised that a mixed methods (or so-called "Q-squared") approach can get the best of both worlds. These methods can be combined in different ways, including: (1) integrating quantitative and qualitative methodologies in data collection; (2) validating or triangulating information gained through one method by information gained through the other during data analysis; (3) merging findings from both approaches into a synthesised set of policy recommendations. Appropriate qualitative techniques might include in-depth interviews (household case studies, key informant interviews), focus group discussions (with programme participants and non-participants), participatory methods (community wealth ranking, causal linkage diagramming, timelines), qualitative comparative analysis and social network analysis.

7.5 Implementation Arrangements

M &E Databases of the NSSS will therefore be required at three distinct levels:

1. Monitoring of individual programmes
2. Monitoring of the Social Security strategy process
3. Evaluation of impact of the Social Security system

7.5.1 Assigning Institutional Responsibility for M&E

The MIS and monitoring arrangement for individual programmes will lie with each respective ministry. The monitoring framework will depend upon the type of programme and will use a subset of indicators indicated in Section 7.3 as relevant to the programme.

LGIs and Local Administration at Union, Upazila and District levels will assist the MIS process through providing information on beneficiaries selected and benefiting to the respective Line Ministries.

The MIS database in each Line Ministry will feed into a central database with Central Management Committee of the Cabinet Division. The Central Management Committee will use its database to monitor the progress of implementation of the NSSS, and to ensure governance and coordination of all programmes under the NSSS.

Finance Division of the Ministry of Finance will have access to the Central Management Committee MIS database and also maintain a database of financial performance of all programmes under the NSSS.

IMED will be responsible for programme performance monitoring (both physical and financial) independently and will report to CMC of the Cabinet Division.

Evaluation is another matter. It is best to keep evaluation independent from the influence of the implementing line ministries. The SFYP assigns overall responsibility for instituting a results-based M&E to the Planning Commission. The SFYP argues that "strong results-based M&E will require collaboration with the line ministries, research institutions, and civil society. GED will be assigned this responsibility".

More specifically M&E activities will be divided into three components:

- Implementing Ministries/Divisions will monitor progress of their respective programmes;

- IMED will be responsible for monitoring and evaluation of implementation of projects/programmes;
- The role of GED would be to prepare a results framework using a matrix of specific indicators and evaluate the entire NSSS in a holistic approach, and prepare an annual report on the performance of the NSSS for the CMC of Cabinet Division. The GED will also be responsible for overall coordination of the M&E framework and dissemination of the evaluation results.

The Central Management Committee (CMC) headed by the Cabinet Secretary will play a critical supervisory role. In particular, the role of the CMC will be inter-ministerial coordination, trouble shooting and crisis mitigation.

The SFYP also recognises that "availability of reliable data and its timeliness is crucial for policy making and impact evaluation which calls for increasing efficiency of the statistical system". This would be fully consistent with the suggestions made in section 7.3 above that M&E of the NSSS should rely in large part on regular surveys undertaken by SID (such as the HIES), augmented by panel surveys and qualitative approaches. Indeed the SFYP proposes that "the capacity of the Bangladesh Bureau of Statistics (BBS) will be strengthened to enable it conduct surveys, special surveys and censuses to produce quality data. The publication of HIES, LFS, SMI, Agriculture census etc. should match with monitoring and evaluation cycle of the Planning Commission". The NSSS advocates that urgent steps be taken to strengthen the capabilities of the SID/BBS to generate all required data bases to do proper results-based M&E of the Sixth Plan and the NSSS.

The LGIs will assist the M&E process through providing information on beneficiary selected and benefiting to the respective line ministries based on the agreed indicators. In addition, they will also support the local administration in the grievance redress process along with NGOs.

7.5.2 Proper Use of M&E Results

Emphasis on M&E is placed in order to ensure that best results are obtained from the resources spent on Social Security. It is therefore important that there are well-specified mechanisms for disseminating the findings of the M&E. All information needs to be readily available to stakeholders, in this case the beneficiaries, ministries and NGOs involved in support of programme implementation and/or grievance process. The beneficiaries should be aware of the programme outcomes and the eligibility criteria for each programme.

