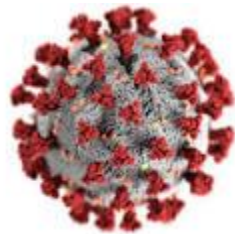


# **Bangladesh**

# **COVID 19 and Social Protection**

# **Response**



Bazlul H Khondker, PhD

July 29, 2020

# Presentation Outline

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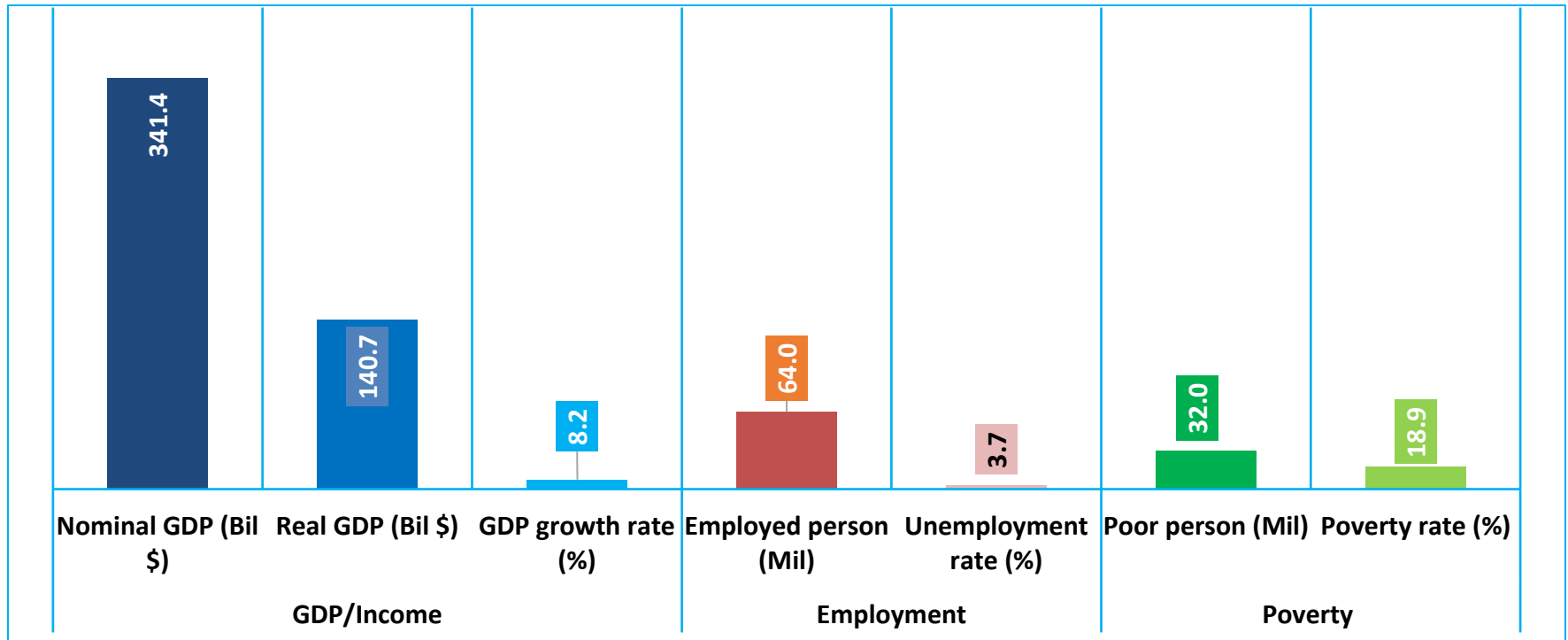
## Three Parts

