

Bangladesh Social Protection System Current Status and Future Priorities

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Presentation Outline

Two Parts

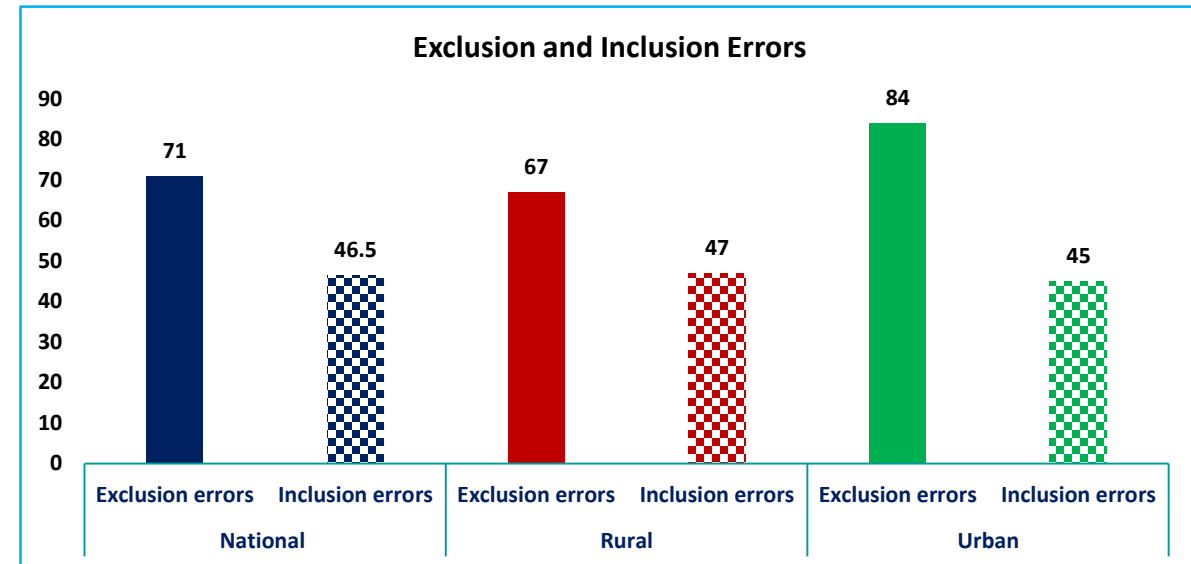
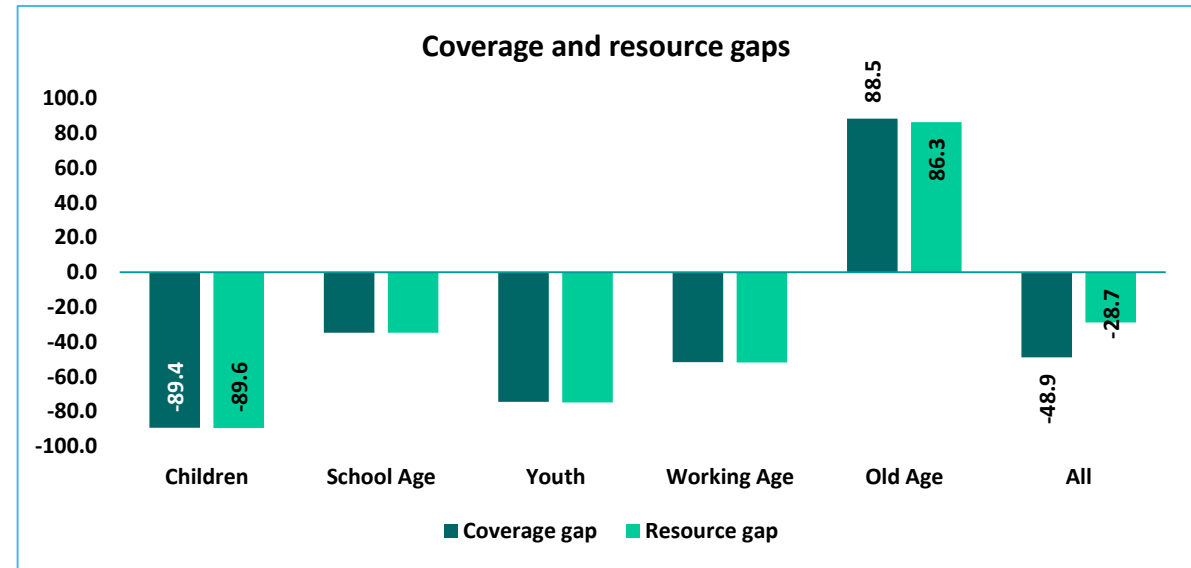
Part A: Social Protection System: Current Status