This could be best achieved by putting all monitoring data and evaluation results on the website of the CMC, respective line ministries as well as the website of the Planning Commission.

All evaluation reports would be shared with the CMC and responsible Parliamentary Standing Committee. The GED will be responsible for reporting to the CMC and the Parliamentary Standing Committee the types of actions taken to respond to the findings of the evaluation reports.

7.5.3 The Way Forward

The M&E method and approach will need to be adapted to the implementation capabilities of Bangladesh at the present time. This is a dynamic process that will evolve and mature as Bangladesh gains more experience and improves its administrative capacity. As a first step, an Action Plan with an M&E Framework will be developed as a companion document to the NSSS.

A task force comprising GED, IMED and Finance Division of the Ministry of Finance will prepare process and procedure for performance based monitoring of SSPs and recommend indicators that can be used for designing any new programmes and also performance based budgeting.

Informed by performance reviews, policies supporting NSSS implementation will be developed, including a Gender Policy and a policy for convergence with Climate Change Adaptation and Disaster Risk Reduction.

It is expected that the development partners who have supported the NSSS process to date would continue to support the process of introducing a results-based M&E system for the NSSS once it is adopted.



ANNEX 1

List of Background Papers

1. Framework Paper for Developing National Social Protection Strategy for Bangladesh
2. Poverty, Vulnerability and Inequality in Bangladesh
3. Building a Social Security System to Address Urban Poverty in Bangladesh
4. Social Security Strategies to Address Social and Gender-based Exclusion, including Disability, High-risk Groups and Minority groups
5. Social Security Financing and Affordability
6. Social Security Strategies to Address Idiosyncratic and Covariate Risks and Shocks, including Seasonal Poverty, Economic Recession and Natural Disasters
7. Taking Stock and Moving Forward: Enhancing Labour Strategies for Bangladesh's Vulnerable Groups
8. State of Governance within Social Security Sector in Bangladesh
9. Building a Social Security System to Address the Demographic Challenges Faced by Bangladesh
10. International Best Practice in Social Security: Implications for Bangladesh
11. A Review of Bangladesh Social Security System

GLOSSARY AND DEFINITIONS OF KEY TERMS

Bolsa Familia Scheme	A social welfare programme of the Brazilian government, part of the Fome Zero network of federal assistance programmes. Bolsa Família provides financial aid to poor Brazilian families; if they have children, families must ensure that the children attend school and are vaccinated.
Cash Transfer	Regular, predictable cash payments made to individuals or households, which reduce poverty through direct income support. Cash transfers seek to alleviate poverty in the short-term, while contributing to long-term poverty reduction by allowing households to invest in poverty-reducing activities and more effectively respond to shocks and risks.
Cash for Work (CFW)	Pay cash to individuals for undertaking community or public relief and reconstruction work. CFW projects are short term, labour intensive, interventions designed to repair or rebuild a collective asset (e.g. building drainage systems, clearing agricultural land, planting trees, rural access roads, debris clearance, replant crops) while simultaneously injecting cash into local markets.
Child Protection	The prevention and response to violence, exploitation and abuse against children including, for example, commercial sexual exploitation, trafficking, child labour and harmful traditional practices, such as female genital mutilation/cutting and child marriage.
Conditional Cash Transfer (CCT)	Regular, predictable cash payments made to individuals and households that are conditional upon the fulfilment of behaviour, as defined by programme. CCTs impose penalties on beneficiaries who fail to comply with conditions. The type and extent of penalties varies between schemes.
Chronic Poverty	Poverty that endures year after year, usually as a result of long-term structural factors faced by the household, such as low assets or location in a poor area remote from thriving markets and services.
Conditionality	The types of conditions CCT beneficiaries are required to fulfil in order to receive transfers. Most conditions involve school attendance, regular visits to health facilities for maternal and child health, and growth monitoring and/or vaccination of infants.
Consumption Gap	The difference between wages and purchases is inevitable when ever profits are extracted. The fact that the consumers have to spend more than what they earn causes what is called the Consumption Gap.
Covariate Shocks/Risks	'Covariate' or 'systemic' shocks are those that by their very nature affect a large number of people sharing some common characteristics such as place of residence or nature of occupation. Examples include natural disasters such as floods and cyclones, and market shocks such as a steep increase in food prices or the sudden drop in the price of a staple crop.
Depth of Poverty	Considering how far, on the average, the poor are below the poverty line.
Disability	The consequence of an impairment that may be physical, cognitive, mental, sensory, emotional, developmental, or some combination of these. A disability may be present from birth, or occur during a person's lifetime.
Disaster Risk Reduction	According to the UN International Strategy for Disaster Reduction, disaster risk reduction means: 'Actions taken to reduce the risk of disasters and the adverse impacts of natural hazards, through systematic efforts to analyse and manage the causes of disasters, including through avoidance of hazards, reduced social and economic vulnerability to hazards, and improved preparedness for adverse events'.
Economic Recession	It is a general slowdown in economic activity. Macroeconomic indicators such as GDP (gross domestic product), investment spending, capacity utilization, household income, business profits, and inflation fall, while bankruptcies and the unemployment rate rise.