**Part A: Pre-COVID 19 Situation and Social Protection System**

**Part B: COVID 19 Impacts and Responses**

**Part C: Recommendation**

# Before COVID 19... Rosy Picture!

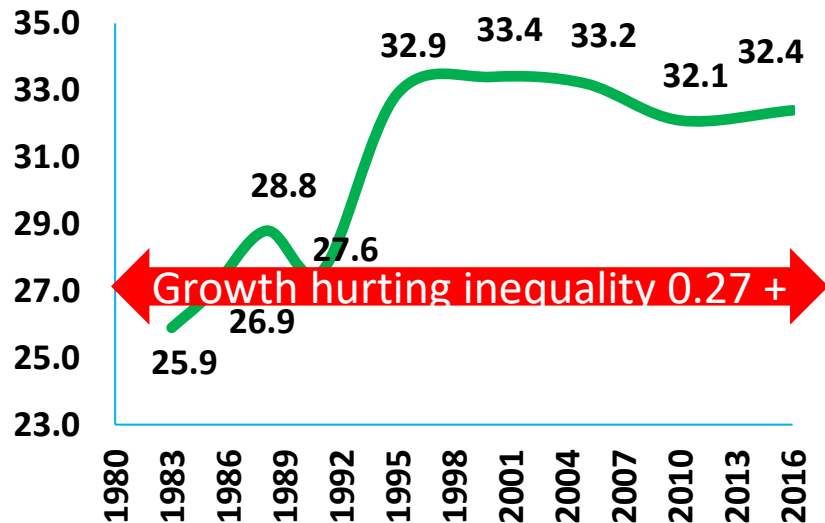


- According to official data and key indicators Bangladesh's performances were good

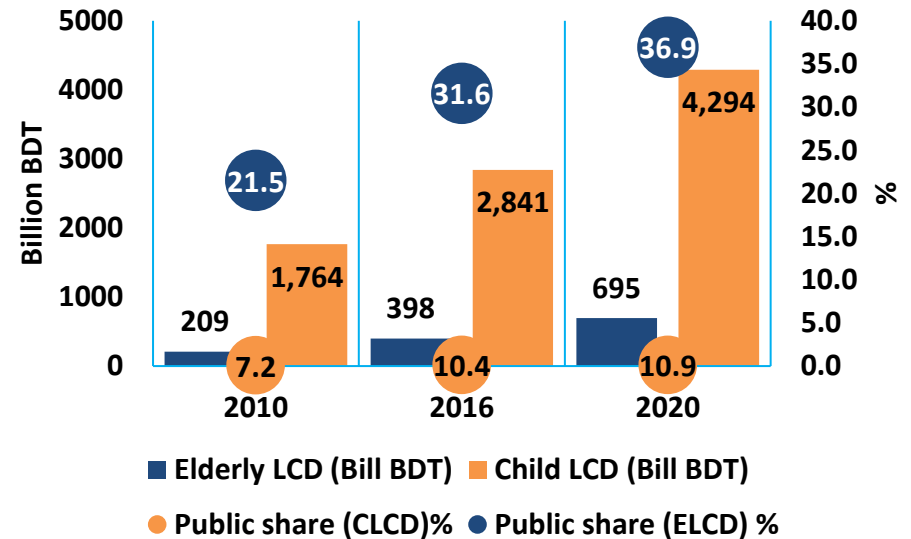
**8.2%** growth | **3.7%** unemployment rate | Further improvements in poverty rate to **18.9%** and extreme poverty rate to **9.4%**.

# Concerns... Rising Inequality and LCD

Consumption Gini Coefficient



Child and Elderly LCD



- Income Gini also rising and 0.16 percentage points higher (0.486 in 2016)
- In every society Children (0-17) and elderly (65+) don't earn (Y) but consume (C), the *gap (C-Y)* is called life cycle deficit (LCD). They are increasing fast and coverage is mainly from private transfers.