Part B: Social Protection System: Future Priorities

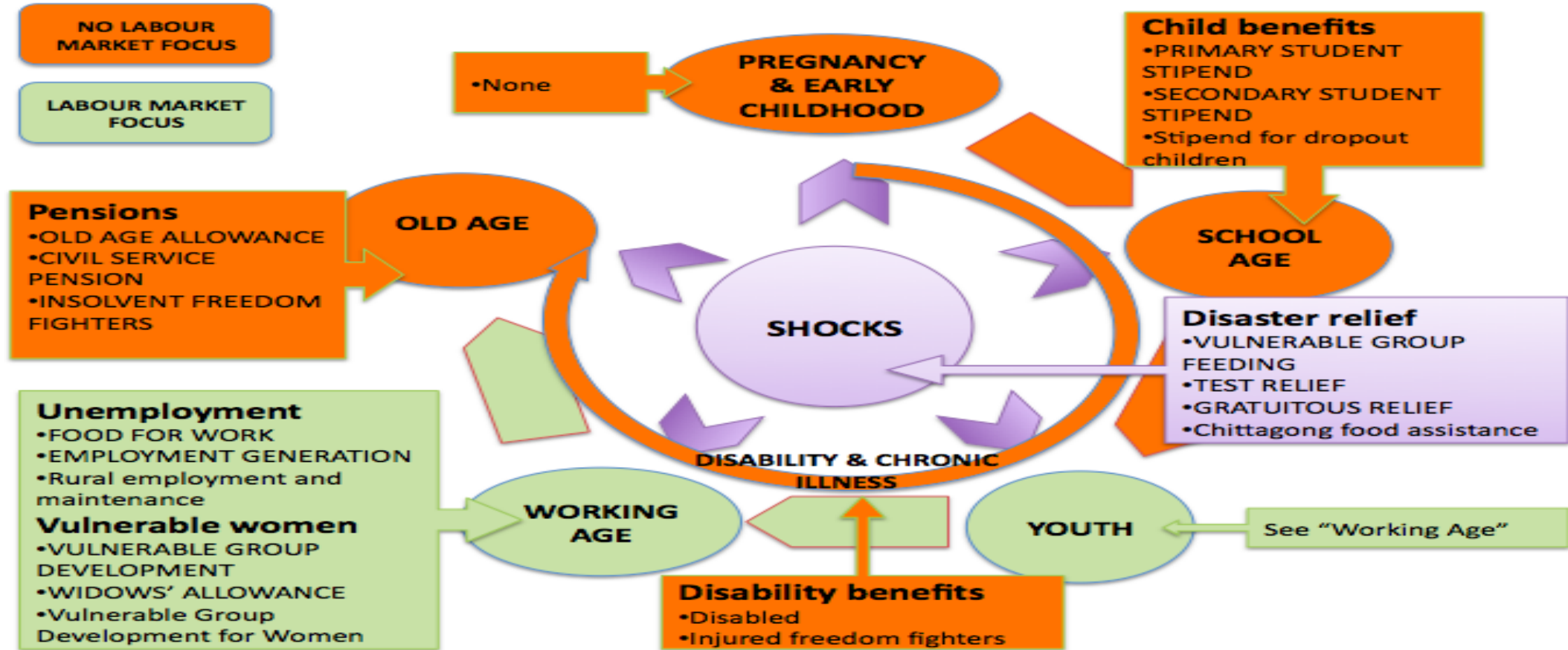
Key Features of Bangladesh SP System

- Large number of small schemes – 150 +
- Allocation 2.5-3 % of GDP
 - If civil servant pension/others excluded social assistance to poor/vulnerable is 1.5 to 1.7 % of GDP
- Beneficiary Coverage 35 %
- Average transfer amount BDT 595 (2019) | Covers 31% of the needs | Inadequate (by recipients)
- Large selection/targeting errors
- G2P (16% of program budget)
- Poverty impacts of SP investment 1.5 percentage points