Effectiveness	'Effectiveness' refers to the extent to which the programme objectives were achieved, or are expected to be achieved, taking into account their relative importance. Effectiveness measures qualitative and quantitative outcomes in relation to objectives.
Efficiency	'Efficiency' is an economic term which signifies that the intervention is using the least costly resources possible to achieve the desired results. Efficiency measures qualitative and quantitative outputs in relation to results.
Employment Generation Programme for the Poorest (EGPP)	The continuation of the government effort to address the poorest segment of people through creating seasonal employment.
Entitlement	The legally mandated and protected right of an individual to a certain value or benefit. Social security benefits are often established by law and, therefore, can be claimed by entitled individuals on a legal basis. Benefits based on legal entitlements provide superior protection and greater sustainability when compared to schemes that are ad hoc or based on policy decisions only.
Equivalence Scale	An index used in the conversion of nominal household consumption expenditure from heterogeneous households of varying sizes and compositions into a measure of consumption expenditure that is comparable across households through accounting for economies of scale.
Exclusion	The status of individuals that are unable to fully participate and contribute to society as a result of poverty and deprivation, discrimination and lack of effective access to civil, political, social, economic and cultural rights. In social protection it commonly refers to individuals who are eligible for programmes but are not able to access them.
Financial Inclusion	The delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable.
FGT Poverty Measures	The headcount index, the PG and PGI and the squared poverty gap index all belong to the Foster-Greer-Thorbecke class of measures. It measures the outfall from the poverty line and is weighted by α . Therefore it is also considering the inequality among the poor but as the proper amount for α is not pre-defined (and a normative question) we cannot say that the Gini is part of the FGT.
Food Aid	Food aid is one form of food assistance which consists of the provision of internationally funded concessional food commodities. Some definitions embrace all interventions that ease access to food, either in food or in cash. This Reference Document adopts a narrower definition.
Food Assistance	Food assistance refers to transfers that directly ease access to food. Food assistance instruments might include direct food-based transfers (e.g. general rations, food-for-work, supplementary feeding or vulnerable group feeding and school feeding), food subsidies, cash transfers and vouchers. Some definitions embrace all interventions that address food insecurity and nutrition (including in-kind food aid, cash transfers and some forms of production and market support). This Reference Document adopts a narrower definition.
Food for Work (FFW)	Such programmes are for construction, maintenance, reconstruction and development of rural infrastructure. Under such programmes both food grains and cash money are allocated to the Upazilas on the basis of population. The schemes are executed by the Upazila Parishad under the supervision of the DC through the District Steering Committee. Upazila allocates the rice/wheat/cash money for FFW schemes to the Unions. The Upazila Parishad selects and prepares the FFW schemes through the UP Chairman and Upazila FFW committee scrutinize the schemes and recommends the schemes to the District Co-ordination Committee who approves the schemes. After approval of the schemes the Upazila Parishad executes the schemes as per circular. Sometimes both food grains and money allocated by the Ministry according to electoral constitution.