# Bangladesh Social Protection System

## Key Features

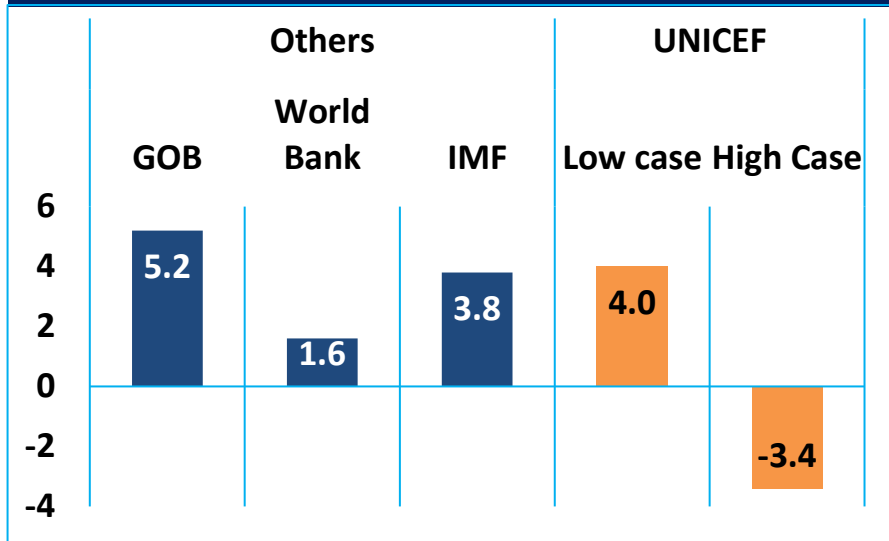
- Allocation – 2.5 to 2.9% of GDP
- Coverage – 34% of population in FY2018
- Transfer amounts BDT 500 and BDT 800/Month
- G2P coverage 6 % of total allocation
- More than 130 programmes

## Key Concerns

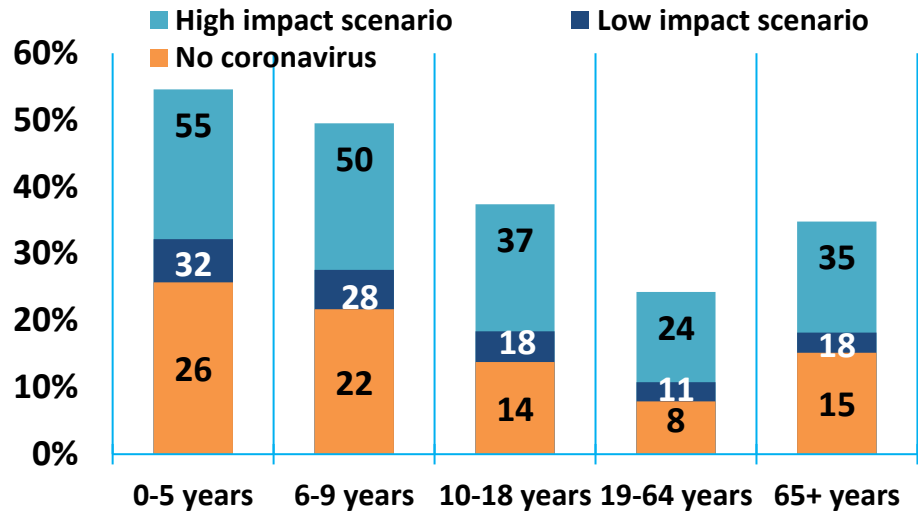
- Exclusion error – 70%
- Mismatch between demography and SP Spending:
  - Children (0-5): 9% of Pop | 2% SP budget
  - Elderly: 8% of Pop | 72% SP budget
- Low urban coverage – 4% against 47% for rural
- Urban coverage lower than poverty
  - 10.6% coverage | 18.8% poverty
- Rural coverage higher than poverty
  - 34.5% coverage | 26.4 % poverty
- Inadequate transfer amounts
- If civil servant pension/others excluded social assistance to poor/vulnerable is 1.5 to 1.7 % of GDP

# COVID 19 Shocks... large and still unfolding

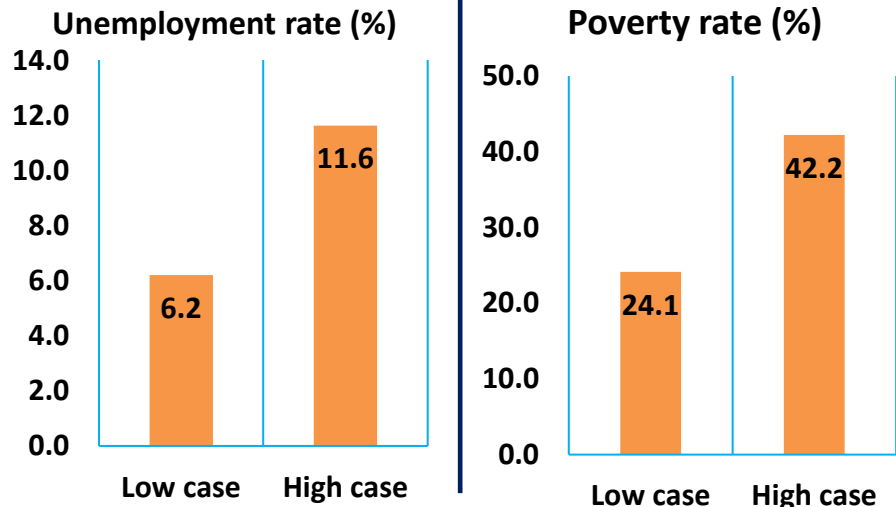
## GDP Growth (% change over 2019)