CE: 0.6 → Low value for Money

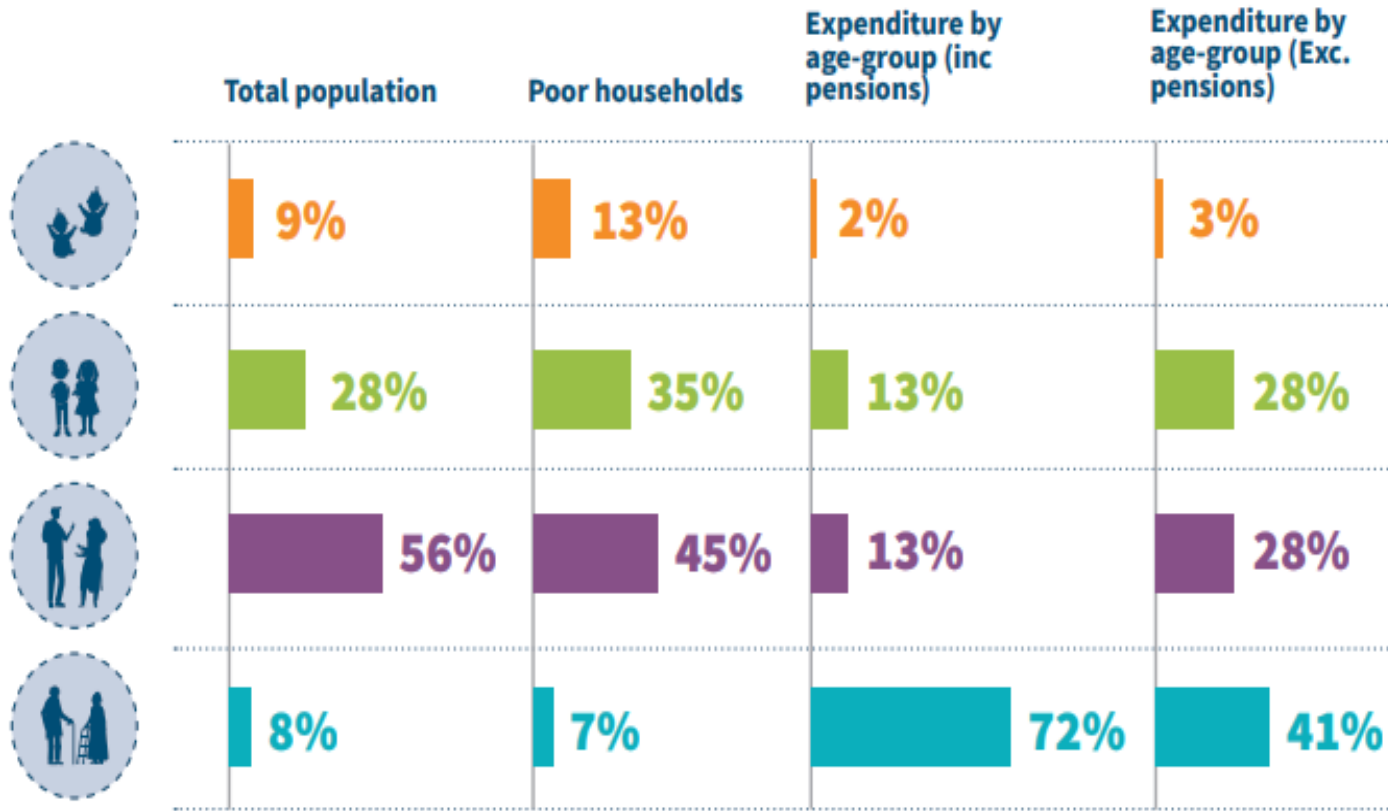


Salient Features of the Current System



Although not by design, the major SP schemes in Bangladesh have evolved over time to address lifecycle risks. Above figure maps the major schemes in Bangladesh across the lifecycle, with the large schemes in capitals; it also includes the main short-term disaster relief programmes and the civil service pension.

Misalignment of the Current System



Source: World Bank Bangladesh SP PER 2021

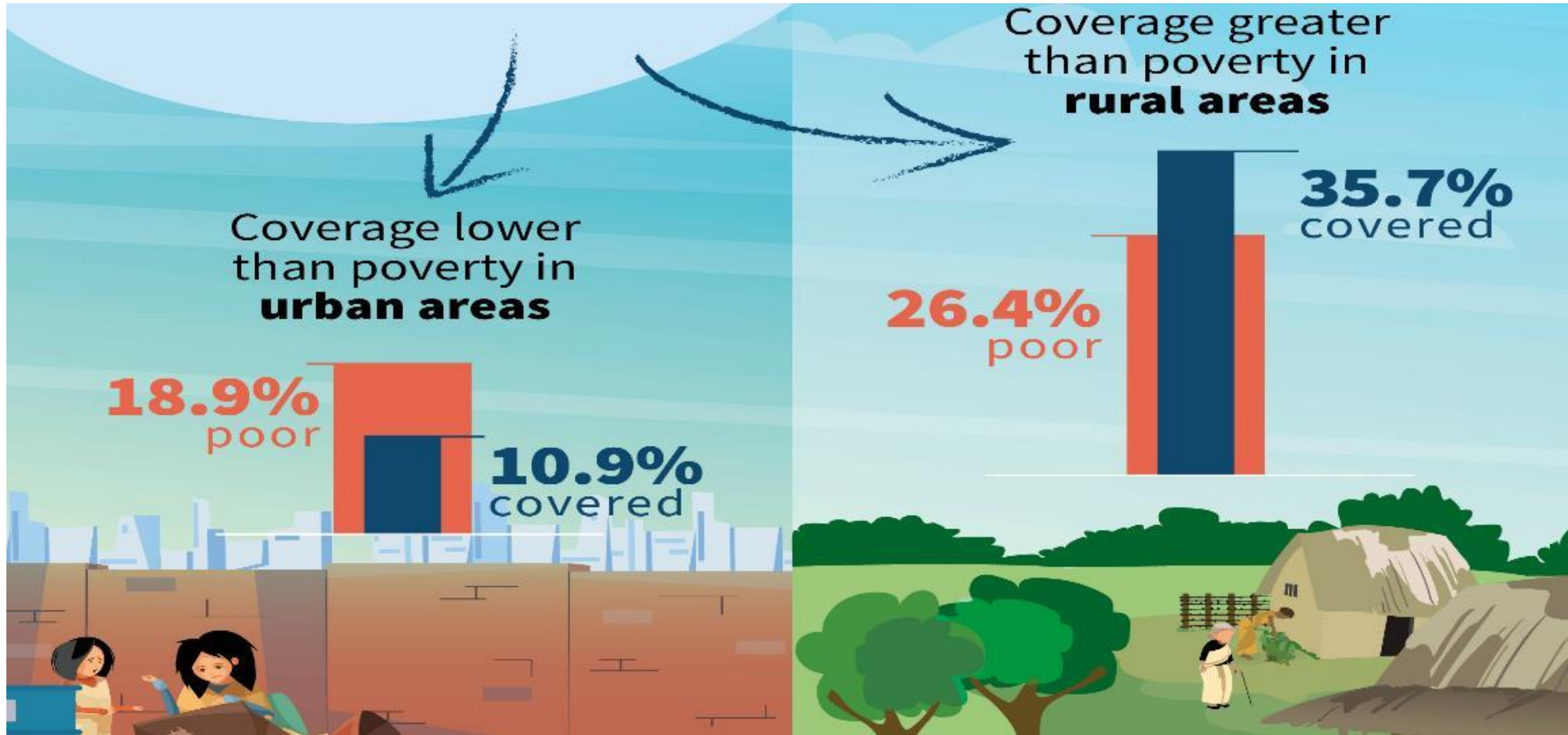
Issue:

- Young children account for almost one in every eight poor persons, but receive **only 1.6% of SP expenditures**
- Costs could become unsustainable as Bangladesh ages, with current structure of programs

Actions:

- ➔ Invest more during early years
- ➔ Ensure long-term sustainability of programs for the elderly

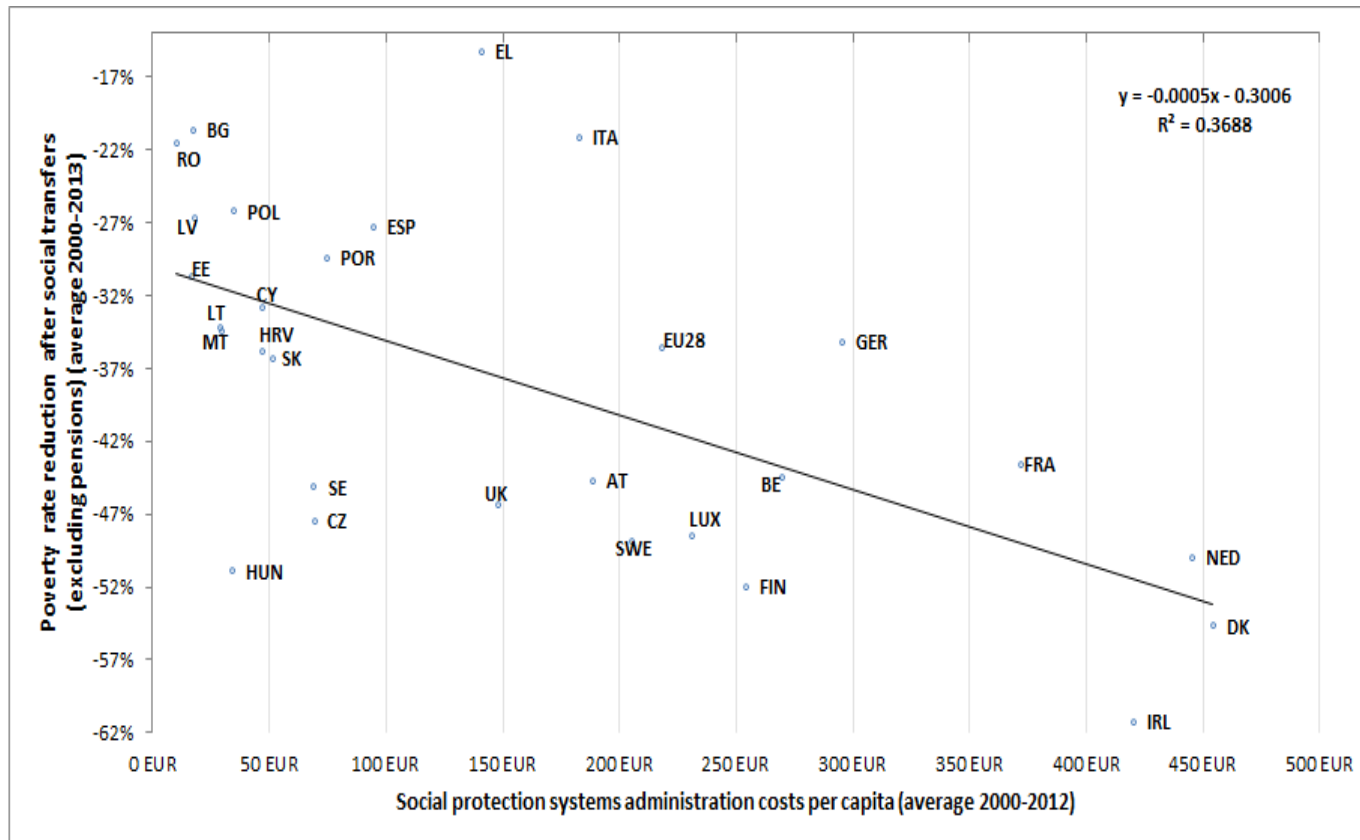
Misalignment of the Current System



Source: World Bank Bangladesh SP PER 2021

Low or No Administrative Cost

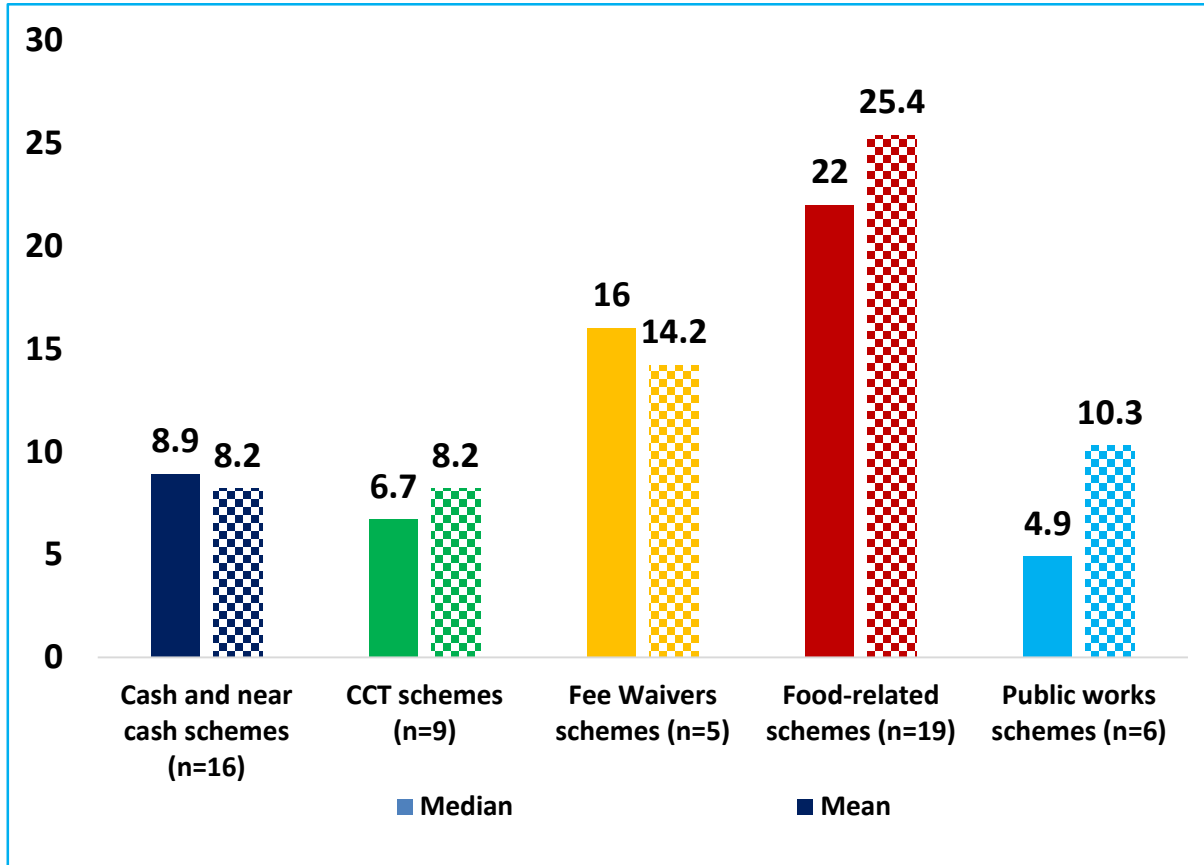
EU data suggests positive association between Administrative costs and Programme success



- *On average the EU 28 spent about 1 % of their GDP on administrative cost.*
- **Group 1:** *Denmark, Ireland, the Netherlands and France allocate around 1.4 to 1.6% of their GDP on administrative cost – with good impacts.*
- **Group 2:** *Counties such as Romania, Malta, Hungary and Estonia spent around 0.2% of their GDP on administration costs of social protection systems – impacts are lower than the first group.*