Food insecurity	Food insecurity exists when people do not have adequate physical, social or economic access to food as defined next.
Food Security	Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. Household food security is the application of this concept to the family level, with individuals within households as the focus of concern.
Food Transfer Versus Cash Transfer	People living in remote areas distant from main markets tend to prefer food transfers, while proximity to markets makes it easier to spend cash on the desired goods. Cultural habits regarding the management of cash resources within households make women more likely to prefer food transfers. Cash transfers are said to be more appropriate (and to generate maximum benefit) right before and during harvests; conversely, food transfers are preferred during the period when household grain stocks have been consumed or sold and grain must be purchased from the market. These factors provide a solid argument for looking at cash and food as complementary and mutually reinforcing transfers.
G2P Payment	Government-to-Person direct payments. Include social transfers as well as wage and pension payments. The broad reach of these payments makes them an obvious candidate for technological solutions of electronic transfer to help increase efficiency as well as expand access to financial services.
Hardcore Poverty	Hardcore poverty is defined as those without a meal a day and a shelter over their head. This is basic human need and it is our responsibility as fellow human beings to provide for our less privileged community.
Head Count Poverty	The percentage of the population whose living standards (typically proxied by consumption) lie below a given threshold referred to as “poverty line”.
Human Capital	Human capital refers to the stock of skills, education, health, and personality attributes embodied in individuals and the ability to perform labour so as to produce economic value. It is capital because these properties are an integral part of individuals and productive wealth embodied in labour, skills and knowledge.
Hunger	Hunger is used at population level to describe the situation when dietary intake is below the Minimum Dietary Energy Requirement (MDER). The MDER is the amount of energy needed for light activity and a minimum acceptable weight for attained height, and it varies by country and from year to year depending on the gender and age structure of the population. It is typically taken as an average of 2100 kcal per person per day. Hunger is an outcome of food insecurity.
Idiosyncratic Risks	Risks that are pertinent to a particular person or a household because of the special circumstances in which it finds itself; for example, the death or prolonged illness of the major income earner of the family, or a person losing his/her job.
Incidence of Poverty	Poverty is the state of one who lacks a certain amount of material possessions or money. Absolute poverty or destitution refers to the deprivation of basic human needs, which commonly includes food, water, sanitation, clothing, shelter, health care and education.
Life Cycle Approach	The meaning of the term “lifecycle” is twofold: Firstly, the lifecycle reflects a continuum of age stages where the needs of individuals change through their life, from conception to death. However, changing needs are not solely related to age, but also to social and economic context. Secondly, the term “life cycle” refers to the different stages and events of life which an individual, and with it often the household, passes through, and which can bring with it a different status given to individuals such as becoming a widow/er, a single mother, an adolescent, or unemployed.
In-kind Transfer	Transfers to individuals or households in a form other than cash, including goods or services (e.g. food/school feeding programmes, free day care services) which aim to reduce poverty. In-kind transfers tend to be used where cash transfers are less appropriate due to weak markets.