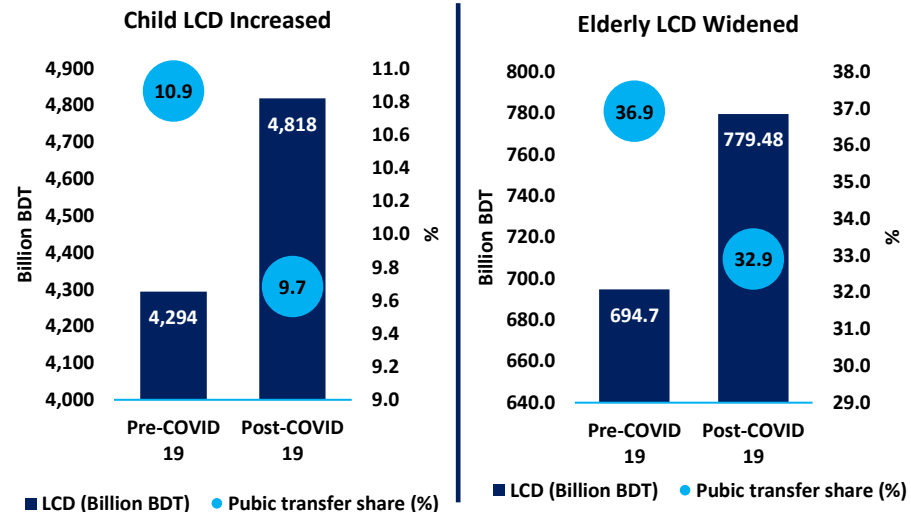
## Simulated Household Poverty (%)



## Unemployment and Poverty



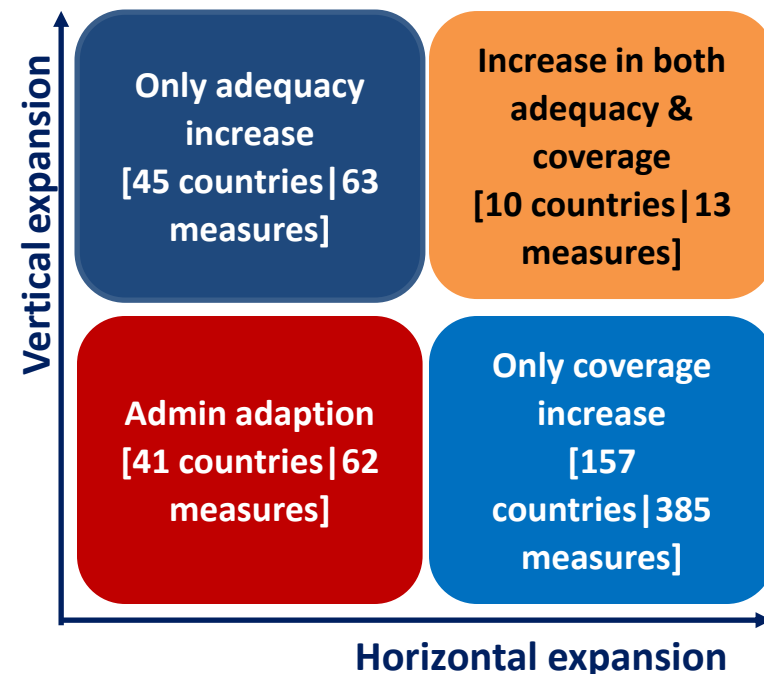
## Rising Life Cycle Deficit



# Global Approach to SP Responses

- Use existing SP by
  - **Vertical expansion:** increase the transfers value
  - **Horizontal expansion:** expand the number of recipients
- Introduce new scheme
- IMF – universal transfers in South Asia
- WB – need to consider universal social protection entitlements that reach the missing middle
- UN – universal transfer from human rights and SG perspectives
- Most countries increased cash transfers using digital infrastructure for registration and payment
- “As a rough rule of thumb.... a near-term fiscal injection of transfers less than 2% of GDP should be judged as inadequate” (Martin Ravallion, 2020)