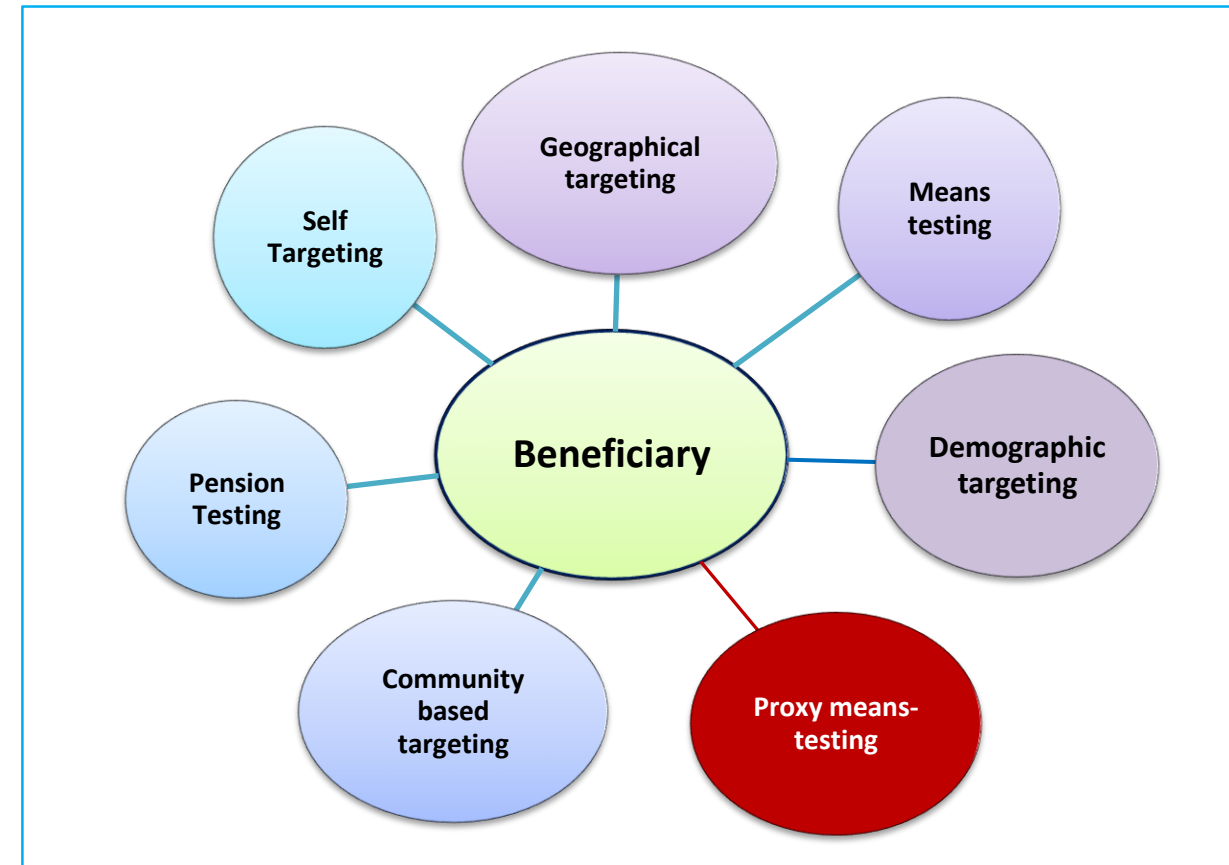
International Evidence on Administrative Cost

Administration Costs are High for Food Schemes



Source: Grosh et al (2008)

PMT more expensive



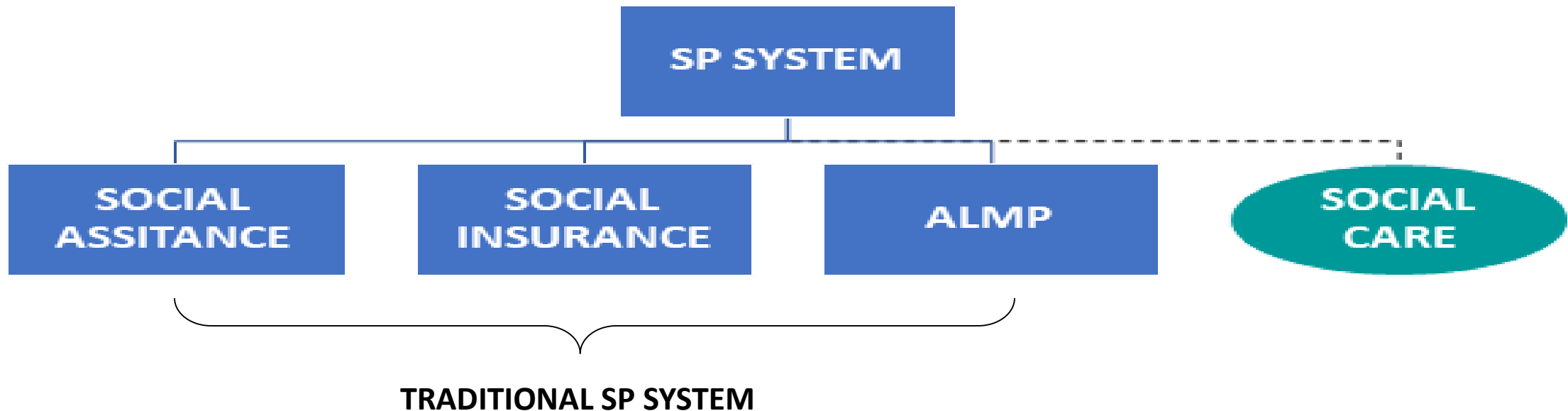
Source: Based on Coady et al (2004) and Kidd and Diloa (2019)