Life Cycle Risks	An individual is being exposed to predictable or unexpected risks which vary in nature over the life course. Such risks can be irreversible - stunting due under-nutrition in early childhood, job loss and workplace accidents in economically active age, disability, divorce, poor health in old age, and so forth.
Lower Poverty Line	Extreme poor households whose total expenditures equal the food poverty line, i.e. the cost of the food bundle of the Upper poverty line, but with no allowance for non-food consumption. The Lower poverty line equals an intake of 1,803 kcal per day per person.
Malnutrition	Any deviation from the normal state of nutrition is called malnutrition, which can logically either be under-nutrition or over-nutrition (that includes overweight and obesity). Deficiency of proper nutritional elements due to any cause leads to under-nutrition. Under-nutrition is a broad term ranging from restricted growth of the foetus, low birth weight, stunting, wasting, under-weight to micronutrient deficiencies. It is the outcome of sub-optimal dietary intake, metabolic stress, infectious illnesses, mal-absorption and increased nutrient demands. It includes having poor weight for one's age (underweight), too short for one's age (stunted), thin for one's height (wasted) and being deficient in vitamins and minerals (micronutrient malnutrition). The World Health Organization states that malnutrition is the cellular imbalance between supply of nutrients and energy, and the body's demand for them to ensure growth, maintenance, and specific functions.
Maternal Health Voucher Schemes	Maternal Health Voucher Scheme, a specialized form of demand-side financing programme. To analyse the early lessons from the scheme, information was obtained through semi-structured interviews with stakeholders at the sub-district level. The analysis identified a number of factors affecting the efficiency and performance of the scheme in the programme area: delay in the release of voucher funds, selection criteria used for enrolling pregnant women in the programme, incentives created by the reimbursement system, etc. One of the objectives of the scheme was to encourage market competition among health care providers, but it failed to increase market competitiveness in the area.
Maternity Insurance	The insurance covers part or all of the medical cost during a woman's pregnancy. Coverage is broken down into inpatient and outpatient services. Typically, inpatient coverage includes hospitalization and physician fees associated with child birth.
Means Test	A determination of whether an individual or family is eligible for government assistance, based upon whether the individual or family possesses the means to do without that help.
National poverty Line	This is the percentage of people living below the national poverty line. National estimates are based on population-weighted subgroup estimates from household surveys.
Nutrition	Nutrition is the science of how nutrients and other substances in food act and interact in relation to health and disease. Nutrition is also about the processes by which the body ingests, absorbs, transports, utilises and excretes food substances.
Nutritional Status	Nutritional status is the physiological condition of an individual that results from the balance between nutrient requirements, intake and the ability of the body to use these nutrients.
Open Market Sales	Distribution of stored food grains at prices affordable for poor people. Open market sale also makes it possible to stabilize market prices of food grains during crisis periods. In Bangladesh, OMS covers rice and wheat.
Oportunidades	A government social assistance (welfare) programme in Mexico founded in 2002, based on a previous programme called Progresá, created in 1997. It is designed to target poverty by providing cash payments to families in exchange for regular school attendance, health clinic visits, and nutritional support. Oportunidades has in 2014 been revised with a name change to Prospera.

Poverty	Poverty is a multidimensional social phenomenon characterised by deprivation of basic material, human capability and social requisites for well-being, or vulnerability to such deprivation.
Poverty Gap	Poverty gap ratio is the mean distance separating the population from the poverty line (with the non-poor being given a distance of zero), expressed as a percentage of the poverty line. The ratio is an indicator of the depth of poverty. It measures the aggregate income deficit of the poor relative to the poverty line, and gives an estimate of the resources needed to raise the poor above the poverty line.
Poverty Line	An estimated minimum threshold of income or consumption expenditure that is required to meet the basic necessities of life.
Poverty Profile	How a measure of poverty varies across subgroups of a population (e.g. region of residence) and compares key characteristics of the poor versus non-poor.
Proxy Means Test (PMT)	A mechanism used to select recipients of social protection programmes Proxy means tests generate a score for households based on fairly easy to observe characteristics of the household that serve as proxies for income measurement under true means testing. Such proxies include quality of dwelling, ownership of durable goods, demographic structure of the household, and education and occupations of adult members. The indicators used in calculating this score and their weights are derived from statistical analysis of data from detailed household surveys. Eligibility is determined by comparing the household's score against a predetermined cut off.
Poverty Severity	This takes into account not only the distance separating the poor from the poverty line (the poverty gap), but also the inequality among the poor. That is, a higher weight is placed on those households who are further away from the poverty line. It is measured as the poverty gap squared.
Price Shocks	An unexpected or unpredictable event that affects an economy, either positively or negatively. Technically, it refers to an unpredictable change in exogenous factors—that is, factors unexplained by economics, which may have an impact on endogenous economic variables.
Propensity Score Matching	A quasi-experimental research method attempting to estimate the impact of social transfers on recipients through post-hoc identification of a 'control group' through statistical matching techniques.
Pulse Survey	A survey that monitors the "health" of a situation, programme, context or group of participants. It is usually more focused and specific than a comprehensive monitoring survey and regularly collects selected data to measure trends over time.
Randomized Control Trial (RCT)	An experimental impact assessment methodology utilized in evaluating the impact of social transfers – and other treatments – on outcomes through randomly allocating eligible individuals to control and treatment groups where the effect of social transfers can be observed by comparing outcomes between control and treatment individuals.
Reality Check Approaches	An intensive participatory research methodology involving researchers spending days at a time with families/communities and returning at intervals to repeat, so as to obtain in depth and longitudinal research results.
Result Based Monitoring and Evaluation	Also often referred to as 'Results-based management', which is a broad management strategy aimed at achieving improved performance and demonstrable results in an ongoing process with constant feedback of results to inform actions and decisions.
Risk and Vulnerability	Risk is the combination of the probability of an event and its negative consequences. Vulnerability can be understood as susceptibility to harm from the damaging effects of shocks, resulting from exposure to risks with an absence of capacity to adapt. Risks can be seen as the product of exposure to a shock times the level of vulnerability.