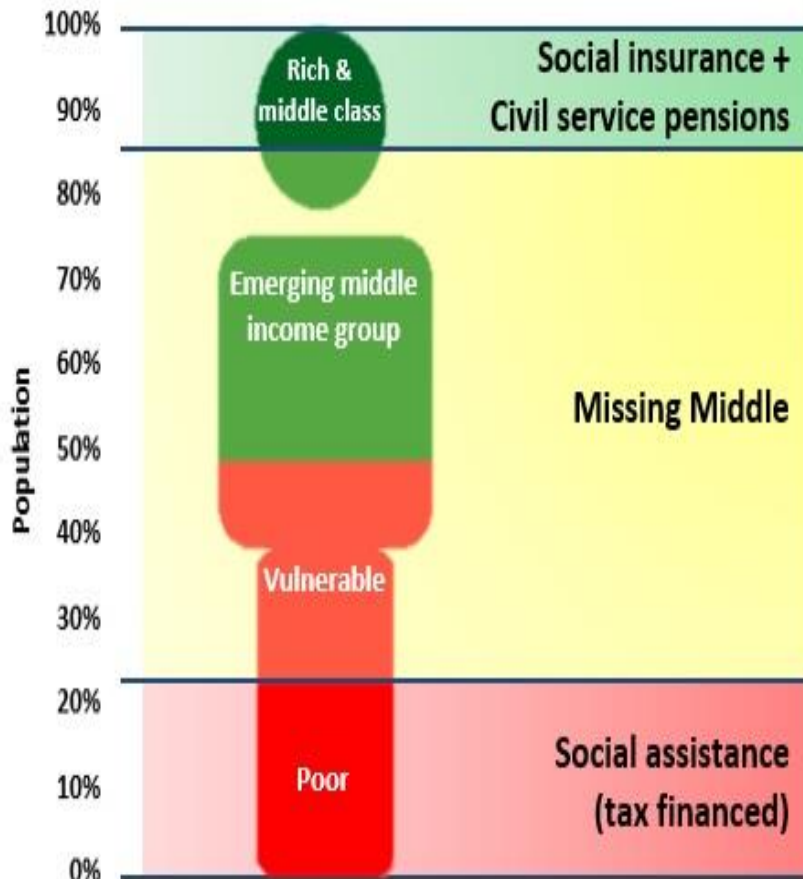
- Survey of 173 countries – social assistance dominates
- Non-contributory programme 60% of global response
- Elements of Vertical/Horizontal Response



Source: Gentilini et al. (2020)

# GOB Responses..

## Bangladesh SP System



## GOB: Stimulus

- 19 stimulus packages worth over \$10 billion, 3.7 % of GDP; but mainly via money market
- SP response:
  - (1) 5000 crore wage subsidy (Labour Market)
  - (2) BDT 2400 one time transfer to 50 lac households (Social Assistance)
  - (3) Announced plan reaches just 15% of households
  - (4) A one-off payment may not be sufficient to enable families to fully recover from the crisis
- Scheme 2 encountered identification problem
  - only 14 lac received money
  - remaining lists are undergoing reverification
  - Little progress in identifying and reaching households

# Recommendation

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- Fiscal response (SP) in Bangladesh has so far been weak
- Missing middle (60%) also needs support during COVID 19
- A rapid, bold, broad-based and forward-looking response is needed
- This will not only save lives but also support livelihood through boosting economic growth
- Bangladesh must learn from current crisis & take actions to
  - *Prepare a robust data base using NHD/IMS/NID/other relevant digital indicators (during FY2021)*
  - *Increase coverage (universal Child grant and OAA)*
  - *Align demography/location with SP spending*
  - *Introduce contributory pension (during FY2021)*
  - *Expand G2P payment to 100% during 8FYP*
  - *Improve M&E system (during FY2021)*
  - *Set a time bound implement plan for NSSS (majority in 8FYP)*