COVID 19 and Future SP System

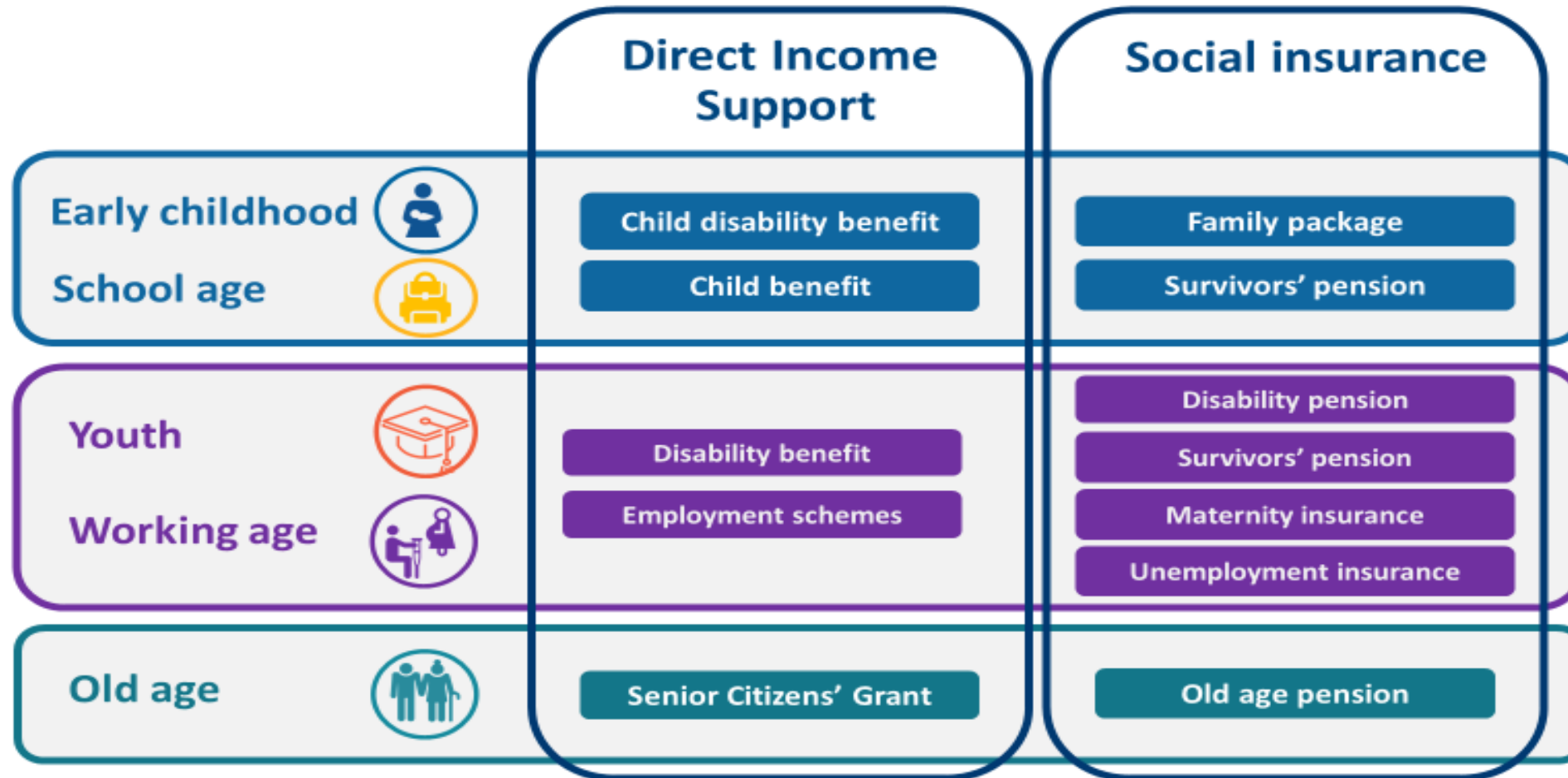
- **Approaches to social protection during COVID-19 also have implications for the Bangladesh's social protection system.**
- **During COVID-19, the global system not only witnessed unprecedented horizontal and vertical expansion also record emergence of new instruments to tackle new vulnerability which could not be addressed with traditional programmes.**
- **New risks emerged out of the COVID-19 crisis relates mostly to women, children, marginalised groups and informal workers.**
 - **Temporary basic income (TBI) for women has emerged as an innovative social protection programmes – especially targeting the vulnerable women (mostly from informal sector) and**
 - **Universal early learning and care for children.**