Rural Maintenance Programme (RMP)	RMP evolved from CARE’s Food for Development Programme (FFD), a food for work programme which was essentially relief oriented. The core idea for RMP was really very simple. Women had been identified by FFD as a population particularly vulnerable to poverty and it was realized that roads being constructed under the FFD programme needed ongoing maintenance. In 1983 a pilot was begun under FFD which brought these two needs together by employing destitute women in road maintenance.
Seasonal poverty	Poverty, hunger and illness are highly dynamic phenomena, changing dramatically over the course of a year in response to production, price and climatic cycles. When acute hunger or disease occurs, it is not typically due to conflict or natural disaster, but as result of seasonal influences-annually recurring periods when existing harvest stocks have dwindled, little food is available on the market, and prices shoot upward. This results, predictably, in cycles of poverty that can be devastating.
Sentinel Site Monitoring	The process of using selected and key sites from which to collect data over time rather than implementing larger and nationally representative surveys.
Single Registry Management Information System	The Single Registry is an instrument of shared management of Social policies under the control of the central government.
Social assistance	The term ‘social assistance’ is used by some to refer to social transfers exclusively, and by others to refer to any form of assistance provided to individuals in need on a non-contributory basis (i.e. including social transfers, as well as subsidies, social services, etc.).
Social Development Policy	Primarily refers to guidelines, principles, legislation and activities that affect the living conditions conducive to human welfare.
Social exclusion	Refers to processes in which individuals or entire communities of people are systematically blocked from rights, opportunities and resources (e.g. housing, employment, healthcare, civic engagement, democratic participation and due process) that are normally available to members of society and which are key to social integration.
Social Guarantee	Social guarantees are sets of legal or administrative mechanisms that determine specific entitlements and obligations, related to certain rights, and ensure the fulfilment of those obligations on the part of the State. Social guarantees have five key characteristics: (i) they have a legal expression that results in an explicit State responsibility; (ii) they are constructed in reference to a specific rights holder; (iii) they involve mechanisms of access and redress; (iv) the mechanisms that they envision are defined in a precise manner; (v) they are flexible and revisable. As a result, they facilitate the reduction of opportunity gaps across social groups.
Social Insurance	Contributory benefits that provide transfers on the basis of contribution records and social solidarity. Benefits often include old age, disability and survivors’ pensions, unemployment insurance and maternity insurance.
Social Policy	Measures that affect people’s well-being, whether through the provision of welfare services or by means of policies that impact upon livelihoods more generally.
Social Protection	Social protection is defined in the European Report on Development as ‘A specific set of actions to address the vulnerability of people’s life through social insurance, offering protection against risk and adversity throughout life; through social assistance, offering payments and in kind transfers to support and enable the poor; and through inclusion efforts that enhance the capability of the marginalised to access social insurance and assistance’.

Social Protection Floor (SPF)	A United Nations initiative in which countries commit to establishing a minimum level of social protection. It has two basic dimensions: the first is a social security floor that ensures a minimum income for all families, in particular those who are most vulnerable; the other focuses on the obligation by states to provide full access for people to the broad range of essential public services, in particular health and education.
(Social) Safety Net	The term was introduced to refer to a temporary measure to catch those who were transiently made vulnerable through structural adjustment and liberalisation (e.g. transfers to households or subsidy programmes). The term '(social) safety net' is now widely used, sometimes with a different meaning. There is no commonly agreed definition of this terminology, and actors may use it to refer to protective social transfer projects ensuring a minimum level of income (as per the original definition), or (humanitarian) cash transfer projects, or social transfer schemes developed within a broader social protection system (guaranteeing a long-term institutionalised social protection). This Reference Document adopts the original, narrower definition of a safety net as a temporary social transfer project operated outside of government structures.
Social Security	The system of cash transfers provided by countries, comprising both non-contributory and contributory (social insurance) transfers. Social security is recognized as a human right in a range of international human rights conventions.
Social Transfers	In this document, the term 'social transfers' refers to non-contributory, publicly funded, direct, regular and predictable resource transfers (in cash or in kind) to poor and vulnerable individuals or households, aimed at reducing their deficits in consumption, protecting them from shocks (including economic and climatic shocks), and, in some cases, strengthening their productive capacity.
Stunting	'Stunting' describes chronic under-nutrition, characterised by low height compared to age. It occurs over a slow cumulative process as a result of inadequate nutrition and/or repeated infections. It is denoted as $<- 2$ Z-scores of the median height-for-age according to WHO growth standards for children. Severe stunting is defined as a height-for age index $<- 3$ Z-scores below the median of the international reference population. It is not possible to reverse stunting.
Supplementary Feeding	Supplementation is the provision of extra nutrients (micronutrients or energy/protein) in the form of food, tablets, capsules, syrups or powders. Supplementary feeding is a standard intervention to prevent malnutrition and to treat moderately malnourished children under five and pregnant and lactating women.
Sustainability	"Sustainability" means "possible to be upheld and defended". For example, when formal and informal processes; systems; structures; and relationships actively support the capacity of current and future generations to create healthy and liveable communities. Socially sustainable communities are equitable, diverse, connected and democratic and provide a good quality of life. It can also refer to bringing about poverty alleviation in ways that can be upheld by households and the environment local communities depend on.
Targeting	The means by which individuals are selected as beneficiaries of social protection programmes.
Transient Poverty	Poverty among households who are poor during some parts of a year but not others, or in some years but not all. They may be poor in some years due to idiosyncratic or covariate temporary shocks ranging from an illness in the household or the loss of a job to drought or macroeconomic crisis. Also called transitory poverty.
Tax-financed	A levy placed on a specific type of monetary transaction for a particular purpose. The concept has been most commonly associated with the financial sector; it is not usually considered to include consumption taxes paid by consumers.

Under-Nutrition	Under-nutrition is the physical manifestation of hunger. It includes intrauterine growth restriction which leads to low birth-weight, stunting, wasting, and deficiencies of essential micronutrients. Under-nutrition results from inadequate food consumption, poor absorption and/or impaired biological use of nutrients.
Underweight	In financial markets, underweight is a term used when rating stock. A rating system may be three-tiered: "overweight", "equal weight" and "underweight", or five-tiered: "buy", "overweight", "hold", "underweight" and "sell". Also used are "outperform", "neutral", "underperform" and "buy", "accumulate", "hold", "reduce", "sell".
Unemployment Insurance	A source of income for workers who have lost their jobs through no fault of their own. Workers who quit or are fired are generally not eligible for unemployment insurance. Workers who are self-employed are also not eligible to receive unemployment insurance and must provide their own rainy-day funds to cover times when no work is available.
Upper Poverty Line	Moderate poor households whose food expenditure is at the food poverty line. The line is defined by Cost of Basic Needs for a bundle of eleven food items corresponding to 2,122 kcal per day per person plus an allowance for essential non-food consumption.
Vulnerable Group Development (VGD)	VGF has been over the years, transformed into Vulnerable Group Development (VGD). About 500,000 women families are getting benefit and each family receives 30 kgs of wheat per month.
Vulnerable Group Feeding (VGF)	VGF is a form of gratuitous relief. This programme is normally launched during disaster and after disaster till the distressed people remaining vulnerable to hunger. It may be stated that the WFP started its relief activities as VGF Programme in Bangladesh among the poorest women from 1975 under projects BGD 2226.
Wasting	Wasting describes acute under-nutrition characterised by low bodyweight compared to height. It is a result of recent rapid weight loss or failure to gain weight. Wasting is measured by the weight-for-height index (< -2 Z-scores of the median weight-for-height according to WHO growth standards). Severe wasting is defined as a weight-for-height < -3 Z-scores of the median of the WHO standards. Wasting is readily reversible once conditions improve.
Workfare Programmes	Form of social welfare programme requiring able-bodied adults to work for social transfers (cash or food).



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