Future System: Inclusive with no One Leaving Behind

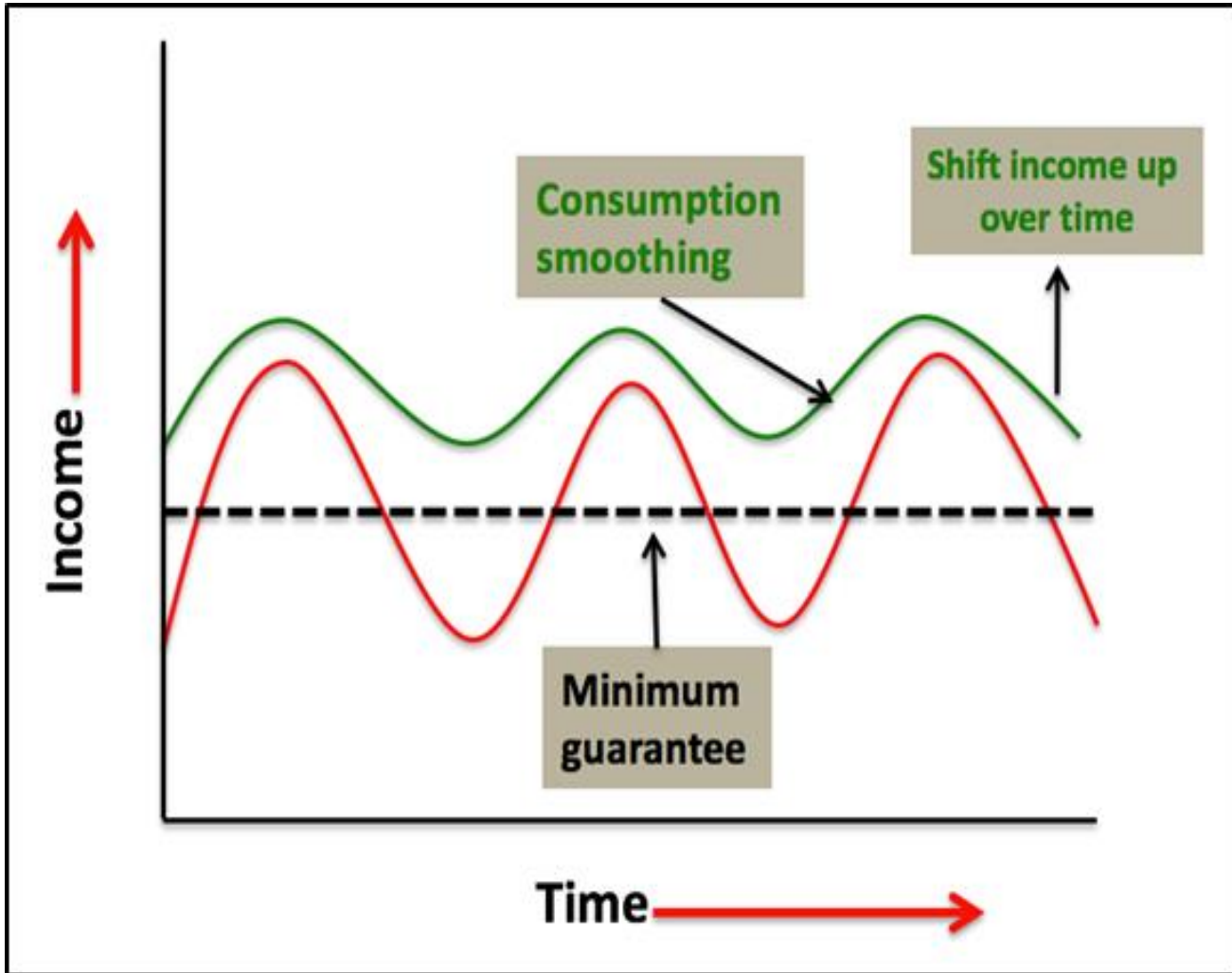
- Bangladesh must make steps to immediate implement the unfinished reforms laid out in the NSSS.
- Given the new risks emerged out of the COVID-19 crisis (e.g. disproportionate impacts on women, children, marginalised groups and informal workers), the full implementation of NSSS may not ensure 100 percent inclusivity.



A Multi-tiered SP for Different Stages of the Lifecycle



Role of Direct Income Support and Social Insurance



- Direct income support schemes - provide a **minimum income below** which individuals and families know they will not fall
- Social insurance - offers **consumption smoothing** across the lifecycle to those who can afford to contribute

Future System: Inclusive with no One Leaving Behind

Summary Framework: Future Social Protection System for Bangladesh

	Conventional Pillars				New Pillar		
	Social Assistance	Social Insurance	Active Labour Market Programmes		Social Care		
Beneficiary	Poor	Vulnerable	Formal workers	Informal workers	Children	Elderly	PwD
Coverage	35%	55-65%	12%	88%	9%	7%	2%
Interventions	Cash/Kind	Insurance	Regulations	Regulations/Incentives			
Responsibility	Public	Private	Employers	Public & Self-employed	Public-Private		
GOB Cost (% of GDP)	3%	0%	0%	1%	1%		

Note: **Already in place but may need further improvements**

Partially in place but needs substantial efforts

Not in place

The hall mark of the approach are that

- (i) it asks for a balanced approach with four pillars,
- (ii) it paves the way for programme or instrument diversification through SA, SI and labour market regulations,
- (iii) it addresses informality and initiates the process of formalisation,
- (iv) it provides scope to develop the care services,
- (v) it opens up rooms for the private sector participation, and
- (vi) it ensures fiscal sustainability by allowing public-private partnership in programme development, financing and delivery.

Conclusion

- 1. Social protection is an important policy instrument in Bangladesh. Since independence to 2015 the system evolved around addressing poverty and tackling new deprivation.**
- 2. The year 2015 was a game changer for social protection with the approval of NSSS. However, progress with social protection reforms has been slow.**
- 3. Given the slow progress and the need for new instruments to address new vulnerabilities emerged out of COVID-19, Bangladesh needs to revisit NSSS to set new vision or approach to social protection.**
- 4. The new approach should be an inclusive one with no one left out. Accordingly, a new framework has been advocated based on four pillars of social protection – social assistance, social insurance, labour market policies, social care and shared burden between the public and private sector.**
- 5. The key to any reform is political will. We hope there will be strong political support for the future social protection in Bangladesh – *Leaving No One Behind*.**